# PUBLICATION OF OFFERING CIRCULAR AND PRICING SUPPLEMENTS

**CHINA DEVELOPMENT BANK**
**(as Issuer)**

**Issue of**
**US$500,000,000 Floating Rate Notes due 2027 (Stock Code: 4575) (the "USD Notes")**
**and**
**EUR500,000,000 3.375 per cent. Notes due 2027 (Stock Code: 4577) (the "EUR Notes", together with the USD Notes, the "Notes")**
**under the**
**U.S.$30,000,000,000 Debt Issuance Programme (the "Programme")**
**established by**

国家开发银行
CHINA DEVELOPMENT BANK

## CHINA DEVELOPMENT BANK

*(formerly known as China Development Bank Corporation)*

*(a limited liability company incorporated under the laws of the People's Republic of China)*

## AND

## CHINA DEVELOPMENT BANK HONG KONG BRANCH

This announcement is issued pursuant to Rule 37.39A of the Listing Rules on The Stock Exchange of Hong Kong Limited.

Please refer to the offering circular dated 3 April 2024 in relation to the Programme (the "**Offering Circular**"), the pricing supplement dated 9 April 2024 in relation to the USD Notes (the "**USD Notes Pricing Supplement**") and the pricing supplement dated 9 April 2024 in relation to the EUR Notes (the "**EUR Notes Pricing Supplement**", together with the USD Notes Pricing Supplement, the "**Pricing Supplements**") each appended herein. As disclosed in the Pricing Supplements and the Offering Circular, the Notes are intended for purchase by professional investors (as defined in Chapter 37 of the Listing Rules) only and have been listed on The Stock Exchange of Hong Kong Limited on that basis.

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

The Pricing Supplements and the Offering Circular must not be regarded as an inducement to subscribe for or purchase any securities of China Development Bank or China Development Bank Hong Kong Branch, and no such inducement is intended.

Beijing, PRC, 17 April 2024

*As at the date of this announcement, the board of directors of China Development Bank consists of Mr. Zhao Huan and Mr. Tan Jiong as executive directors; Mr. Li Chunlin, Mr. Liao Min, Ms. Guo Tingting and Ms. Zhang Xiaohui as government agency directors; and Mr. Zhang Shenghui, Mr. Tan Long, Ms. Ge Rongrong, Ms. Zhang Lusong and Mr. Fan Kejun as equity directors.*

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## OFFERING CIRCULAR DATED 3 APRIL 2024

# IMPORTANT NOTICE

**THIS OFFERING IS AVAILABLE ONLY TO INVESTORS WHO ARE ADDRESSEES OUTSIDE OF THE UNITED STATES AND, IN CERTAIN CASES, ARE NOT U.S. PERSONS (AS DEFINED IN REGULATION S UNDER U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"))**

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

**Confirmation of Your Representation:** The attached Offering Circular is being sent to you at your request and by accepting the e-mail and accessing the attached Offering Circular, you shall be deemed to represent to each of the Issuers, the Arrangers and the Dealers (each as defined in the attached Offering Circular) that (1) you and any customers you represent are not U.S. persons (as defined in Regulation S under the Securities Act) and that the e-mail address that you gave us and to which this e-mail has been delivered is not located in the United States, its territories or possessions, and (2) that you consent to delivery of the attached Offering Circular and any amendments or supplements thereto by electronic transmission.

The attached document has been made available to you in electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of transmission and consequently none of the Issuers, the Arrangers, the Dealers and the Agents (as defined in the attached Offering Circular) nor their respective affiliates and their respective directors, officers, employees, representatives, agents and each person who controls any of the Issuers, the Arrangers, the Dealers and the Agents or their respective affiliates accepts any liability or responsibility whatsoever in respect of any discrepancies between the document distributed to you in electronic format and the hard copy version. We will provide a hard copy version to you upon request.

**Restrictions:** The attached document is being furnished in connection with an offering in offshore transactions in compliance with Regulation S under the Securities Act solely for the purpose of enabling a prospective investor to consider the purchase of the securities described in the attached Offering Circular (the "**Securities**").

**THE SECURITIES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE SECURITIES ACT, OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION AND SECURITIES IN BEARER FORM ARE SUBJECT TO U.S. TAX LAW REQUIREMENTS. THE SECURITIES MAY NOT BE OFFERED OR SOLD OR (IN THE CASE OF THE SECURITIES IN BEARER FORM) DELIVERED WITHIN THE UNITED STATES OR, IN CERTAIN CASES, TO OR FOR THE ACCOUNT OR BENEFIT OF ANY U.S. PERSON, 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, AND IN CERTAIN CASES, ONLY TO NON-U.S. PERSONS.**

Nothing in this electronic transmission constitutes an offer or an invitation by or on behalf of the Issuers, the Arrangers, the Dealers or the Agents to subscribe for or purchase any of the Securities described therein, and access has been limited so that it shall not constitute in the United States or elsewhere a general solicitation or general advertising (as those terms are used in Regulation D under the Securities Act) or directed selling efforts (within the meaning of Regulation S under the Securities Act). If a jurisdiction requires that the offering be made by a licensed broker or dealer and the Dealer or any affiliate of it is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by it or such affiliate on behalf of the relevant Issuer in such jurisdiction.

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

**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.

**YOU ARE NOT AUTHORISED TO AND YOU MAY NOT FORWARD OR DELIVER THE ATTACHED OFFERING CIRCULAR, ELECTRONICALLY OR OTHERWISE, TO ANY OTHER PERSON OR REPRODUCE SUCH OFFERING CIRCULAR IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THE ATTACHED 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.**

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国家开发银行
China Development Bank

*(formerly known as China Development Bank Corporation)*
*(a limited liability company incorporated under the laws of the People's Republic of China)*

# US$30,000,000,000 Debt Issuance Programme

We, China Development Bank (the "**Bank**"), are a state-owned development finance institution. Under the US$30,000,000,000 Debt Issuance Programme described in this Offering Circular (the "**Programme**"), (i) the Bank and (ii) China Development Bank Hong Kong Branch (the "**Hong Kong Branch**") (each an "**Issuer**" and together, the "**Issuers**"), subject to compliance with all relevant laws, regulations and directives, may from time to time issue notes (the "**Notes**").

Each Series (as defined in "*Terms and Conditions of the Notes*" (the "**Conditions**")) of Notes in bearer form will be represented on issue by a temporary global note in bearer form (each a "**temporary Global Note**") or a permanent global note in bearer form (each a "**permanent Global Note**") (collectively, the "**Global Notes**"). Interests in a temporary Global Note will be exchangeable, in whole or in part, for interests in a permanent Global Note on or after the date 40 days after the relevant issue date, in the case of Notes for which US Treas. Reg. §1.163-5(c)(2)(i)(D) (or any successor rules for purposes of Section 4701 of the U.S. Internal Revenue Code of 1986, as amended (the "**Code**")) (the "**TEFRA D**") are specified in the relevant Pricing Supplement (as defined in "*Summary of the Programme*") as applicable, upon certification as to non-U.S. beneficial ownership. Each Series of Notes in registered form will be represented by registered certificates (each a "**Certificate**"), one Certificate being issued in respect of each Noteholder's entire holding of Notes in registered form of one Series. Registered Notes (as defined in "*Summary of the Programme*") issued in global form will be represented by global certificates ("**Global Certificates**"). Global Notes and Global Certificates may be deposited on the issue date with a common depositary on behalf of Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking S.A. ("**Clearstream**") (the "**Common Depositary**") or with a sub-custodian for the Central Moneymarkets Unit Service (the "**CMU**"), operated by the Hong Kong Monetary Authority. The provisions governing the exchange of interests in Global Notes for other Global Notes and definitive Notes and the exchange of interests in Global Certificates for definitive Certificates are described in "*Summary of Provisions relating to the Notes while in Global Form*".

The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**Securities Act**") and Notes in bearer form are subject to U.S. tax law requirements. The Notes may not be offered, sold, pledged, transferred or (in the case of Notes in bearer form) delivered within the United States or, in certain cases, to, or for the account or benefit of U.S. persons (as defined in Regulation S under the Securities Act ("**Regulation S**")), except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. The Notes are being offered only in offshore transactions in reliance on Regulation S, and in certain cases, only to non-U.S. person. For a description of these and certain further restrictions on offers and sales of the Notes and the distribution of this Offering Circular, see "*Subscription and Sale*" in this Offering Circular.

Where applicable for a relevant Tranche (as defined in the Conditions) of Notes, the Notes will be issued within the relevant annual or otherwise general foreign debt issuance quota granted to the Bank or registration will be completed by the Bank pursuant to the Administrative Measures for the Examination and Registration of Medium- and Long-term Foreign Debts of Enterprises (企業中長期外債審核登記管理辦法(國家發展和改革委員會令第56號)) which took effect on 10 February 2023 (as supplemented, amended or replaced from time to time) and any implementation rules or policies as issued by the NDRC from time to time (the "**NDRC Administrative Measures**"). After the issuance of such relevant Tranche of Notes, the Bank intends to provide the requisite information and documents in respect of such Notes in accordance with the NDRC Administrative Measures to the NDRC within the relevant prescribed time periods.

Application has been made to The Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**") for the listing of the Programme under which the Notes may be issued by way of debt issues to professional investors (as defined in Chapter 37 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited) ("**Professional Investors**") only during the 12-month period after the date of this document on the Hong Kong Stock Exchange. This document is for distribution to Professional Investors only.

**Notice to Hong Kong investors:** The Issuers confirm that each Tranche of Notes to be issued under the Programme is intended for purchase by Professional Investors only and the Programme and the Notes, to the extent that such Notes are to be listed on the Hong Kong Stock Exchange, will be listed on the Hong Kong Stock Exchange on that basis. Accordingly, the Issuers confirm that the Notes are not appropriate as an investment for retail investors in Hong Kong. Investors should carefully consider the risks involved.

**The Hong Kong Stock Exchange has not reviewed the contents of this document, other than to ensure that the prescribed form disclaimer and responsibility statements, and a statement limiting distribution of this document to Professional Investors only have been reproduced in this document. Listing of the Programme or the Notes on the Hong Kong Stock Exchange is not to be taken as an indication of the commercial merits or credit quality of the Programme, the Notes or the Issuers or the Group or quality of disclosure in this document.** Hong Kong Exchanges and Clearing Limited and the Hong Kong Stock Exchange take no responsibility for the contents of this document, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this document.

However, unlisted Notes may be issued pursuant to the Programme. The relevant Pricing Supplement in respect of the issue of any Notes will specify whether or not such Notes will be listed on the Hong Kong Stock Exchange (or any other stock exchange).

**Singapore SFA Product Classification:** In connection with Section 309B of the Securities and Futures Act 2001 of Singapore, as modified or amended from time to time (the "**SFA**") and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the "**CMP Regulations 2018**"), unless otherwise specified before an offer of Notes, the Issuers have determined, and hereby notify all relevant persons (as defined in Section 309A(1) of the SFA), that the Notes 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).

The Programme is rated "A+" by S&P Global Ratings ("**S&P**"). Such rating is only correct as at the date of this Offering Circular. Tranches of Notes to be issued under the Programme may be rated or unrated. Where a Tranche of Notes is to be rated, such rating will not necessarily be the same as the rating assigned to the Programme. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction, revision or withdrawal at any time by the assigning rating agency.

***Arrangers***

**HSBC** | **Standard Chartered Bank** | **Bank of China (Hong Kong)**

***Dealers***

**HSBC** | **Standard Chartered Bank** | **Bank of China (Hong Kong)**

**ABC International** | **Bank of Communications** | **CCB International** | **ICBC (Asia)** | **ICBC International**

This Offering Circular is dated 3 April 2024.

# IMPORTANT NOTICE

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

Listing of the Notes on the Hong Kong Stock Exchange is not to be taken as an indication of the merits of us or the Notes. You should rely only on the information contained in this Offering Circular in making your investment decision. None of us, the Arrangers, the Dealers or the Agents (each as defined in "*Summary of the Programme*" and "*Terms and Conditions of the Notes*", as applicable) participating in the Programme or any of their respective affiliates or advisors has authorised anyone to provide you with any other information.

None of us, the Arrangers, the Dealers or the Agents is making an offer to sell the Notes in any jurisdiction except where an offer or sale is permitted. The distribution of this Offering Circular and the offering of the Notes under the Programme may in certain jurisdictions be restricted by law. None of us, the Arrangers, the Dealers or the Agents represents that this Offering Circular may be lawfully distributed, or that the Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assumes any responsibility for facilitating any such distribution or offering.

Each prospective purchaser of the Notes must comply with all applicable laws and regulations in force in any jurisdiction in which it purchases, offers or sells the Notes or possesses or distributes this Offering Circular and must obtain any consent, approval or permission required under any regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers or sales, and none of us, the Arrangers, the Dealers or the Agents shall have any responsibility therefor.

Prospective investors in the Notes should rely only on the information contained in this Offering Circular. None of us, the Arrangers, the Dealers or the Agents has authorised the provision of information different from that contained in this Offering Circular, to give any information or to make any representation not contained in or not consistent with this Offering Circular or any other information supplied in connection with the offering of the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by any of us, the Arrangers, the Dealers or the Agents. The information contained in this Offering Circular is accurate in all material respects only as at the date of this Offering Circular, regardless of the time of delivery of this Offering Circular or of any sale of the Notes. Neither the delivery of this Offering Circular or any Pricing Supplement nor any offering, sale or delivery made hereunder shall under any circumstances imply that there has not been a change or development in our affairs since the date of this Offering Circular or that the information set forth herein is correct in all material respects as at any date subsequent to the date of this Offering Circular.

No representation or warranty, express or implied, is made by any Arranger, Dealer or Agent or any of their respective officers, employees, affiliates, advisors or agents as to the accuracy, completeness or sufficiency 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, Dealer or Agent or their officers, employees, affiliates, advisors or agents. The Arrangers, the Dealers, the Agents and their respective officers, employees, affiliates, advisors and agents have not independently verified the information contained herein (financial, legal or otherwise) and, to the fullest extent permitted by law, none of the Arrangers, the Dealers, the Agents or their respective officers, employees, affiliates, advisors or agents accepts any responsibility for the contents of this Offering Circular or for any other statement, made or purported to be made by the Arrangers or Dealers or on their behalf in connection with us or the

Programme or the issue and offering of the Notes under the Programme. The Arrangers, the Dealers, the Agents and their respective officers, employees, affiliates, advisors or agents accordingly disclaim all and any liability whether arising in tort or contract or otherwise (save as referred to above) which might otherwise have in respect of this Offering Circular or any such statement.

This Offering Circular does not constitute an offer of, or an invitation to subscribe for or purchase, any Notes. No offer or solicitation with respect to the Notes may be made in any jurisdiction or under any circumstances where such offer or solicitation is unlawful or not properly authorised. The distribution of this Offering Circular and the offering of the Notes in certain jurisdictions may be restricted by law. Persons who come into possession of this Offering Circular are required by us as well as the Arrangers, the Dealers and the Agents to inform themselves about, and to observe, any such restrictions.

No action is being taken or will be taken in any jurisdiction to permit an offering to the general public of the Notes or the distribution of this Offering Circular. For a description of certain restrictions on offers, sales and deliveries of the Notes and on distribution of this Offering Circular, see "*Subscription and Sale*" in this Offering Circular.

Each person receiving this Offering Circular acknowledges that: (a) such person has not relied on the Arrangers, the Dealers, the Agents or any of their respective officers, employees, affiliates, advisors or agents or any person affiliated with the Arrangers, the Dealers or the Agents in connection with any investigation of the accuracy or completeness of such information or its investment decision; and (b) no person has been authorised to give any information or to make any representation concerning us, the Programme and the Notes (other than as contained herein) and, if given or made, any such other information or representation should not be relied upon as having been authorised by us, the Arrangers, the Dealers or the Agents.

Neither this Offering Circular nor any other information supplied in connection with the Programme or the offering of the Notes (a) is intended to provide the basis of any credit or other evaluation or (b) should be considered as a recommendation by us, the Arrangers, the Dealers or the Agents that any recipient of this Offering Circular, or any other information supplied in connection with the Programme or the offering of the Notes, should purchase the Notes. In making an investment decision, you must rely on your own independent examination of us and the terms of the offering, including the merits and risks involved.

None of us, the Arrangers, the Dealers, the Agents or any of their respective officers, employees, affiliates, advisors or agents is or are making any representation to you regarding the legality of an investment in the Notes by you under any legal, investment or similar laws or regulations. You should not consider any information in this Offering Circular, or any other information supplied in connection with the Programme or the offering of the Notes to be legal, business or tax advice. You should consult your own attorney, business adviser, tax adviser or other professional adviser for legal, business and tax advice regarding an investment in the Notes. See "*Risk Factors*" for a discussion of certain factors to be considered in connection with an investment in the Notes.

**MiFID II product governance/target market** — The Pricing Supplement in respect of any Notes may include a legend entitled "MiFID II Product Governance" which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the target market assessment; however, a distributor subject to Directive 2014/65/EU (as amended, "**MiFID II**") is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the MiFID Product Governance rules under EU Delegated Directive 2017/593 (the "**MiFID Product Governance Rules**"), any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Arrangers nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the MiFID Product Governance Rules.

**UK MiFIR product governance/target market —** The Pricing Supplement in respect of any Notes may include a legend entitled "UK MiFIR Product Governance" which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any distributor should take into consideration the target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the "**UK MiFIR Product Governance Rules**") is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the UK MiFIR Product Governance Rules, any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Arrangers nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the UK MiFIR Product Governance Rules.

**IMPORTANT — PROHIBITION OF SALES TO EEA RETAIL INVESTORS** — If the Pricing Supplement in respect of any Notes includes a legend entitled "Prohibition of Sales to EEA Retail Investors", the Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Regulation (EU) 2017/1129. Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the "**PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

**IMPORTANT — PROHIBITION OF SALES TO UK RETAIL INVESTORS** — If the Pricing Supplement in respect of any Notes includes a legend entitled "Prohibition of Sales to UK Retail Investors", the Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom ("**UK**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (the "**EUWA**"); (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (the "**FSMA**") and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; or (iii) not a qualified investor as defined in Article 2 of the Prospectus Regulation as it forms part of domestic law by virtue of the EUWA (the "**UK Prospectus Regulation**"). Consequently, no key information document required by the PRIIPs Regulation as it forms part of domestic law by virtue of the EUWA (the "**UK PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

**Singapore SFA Product Classification:** In connection with Section 309B of the SFA and the CMP Regulations 2018, unless otherwise specified before an offer of Notes, the Issuers have determined, and hereby notify all relevant persons (as defined in Section 309A(1) of the SFA), that the Notes 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).

**Notice to capital market intermediaries and prospective investors pursuant to paragraph 21 of the Hong Kong SFC Code of Conduct — Important Notice to Prospective Investors**

Prospective investors should be aware that certain intermediaries in the context of certain offerings of Notes pursuant to the Programme, each such offering, a "CMI Offering", including certain Dealers, may be "capital market intermediaries" (together, the "**CMIs**") subject to Paragraph 21 of the Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission (the "**SFC Code**"). This notice to prospective investors is a summary of certain obligations the SFC Code imposes on such CMIs, which require the attention and cooperation of prospective investors. Certain CMIs may also be acting as "overall coordinators" (together, the "**OCs**") for a CMI Offering and are subject to additional requirements under the SFC Code. The application of these obligations will depend on the role(s) undertaken by the relevant Dealers in respect of each CMI Offering.

Prospective investors who are the directors, employees or major shareholders of the relevant Issuer, the Bank, a CMI or its group companies would be considered under the SFC Code as having an association ("**Association**") with the relevant Issuer, the Bank, the CMI or the relevant group company. Prospective investors associated with the relevant Issuer, the Bank, or any CMI (including its group companies) should specifically disclose this when placing an order for the relevant Notes and should disclose, at the same time, if such orders may negatively impact the price discovery process in relation to the relevant CMI Offering. Prospective investors who do not disclose their Associations are hereby deemed not to be so associated. Where prospective investors disclose their Associations but do not disclose that such order may negatively impact the price discovery process in relation to the relevant CMI Offering, such order is hereby deemed not to negatively impact the price discovery process in relation to the relevant CMI Offering.

Prospective investors should ensure, and by placing an order prospective investors are deemed to confirm, that orders placed are *bona fide*, are not inflated and do not constitute duplicated orders (i.e. two or more corresponding or identical orders placed via two or more CMIs). A rebate may be offered by the relevant Issuer or the Bank, as the case may be, to all private banks for orders they place (other than in relation to Notes subscribed by such private banks as principal whereby it is deploying its own balance sheet for onward selling to investors), payable upon closing of the relevant CMI Offering based on the principal amount of the Notes distributed by such private banks to investors. Private banks are deemed to be placing an order on a principal basis unless they inform the CMIs otherwise. As a result, private banks placing an order on a principal basis (including those deemed as placing an order as principal) will not be entitled to, and will not be paid, the rebate. Details of any such rebate will be set out in the applicable Pricing Supplement or otherwise notified to prospective investors. If a prospective investor is an asset management arm affiliated with any relevant Dealer, such prospective investor should indicate when placing an order if it is for a fund or portfolio where the relevant Dealer or its group company has more than 50 per cent. interest, in which case it will be classified as a "proprietary order" and subject to appropriate handling by CMIs in accordance with the SFC Code and should disclose, at the same time, if such "proprietary order" may negatively impact the price discovery process in relation to the relevant CMI Offering. Prospective investors who do not indicate this information when placing an order are hereby deemed to confirm that their order is not a "proprietary order". If a prospective investor is otherwise affiliated with any relevant Dealer, such that its order may be considered to be a "proprietary order" (pursuant to the SFC Code), such prospective investor should indicate to the relevant Dealer when placing such order. Prospective investors who do not indicate this information when placing an order are hereby deemed to confirm that their order is not a "proprietary order". Where prospective investors disclose such information but do not disclose that such "proprietary order" may negatively impact the price discovery process in relation to the relevant CMI Offering, such "proprietary order" is hereby deemed not to negatively impact the price discovery process in relation to the relevant CMI Offering.

Prospective investors should be aware that certain information may be disclosed by CMIs (including private banks) which is personal and/or confidential in nature to the prospective investor. By placing an order, prospective investors are deemed to have understood and consented to the collection, disclosure, use and transfer of such information by the relevant Dealers and/or any other third parties as may be required by the SFC Code, including to the relevant Issuer, the Bank, any OCs, relevant regulators and/or any other third parties as may be required by the SFC Code, it being understood and agreed that such information shall only be used for the purpose of complying with the SFC Code, during the bookbuilding process for the relevant CMI Offering. Failure to provide such information may result in that order being rejected.

**IN CONNECTION WITH THE ISSUE OF ANY TRANCHE OF NOTES, THE DEALER OR DEALERS (IF ANY) NAMED AS STABILISATION MANAGER(S) (OR PERSON(S) ACTING ON BEHALF OF ANY STABILISATION MANAGER(S)) IN THE APPLICABLE PRICING SUPPLEMENT MAY OVER-ALLOT NOTES OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE NOTES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, STABILISATION MAY NOT NECESSARILY OCCUR. ANY STABILISATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE TERMS OF THE OFFER OF THE RELEVANT TRANCHE OF NOTES IS MADE AND, IF BEGUN, MAY CEASE AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE OF THE RELEVANT TRANCHE OF NOTES AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE RELEVANT TRANCHE OF NOTES. SUCH STABILISATION SHALL BE IN COMPLIANCE WITH ALL APPLICABLE LAWS, REGULATIONS AND RULES.**

## ROUNDING

Percentages and certain amounts in this Offering Circular, including financial, statistical and operational information, have been rounded. Any discrepancies in any table between totals and sums of amounts listed in the table are due to rounding.

## CERTAIN DEFINITIONS AND CONVENTIONS

Unless otherwise indicated, all references in this Offering Circular to "the Bank", "we", "us", "our" and words of similar import are to China Development Bank itself or China Development Bank and its subsidiaries, as the context requires; all references in this Offering Circular to "the Group" are to China Development Bank and its subsidiaries as a whole; all references in this Offering Circular to "China" or the "PRC" are to the People's Republic of China; all references to "Mainland China" are to the People's Republic of China other than Hong Kong SAR, Macau Special Administrative Region and Taiwan; and all references to "Hong Kong SAR" or "Hong Kong" are to the Hong Kong Special Administrative Region of China.

All references in this Offering Circular to "non-resident enterprise" are to any enterprise not resident in Mainland China that (1) has not established any offices or premises in Mainland China or (2) has established such offices and premises in Mainland China but there is no real connection between the income and the offices or premises so established by such enterprise; and all references in this Offering Circular to "non-resident individual" are to any individual who does not have any domicile and does not reside in Mainland China, or any individual who does not have any domicile in Mainland China and has resided in Mainland China for less than one year.

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

Solely for your convenience, we have translated amounts between different currencies for the purpose of consistent presentation in this Offering Circular. Unless otherwise provided, these translations follow the rates of exchange we use in preparing our accounts as described in note 3(8) to our consolidated financial statements on pages F-16 and F-77. We are not making any representation that Renminbi or any other currency referred to in this Offering Circular could have been or can be converted into any other currency at any particular rate or at all.

# FORWARD-LOOKING STATEMENTS

We have made forward-looking statements in this Offering Circular. The words "anticipate", "believe", "could", "estimate", "expect", "intend", "may", "plan", "forecast", "seek", "will", "would" and similar expressions, as they relate to us, are intended to identify a number of these forward-looking statements.

Forward-looking statements are statements that are not historical facts. These statements are based on our current plans, estimates, assumptions and projections and involve known and unknown developments and factors that may cause our financial condition, results of operations or business environment to be materially different from that expressed or implied by these forward-looking statements. Therefore, you should not place undue reliance on them. Actual results, performance or achievements may differ materially from the information contained in the forward-looking statements as a result of a number of factors, including changes in interest rates, exchange rates, inflation rates, PRC economic, political and social conditions, government fiscal, monetary and other policies as well as the prospects of China's continued economic reform. Additional factors that could cause actual results, performance or achievements to differ materially include, without limitation, those discussed under "*Risk Factors*" and elsewhere in this Offering Circular. Forward-looking statements speak only as of the date they are made, and we undertake no obligation to update any of them in light of new information or future events.

# DOCUMENTS INCORPORATED BY REFERENCE

This Offering Circular should be read and construed in conjunction with each applicable Pricing Supplement, the most recent audited annual consolidated financial statements of the Bank published on the Bank's website (www.cdb.com.cn/english) or any replacement website from time to time (if any) and all amendments and supplements from time to time to this Offering Circular, which shall be deemed to be incorporated in, and to form part of, this Offering Circular and which shall be deemed to modify or supersede the contents of this Offering Circular to the extent that a statement contained in any such document is inconsistent with such contents. Copies of all such documents which are so deemed to be incorporated in, and to form part of, this Offering Circular will be available free of charge during usual business hours on any business day (Saturdays, Sundays and public holidays excepted) from the specified offices of the Fiscal Agent and the Paying Agent (each as defined in "*Summary of the Programme*") set out at the end of this Offering Circular. See "*General Information*" for a description of the audited annual consolidated financial statements currently published by the Bank.

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## SUMMARY OF CHINA DEVELOPMENT BANK

*This summary does not contain all the information that may be important to you in deciding to invest in the Notes. You should read the entire Offering Circular, including the section entitled "Risk Factors" and our consolidated financial statements and related notes thereto, before making an investment decision.*

### CHINA DEVELOPMENT BANK

We are a state-owned development finance institution. We report directly to the State Council of the PRC (the "**State Council**") on important matters relating to our business and operations, and are subject to the supervision and direction of the National Administration of Financial Regulation (國家金融監督管理總局) (the "**NAFR**"), which replaced China Banking and Insurance Regulatory Commission (中國銀行保險業監督管理委員會) (the "**CBIRC**") in May 2023, with respect to our banking operations. Our operations are subject to the direct leadership of the State Council, in support of the development of key sectors and weak areas in the PRC economy. To anchor our mission of supporting national development and delivering a better life for the people, we align our business focus with China's major medium- and long-term economic development strategies.

We are currently wholly owned, directly or indirectly, by the PRC government, with the Ministry of Finance of China ("**MOF**"), Central Huijin Investment Ltd. (中央匯金投資有限責任公司) ("**Huijin**"), Buttonwood Investment Holding Company Ltd. (梧桐樹投資平台有限責任公司) ("**Buttonwood**") and the National Council for Social Security Fund each holding an equity interest of approximately 36.54%, 34.68%, 27.19% and 1.59%, respectively. In April 2017, with the approval of the former China Banking Regulatory Commission (中國銀行業監督管理委員會) (the "**CBRC**"), which was replaced by the CBIRC in April 2018, and after completing the review by and registration of corporate changes with the State Administration of Business and Commerce, we have changed our name from "China Development Bank Corporation (國家開發銀行股份有限公司)" to "China Development Bank (國家開發銀行)" and changed our form of organisation from a joint stock corporation to a limited liability company. According to the former CBRC (now the NAFR), the investment of financial institutions in the banking industry in our financial bonds (excluding subordinated bonds) shall be treated the same way as policy-oriented bonds, the risk weighting of which shall be at 0%.

We are headquartered in Beijing, China and had 37 primary branches and four secondary branches in Mainland China, and one branch and 11 representative offices outside Mainland China as at 31 December 2022. Our major subsidiaries include China Development Bank Capital Corporation Ltd. (國開金融有限責任公司) ("**CDB Capital**"), CDB Securities Co., Ltd. (國開證券股份有限公司) ("**CDB Securities**"), China Development Bank Financial Leasing Co., Ltd. (國銀金融租賃股份有限公司) ("**CDB Leasing**"), China-Africa Development Fund (中非發展基金有限公司) ("**CAD Fund**"), CDB Development Fund Co., Ltd. (國開發展基金有限公司) ("**CDB Development Fund**") and CDB Infrastructure Fund Co., Ltd. (國開基礎設施基金有限公司) ("**CDB Infrastructure Fund**"). Our head office in Mainland China is located at No. 18 Fuxingmennei Street, Xicheng District, Beijing, the People's Republic of China and our place of business in Hong Kong SAR is located at 33/F, One International Finance Center, No. 1 Harbour View Street, Central, Hong Kong SAR, China.

As set forth in our articles of association approved by the former CBRC, the scope of our principal business activities includes:

- deposit taking from corporate customers;
- making short-, medium- and long-term loans;

- entrusted loans;
- making sub-loans with the support from small- and medium-size financial institutions;
- domestic and international settlement;
- acceptance and discount of negotiable instruments;
- issuance of financial bonds and other marketable securities;
- acting as agent for the issuance, repayment and underwriting of government bonds, financial bonds and credit bonds;
- trading in government bonds, financial bonds and credit bonds;
- interbank borrowing and lending;
- sale and purchase of foreign exchange on our own account or for customers;
- settlement and sale of foreign exchange;
- trading derivatives on our own account or for customers;
- letter of credit related business and issuance of guarantees;
- collection and payment agent and bancassurance business;
- safety deposit box services;
- asset management business;
- asset securitization business;
- consultancy;
- banking business of our overseas branches authorised by us and permitted under local law;
- business such as investment and investment management, securities, financial leasing, banking and asset management legally carried out by our subsidiaries; and
- other business permitted by the banking regulatory authority under the State Council.

The following summary of our historical financial information as of or for the years ended 31 December 2021 and 2022 is derived from our audited consolidated financial statements as at and for the years ended 31 December 2021 and 2022, respectively, included in this Offering Circular. We have prepared and presented our consolidated financial statements in accordance with the International Financial Reporting Standards ("**IFRS**") issued by the International Accounting Standards Board. The information set out below should be read in conjunction with, and is qualified in its entirety by reference to, our relevant audited consolidated financial statements and the notes thereto included elsewhere in this Offering Circular.

| | For the year ended 31 December | |
|---|---|---|
| | **2022** | **2021** |
| | **(in millions of RMB)** | |
| **Income Statement Data Summary** | | |
| Interest income | 633,280 | 601,133 |
| Interest expense | (462,970) | (457,501) |
| Profit before income tax | 97,147 | 93,082 |
| Profit for the year | 84,340 | 80,794 |

| | As of 31 December | |
|---|---|---|
| | **2022** | **2021** |
| | **(in millions of RMB)** | |
| **Balance Sheet Data Summary** | | |
| Cash and balances with the central banks | 113,860 | 92,565 |
| Deposits with banks and other financial institutions | 113,326 | 195,044 |
| Loans and advances to customers | 13,899,107 | 12,791,666 |
| Total assets | 18,243,083 | 17,167,941 |
| Total liabilities | 16,637,502 | 15,629,661 |
| Total equity | 1,605,581 | 1,538,280 |

## THE HONG KONG BRANCH

We established the Hong Kong Branch in July 2009 to develop cross-border banking businesses.

We are a licensed bank (Licence No. B296) in Hong Kong SAR and are regulated by the Hong Kong Monetary Authority (the "**HKMA**"). The core business strategy of the Hong Kong Branch is to develop and expand corporate banking services for the Bank's China-based clients and their overseas subsidiaries.

As of 31 December 2022, the Hong Kong Branch had 125 employees.

The products and services offered by the Hong Kong Branch to its clients include the following:

- multi-currency denominated lending services, including corporate financing, project financing, syndicated loans and lease financing;
- issuance of guarantees, standby guarantees and counter-indemnities;
- deposit and remittance services; and
- issuance of certificates of deposit and bonds.

## OUR STRATEGIES

To anchor our mission of supporting national development and delivering a better life for the people, we align our business focus with China's major medium- and long-term financing and comprehensive financial services, so as to raise and channel economic resources in support of the following areas:

- economic and social development, including infrastructure, basic industries, pillar industries, public services and management;
- new urbanization, urban-rural integration, and balanced regional development;
- programmes vital for national competitiveness, including energy conservation, environmental protection, advanced manufacturing, and the transformation and upgrading of traditional industries;
- public welfare, including affordable housing, rural revitalisation, student loans and inclusive finance;
- national strategies, including those in science and technology, culture and people-to-people exchange;
- international cooperation, including the Belt and Road Initiative, industrial capacity and equipment manufacturing projects, infrastructure connectivity, energy and resources, and Chinese enterprises "Going Global";
- initiatives that support China's development needs and economic and financial reforms; and
- other areas as mandated by and aligned with national development strategies and policies.

## OUR COMPETITIVE STRENGTHS

We believe that our performance and stable market position are largely attributable to our following competitive strengths:

- a state-funded development finance institution owned by the PRC central government and the investment of financial institutions in the banking industry in our financial bonds (excluding subordinated bonds) being treated the same way as policy-oriented bonds, the risk weighting of which shall be at 0%;
- dedicated to serving the PRC national economic strategy with quality customer base, well-regarded brand name and solid financial partners;
- the largest bond house amongst Chinese banks, a major player in the debt capital market in Mainland China and a leader in financial innovation;
- sound risk management and quality assets;
- reasonable and steady profitability and efficient operation management; and
- experienced management team and well-trained workforce.

## OUR CHALLENGES

We face challenges in our business operations, including:

- uncertainties in macro-economic development;
- adjustments and changes in macro-control and regulatory policies;
- credit risks of our borrowers and any decline in the value of collateral securing our loans;
- financial disintermediation and changes in funds available in the market; and
- risks relating to adverse changes in interest rate, exchange rate and other market factors.

## CREDIT RATINGS

*The credit ratings accorded to us by rating agencies are not recommendations to purchase, hold or sell the Notes or any of our other securities since such ratings do not comment as to market price or suitability for you. A rating may not remain in effect for any given period of time or may be suspended, downgraded or withdrawn entirely by a rating agency in the future if, in its judgment, circumstances so warrant, and if any such rating is so suspended, downgraded or withdrawn, we are under no obligation to update this Offering Circular.*

International rating agencies such as Moody's Investors Service, Inc. ("**Moody's**") and S&P put us at the same level as China's sovereign rating. As at the date of this Offering Circular, Moody's assigns to us a long-term rating of "A1" with a negative outlook, and S&P assigns to us a long-term rating of "A+" with a stable outlook.

The Programme is rated "A+" by S&P. Such rating is only correct as at the date of this Offering Circular. Tranches of Notes to be issued under the Programme may be rated or unrated. Where a Tranche of Notes is to be rated, such rating will not necessarily be the same as the rating assigned to the Programme. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction, revision or withdrawal at any time by the assigning rating agency.

## SUMMARY OF THE PROGRAMME

*The following summary contains some basic information about the Notes 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 "Terms and Conditions of the Notes" and "Summary of Provisions relating to the Notes while in Global Form" shall have the same meanings in this summary. For a more complete description of the terms of the Notes, see "Terms and Conditions of the Notes" in this Offering Circular.*

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| **Issuer** . . . . . . . . . . . . . . . . . . . . . | China Development Bank (the "**Bank**") or China Development Bank Hong Kong Branch (the "**Hong Kong Branch**"), as specified in the applicable Pricing Supplement. |
| **Description** . . . . . . . . . . . . . . . . . | Debt Issuance Programme |
| **Size** . . . . . . . . . . . . . . . . . . . . . . . | Up to US$30,000,000,000 aggregate principal amount of Notes outstanding at any one time. The Bank may increase the aggregate principal amount of the Programme in accordance with the terms of the Dealer Agreement. |
| **Arrangers (the "Arrangers")** . . . | The Hongkong and Shanghai Banking Corporation Limited<br>Standard Chartered Bank (Hong Kong) Limited<br>Bank of China (Hong Kong) Limited |
| **Permanent Dealers** . . . . . . . . . . . | The Hongkong and Shanghai Banking Corporation Limited<br>Standard Chartered Bank (Hong Kong) Limited<br>Bank of China (Hong Kong) Limited<br>ABCI Securities Company Limited<br>Bank of Communications Co., Ltd. Hong Kong Branch<br>CCB International Capital Limited<br>Industrial and Commercial Bank of China (Asia) Limited<br>ICBC International Securities Limited<br><br>References in this Offering Circular to "Permanent Dealers" are to the persons listed above as Permanent Dealers and to such additional persons that are appointed as dealers in respect of the whole Programme (and whose appointment has not been terminated). |
| **Dealers** . . . . . . . . . . . . . . . . . . . . | The Bank may from time to time terminate the appointment of any Dealer under the Programme or appoint additional Dealers in respect of the whole Programme. The relevant Issuer may, in respect of any single Tranche of Notes, from time to time appoint additional Dealers. References in this Offering Circular to "Dealers" are to all Permanent Dealers and all persons appointed as dealers in respect of one or more Tranches. |
| **Fiscal Agent and Paying Agent** . . | China Construction Bank (Asia) Corporation Limited (中國建設銀行(亞洲)股份有限公司) |
| **Transfer Agent** . . . . . . . . . . . . . . | China Construction Bank (Asia) Corporation Limited (中國建設銀行(亞洲)股份有限公司) |

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| **Registrar** . . . . . . . . . . . . . . . . . . | China Construction Bank (Asia) Corporation Limited (中國建設銀行(亞洲)股份有限公司) |
| **CMU Lodging Agent** . . . . . . . . . . | China Construction Bank (Asia) Corporation Limited (中國建設銀行(亞洲)股份有限公司) |
| **Method of Issue** . . . . . . . . . . . . . | The Notes will be issued on a syndicated or non-syndicated basis.<br><br>The Notes will be issued in series (each a "**Series**") having one or more issue dates and on terms otherwise identical (or identical other than in respect of the first payment of interest), the Notes of each Series being intended to be interchangeable with all other Notes of that Series. Each Series may be issued in tranches on the same or different issue dates. The specific terms of each Tranche (which will be completed, where necessary, with the relevant terms and conditions and, save in respect of the issue date, issue price, first payment of interest and principal amount of the Tranche, will be identical to the terms of other Tranches of the same Series) will be completed in the applicable pricing supplement (the "**Pricing Supplement**"). |
| **Issue Price** . . . . . . . . . . . . . . . . . | Notes may be issued at their principal amount or at a discount or premium to their principal amount. |
| **Form of Notes** . . . . . . . . . . . . . . . | The Notes may be issued in bearer form ("**Bearer Notes**"), or in registered form ("**Registered Notes**"). Registered Notes will not be exchangeable for Bearer Notes and vice versa. Each Tranche of Bearer Notes will initially be in the form of either a temporary Global Note or a permanent Global Note, in each case as specified in the applicable Pricing Supplement. Each Global Note will be deposited on or around the relevant issue date with a common depositary or sub-custodian for Euroclear, Clearstream and/or, as the case may be, the CMU and/or any other relevant clearing system. Each temporary Global Note will be exchangeable for a permanent Global Note or, if so specified in the applicable Pricing Supplement, for definitive Notes. If TEFRA D is specified in the applicable Pricing Supplement as applicable, certification as to non-U.S. beneficial ownership will be a condition precedent to any exchange of an interest in a temporary Global Note or receipt of any payment of interest in respect of a temporary Global Note. Each permanent Global Note will be exchangeable for definitive Notes in accordance with its terms. Definitive Notes will, if interest-bearing, have Coupons attached and, if appropriate, a Talon for further Coupons. Registered Notes will initially be represented by Certificates. Certificates representing Registered Notes that are registered in the name of a nominee for one or more of Euroclear, Clearstream and the CMU are referred to as "Global Certificates". |

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| **Clearing Systems** . . . . . . . . . . . . | The CMU, Clearstream and/or Euroclear and, in relation to any Tranche, such other clearing system as may be agreed between the relevant Issuer, the Fiscal Agent (or the CMU Lodging Agent, as the case may be) and the relevant Dealer. |
| **Initial Delivery of Notes** . . . . . . . | On or before the issue date for each Tranche, the Global Note representing Bearer Notes or the Global Certificate representing Registered Notes may be deposited with a common depositary for Euroclear and Clearstream or deposited with a sub-custodian for the CMU or any other clearing system or may be delivered outside any clearing system provided that the method of such delivery has been agreed in advance by the relevant Issuer and the relevant Dealer. Registered Notes that are to be credited to one or more clearing systems on issue will be registered in the name of, or in the name of nominees or a common nominee for, such clearing systems. |
| **Currencies** . . . . . . . . . . . . . . . . . | Notes may be issued in any currency agreed between the relevant Issuer and the relevant Dealers, subject to compliance with all applicable legal and/or regulatory requirements. |
| **Maturities** . . . . . . . . . . . . . . . . . | Any maturity, subject to compliance with all applicable legal and/or regulatory requirements. |
| **Specified Denomination** . . . . . . . | Notes will be in such denominations as may be specified in the applicable Pricing Supplement. |
| **Fixed Rate Notes** . . . . . . . . . . . . | Fixed interest will be payable in arrear on the date or dates in each year specified in the applicable Pricing Supplement. |
| **Floating Rate Notes** . . . . . . . . . . | Floating Rate Notes will bear interest determined separately for each Series by reference to SHIBOR, CNH HIBOR, EURIBOR or HIBOR (or by reference to such other benchmark or in such other manner as may be specified in the applicable Pricing Supplement) as adjusted for any applicable margin. Interest periods will be specified in the applicable Pricing Supplement. |
| **Benchmark Discontinuation** . . . . | See Condition 5(b)(ii)(C) (*Benchmark Replacement*). |
| **Zero Coupon Notes** . . . . . . . . . . . | Zero Coupon Notes may be issued at their principal amount or at a discount to it and will not bear interest. |
| **Interest Periods and Interest Rates** . . . . . . . . . . . . . . . . . . . . | The length of the interest periods for the Notes and the applicable interest rate or its method of calculation may differ from time to time or be constant for any Series. Notes may have a maximum interest rate, a minimum interest rate, or both. The use of interest accrual periods permits the Notes to bear interest at different rates in the same interest period. All such information will be set out in the applicable Pricing Supplement. |
| **Redemption and Redemption Amounts** . . . . . . . . . . . . . . . . . | The applicable Pricing Supplement will specify the basis for calculating the redemption amounts payable. |

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| **Optional Redemption** . . . . . . . . . | The applicable Pricing Supplement issued in respect of each issue of Notes will state whether such Notes may be redeemed prior to their stated maturity at the option of the relevant Issuer (either in whole or in part) and/or the holders, and if so the terms applicable to such redemption. Otherwise Notes will not be redeemable at the option of the relevant Issuer prior to maturity. See "*Terms and Conditions of the Notes — Redemption, Purchase and Options*". |
| **Status of Notes** . . . . . . . . . . . . . . | The Notes and the Coupons (if any) relating to them will constitute direct, unconditional, unsubordinated and (subject to the creation of any security permitted or approved in accordance with "*Terms and Conditions of the Notes — Negative Pledge*") unsecured obligations of the Bank. The Notes and the Coupons (if any) 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** . . . . . . . . . . . . . | See "*Terms and Conditions of the Notes — Negative Pledge*". |
| **Events of Default** . . . . . . . . . . . . | See "*Terms and Conditions of the Notes — Events of Default*". |
| **Ratings** . . . . . . . . . . . . . . . . . . . . | The Programme is rated "A+" by S&P. Tranches of Notes will be rated or unrated. Where a Tranche of Notes is to be rated, such rating will be specified in the relevant Pricing Supplement. |
| **Taxation** . . . . . . . . . . . . . . . . . . . | Under existing Hong Kong SAR law, payments of principal and interest in respect of the Notes may be made without withholding or deduction for any Hong Kong SAR taxes.<br><br>If we are required by the law of Mainland China to withhold or deduct taxes, duties, assessments or governmental charges from any payments of principal or interest on the Notes, we will make the withholding or deduction and remit the amount so withheld or deducted to the tax authorities in Mainland China. We will, however, subject to some exceptions, increase the amounts paid so that investors receive the full amount of the scheduled payment.<br><br>Please refer to the section entitled "*Taxation of Notes*" and "*Terms and Conditions of the Notes — Taxation*" for detailed explanations. |
| **Listing** . . . . . . . . . . . . . . . . . . . | Application has been made to the Hong Kong Stock Exchange for the listing of the Programme by way of debt issues to Professional Investors only during the 12-month period after the date of this Offering Circular. Separate application may be made for the listing of, and permission to deal in, the Notes on the Hong Kong Stock Exchange. The Notes may also be listed on such other or further stock exchange(s) as may be agreed between the relevant Issuer and the relevant Dealer in relation to each Series. |

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| | Unlisted Notes may also be issued.<br><br>The applicable Pricing Supplement will state whether or not the relevant Notes are to be listed and, if so, on which stock exchange(s).<br><br>Notes listed on the Hong Kong Stock Exchange will be traded on the Hong Kong Stock Exchange in a board lot size of at least HK$500,000 (or its equivalent in other currencies). |
| **Selling Restrictions** . . . . . . . . . . . | For a description of certain restrictions on offers, sales and deliveries of Notes and on the distribution of offering material in the United States, the EEA, the United Kingdom, Hong Kong, Japan, Mainland China and Singapore, see "*Subscription and Sale*". |
| **Governing Law** . . . . . . . . . . . . . . | English law. |
| **Arbitration** . . . . . . . . . . . . . . . . . | Any dispute, controversy or claim arising out of or relating to the Notes, including any question regarding the breach, termination, existence or invalidity thereof, shall be settled by arbitration administered by the Hong Kong International Arbitration Centre (the "**HKIAC**") in accordance with the HKIAC Administered Arbitration Rules then in force when the notice of arbitration is submitted in accordance with such Rules. The seat of arbitration shall be in Hong Kong SAR and the language of the arbitration shall be English. The governing law of the arbitration agreement shall be English law. |

# TERMS AND CONDITIONS OF THE NOTES

*The following is the text of the terms and conditions that, subject to completion and amendment and as supplemented or varied in accordance with the provisions of the relevant Pricing Supplement, shall be applicable to the Notes in definitive form (if any) issued in exchange for the Global Note(s) or Global Certificate(s) representing each Series. Either (i) the full text of these terms and conditions together with the relevant Pricing Supplement or (ii) these terms and conditions as so completed, amended, supplemented or varied (and subject to simplification by the deletion of non-applicable provisions), shall be endorsed on such Bearer Notes or on the Certificates relating to such Registered Notes. All capitalised terms that are not defined in these Conditions will have the meanings given to them in the relevant Pricing Supplement. Those definitions will be endorsed on the definitive Notes or Certificates, as the case may be. References in the Conditions to "**Notes**" are to the Notes of one Series only, not to all Notes that may be issued under the Programme. The terms and conditions applicable to any Note in global form held on behalf of Euroclear Bank SA/NV ("**Euroclear**"), Clearstream Banking S.A. ("**Clearstream**") or the Hong Kong Monetary Authority, as operator of the Central Moneymarkets Unit Service (the "**CMU**") will differ from those terms and conditions which would apply to the Note were it in definitive form to the extent described in the relevant Global Note or Global Certificate (see "Summary of Provisions relating to the Notes while in Global Form").*

The Notes are issued by the issuer specified in the applicable pricing supplement (the "**Issuer**") pursuant to an amended and restated agency agreement (as amended or supplemented as at the Issue Date, the "**Agency Agreement**") dated 3 April 2024 between China Development Bank (the "**Bank**"), China Development Bank Hong Kong Branch (the "**Hong Kong Branch**"), China Construction Bank (Asia) Corporation Limited (中國建設銀行(亞洲)股份有限公司) as fiscal agent, China Construction Bank (Asia) Corporation Limited (中國建設銀行(亞洲)股份有限公司) as CMU lodging agent and the other agents named in it and with the benefit of an amended and restated deed of covenant (as amended or supplemented as at the Issue Date, the "**Deed of Covenant**") dated 3 April 2024 executed by the Bank and the Hong Kong Branch in relation to the Notes. The fiscal agent, the paying agents, the registrar, the CMU lodging agent, the transfer agents and the calculation agent(s) for the time being (if any) are referred to below respectively as the "**Fiscal Agent**", the "**Paying Agents**" (which expression shall include the Fiscal Agent), the "**Registrar**", the "**CMU Lodging Agent**", the "**Transfer Agents**" and the "**Calculation Agent(s)**". For the purposes of these terms and conditions (the "**Conditions**"), all references to the Fiscal Agent shall, with respect to a Series of Notes to be held in the CMU (as defined herein), be deemed to be a reference to the CMU Lodging Agent (unless the context requires otherwise) and all such references shall be construed accordingly.

The Noteholders (as defined below), the holders of the interest coupons (the "**Coupons**") relating to interest bearing Notes in bearer form and, where applicable in the case of such Notes, talons for further Coupons (the "**Talons**") (the "**Couponholders**") are deemed to have notice of all of the provisions of the Agency Agreement applicable to them.

As used in these Conditions, "**Tranche**" means Notes which are identical in all respects.

Copies of the Agency Agreement and the Deed of Covenant are available for inspection at the specified offices of each of the Paying Agents, the Registrar and the Transfer Agents.

## 1 FORM, DENOMINATION AND TITLE

The Notes are issued in bearer form ("**Bearer Notes**") or in registered form ("**Registered Notes**") in each case in the Specified Denomination(s) shown hereon.

This Note is a Fixed Rate Note, a Floating Rate Note, a Zero Coupon Note, a combination of any of the foregoing or any other kind of Note, depending upon the Interest and Redemption/Payment Basis shown hereon.

Bearer Notes are serially numbered and are issued with Coupons (and, where appropriate, a Talon) attached, save in the case of Zero Coupon Notes in which case references to interest (other than in relation to interest due after the Maturity Date), Coupons and Talons in these Conditions are not applicable.

Registered Notes are represented by registered certificates ("**Certificates**") and, save as provided in Condition 2(c), each Certificate shall represent the entire holding of Registered Notes by the same holder.

Title to the Bearer Notes and the Coupons and Talons shall pass by delivery. Title to the Registered Notes shall pass by registration in the register that the Issuer shall procure to be kept by the Registrar in accordance with the provisions of the Agency Agreement (the "**Register**"). Except as ordered by a court of competent jurisdiction or as required by law, the holder (as defined below) of any Note, Coupon or Talon shall be deemed to be and may be treated as its absolute owner for all purposes, whether or not it is overdue and regardless of any notice of ownership, trust or an interest in it, any writing on it (or on the Certificate representing it) or its theft or loss (or that of the related Certificate) and no person shall be liable for so treating the holder.

In these Conditions, "**Noteholder**" means the bearer of any Bearer Note or the person in whose name a Registered Note is registered (as the case may be), "**holder**" (in relation to a Note, Coupon or Talon) means the bearer of any Bearer Note, Coupon or Talon or the person in whose name a Registered Note is registered (as the case may be) and capitalised terms have the meanings given to them hereon, the absence of any such meaning indicating that such term is not applicable to the Notes.

*Upon issue, each Series of Notes in bearer form will be represented on issue by a temporary global note in bearer form (each a "**temporary Global Note**") or a permanent global note in bearer form (each a "**permanent Global Note**" and together with the temporary Global Notes, the "**Global Notes**"). Notes in registered form will be represented on issue by global certificates in registered form (each a "**Global Certificate**"). Global Notes and Global Certificates may be deposited on the issue date with (and in the case of Global Certificates, registered in the name of a nominee for) a common depositary on behalf of Euroclear and Clearstream or with a sub-custodian for the CMU.*

*Except in limited circumstances described in the Global Note or the Global Certificate, as the case may be, owners of interests in Notes represented by a Global Note or a Global Certificate will not be entitled to receive definitive Notes or Certificates, as the case may be, in respect of their individual holdings of Notes.*

## 2 NO EXCHANGE OF NOTES AND TRANSFERS OF REGISTERED NOTES

(a) **No Exchange of Notes**: Registered Notes may not be exchanged for Bearer Notes. Bearer Notes of one Specified Denomination may not be exchanged for Bearer Notes of another Specified Denomination. Bearer Notes may not be exchanged for Registered Notes.

(b) **Transfer of Registered Notes**: One or more Registered Notes may be transferred upon the surrender (at the specified office of the Registrar or any Transfer Agent) of the Certificate representing such Registered Notes to be transferred, together with the form of transfer endorsed on such Certificate (or another form of transfer substantially in the same form and containing the same representations and certifications (if any), unless otherwise agreed by the Bank), duly completed and executed and any other evidence as the Registrar or Transfer Agent may reasonably require. In the case of a transfer of part only of a holding of Registered Notes represented by one Certificate, a new Certificate shall be issued to the transferee in respect of the part transferred and a further new Certificate in respect of the balance of the holding not transferred shall be issued to the transferor. All transfers of Notes and entries on the Register will be made subject to the detailed regulations concerning transfers of Notes scheduled to the Agency Agreement. The regulations may be changed by the Issuer, with the prior written approval of the Registrar. A copy of the current regulations will be made available by the Registrar to any Noteholder upon request.

*Transfers of interests in Notes represented by a Global Note or a Global Certificate will be effected in accordance with the rules of the relevant clearing system.*

(c) **Exercise of Options or Partial Redemption in Respect of Registered Notes**: In the case of an exercise of the relevant Issuer's or Noteholders' option in respect of, or a partial redemption of, a holding of Registered Notes represented by a single Certificate, a new Certificate shall be issued to the holder to reflect the exercise of such option or in respect of the balance of the holding not redeemed. In the case of a partial exercise of an option resulting in Registered Notes of the same holding having different terms, separate Certificates shall be issued in respect of those Notes of that holding that have the same terms. New Certificates shall only be issued against surrender of the existing Certificates to the Registrar or any Transfer Agent. In the case of a transfer of Registered Notes to a person who is already a holder of Registered Notes, a new Certificate representing the enlarged holding shall only be issued against surrender of the Certificate representing the existing holding.

(d) **Delivery of New Certificates**: Each new Certificate to be issued pursuant to Conditions 2(b) or (c) shall be available for delivery within three business days of receipt of the form of transfer or Exercise Notice (as defined in Condition 6(e)) and surrender of the Certificate for exchange. Delivery of the new Certificate(s) shall be made at the specified office of the Transfer Agent or of the Registrar (as the case may be) to whom delivery or surrender of such form of transfer, Exercise Notice or Certificate shall have been made or, at the option of the holder making such delivery or surrender as aforesaid and as specified in the form of transfer, Exercise Notice or otherwise in writing, be mailed by uninsured post at the risk of the holder entitled to the new Certificate to such address as may be so specified, unless such holder requests otherwise and pays in advance to the relevant Agent (as defined in the Agency Agreement) the costs of such other method of delivery and/or such insurance as it may specify. In this Condition 2(d), "**business day**" means a day, other than a Saturday, Sunday or public holiday, on which banks are open for business in the place of the specified office of the relevant Transfer Agent or the Registrar (as the case may be).

(e) **Transfer Free of Charge**: Transfers of Notes and Certificates on registration, transfer, partial redemption or exercise of an option shall be effected without charge by or on behalf of the Issuer, the Registrar or the Transfer Agents, but upon payment of any tax or other governmental charges that may be imposed in relation to it (or the giving of such indemnity as the Registrar or the relevant Transfer Agent may require).

(f) **Closed Periods**: No Noteholder may require the transfer of a Registered Note to be registered (i) during the period of 15 days ending on the due date for redemption of that Note, (ii) during the period of 15 days before any date on which Notes may be called for redemption by the Issuer at its option pursuant to Condition 6(c) and Condition 6(d), (iii) after any such Note has been called for redemption, (iv) after the exercise of the option in Condition 6(e) of that Note, or (v) during the period of seven days ending on (and including) any Record Date.

## 3 STATUS

The Notes and the Coupons (if any) relating to them constitute direct, unconditional, unsubordinated and, subject to the creation of any security permitted or approved in accordance with Condition 4, unsecured obligations of the Bank. The Notes and the Coupons (if any) 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).

## 4 NEGATIVE PLEDGE

So long as any Note or Coupon remains outstanding (as defined in the Agency Agreement), 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 Notes and the Coupons 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.

In these Conditions:

(i) "**Hong Kong**" and "**Hong Kong SAR**" means the Hong Kong Special Administrative Region of the People's Republic of China;

(ii) "**Macau**" means the Macau Special Administrative Region of the People's Republic of China;

(iii) "**Mainland China**" means the People's Republic of China other than Hong Kong SAR, Macau and Taiwan;

(iv) "**Public External Indebtedness**" means any indebtedness of the Bank for moneys borrowed (including indebtedness represented by bonds, notes, debentures or other similar instruments) or any guarantee by the Bank of indebtedness for moneys 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 Mainland China (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 moneys owed to any financial institution in Mainland China; and

(v) "**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.

## 5 INTEREST AND OTHER CALCULATIONS

(a) **Interest on Fixed Rate Notes**: Each Fixed Rate Note bears interest on its outstanding principal amount from and including the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest, such interest being payable in arrear on each Interest Payment Date. The amount of interest payable shall be determined in accordance with Condition 5(f).

(b) **Interest on Floating Rate Notes**:

(i) *Interest Payment Dates*: Each Floating Rate Note bears interest on its outstanding principal amount from and including the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest, such interest being payable in arrear on each Interest Payment Date. The amount of interest payable shall be determined in accordance with Condition 5(f). Such Interest Payment Date(s) is/are either shown hereon as Specified Interest Payment Dates or, if no Specified Interest Payment Date(s) is/are shown hereon, Interest Payment Date shall mean each date which falls the number of months or other period shown hereon as the Interest Period after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

(ii) *Rate of Interest for Floating Rate Notes*: The Rate of Interest in respect of Floating Rate Notes for each Interest Accrual Period shall be determined in the manner specified hereon and the provisions below relating to either Screen Rate Determination or ISDA Determination shall apply.

***(A) Screen Rate Determination for Floating Rate Notes***

(x) If the Reference Rate from time to time in respect of Floating Rate Notes is specified hereon as being SHIBOR:

(aa) the Rate of Interest for each Interest Accrual Period will, subject as provided below, be either:

(1) the offered quotation; or

(2) the arithmetic mean of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate which appears or appear on http://www.shibor.org as at or around 11.30 a.m. (Beijing time) on the Interest Determination Date in question as determined by the Calculation Agent. For the purposes of these Conditions, "**SHIBOR**" means the Shanghai Interbank Offered Rate as published on http://www.shibor.org by China Foreign Exchange Trade System & National Interbank Funding Centre under the authorisation of the People's Bank of China, at around 11.30 a.m., Beijing time on each business day, including 8 critical terms, i.e. O/N, 1W, 2W, 1M, 3M, 6M, 9M, 1Y, each represents the rate for a corresponding period; and

(bb) if for any reason no such offered quotation is published on http://www.shibor.org in respect of a certain Interest Determination Date, the SHIBOR in respect of the Business Day immediately preceding that Interest Determination Date shall be applied in place thereof.

(y) If the Reference Rate from time to time in respect of Floating Rate Notes is specified hereon as CNH HIBOR:

(aa) the Rate of Interest for each Interest Accrual Period will, subject as provided below, be either:

(1) the offered quotation; or

(2) the arithmetic mean of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate which appears or appear on the Relevant Screen Page as at 11.15 a.m. (Hong Kong time) or if, at or around that time it is notified that the fixing will be published at 2.30 p.m. (Hong Kong time), then 2.30 p.m. (Hong Kong time) on the Interest Determination Date in question as determined by the Calculation Agent;

(bb) the Relevant Screen Page is not available or, if sub-paragraph (y)(aa)(1) applies and no such offered quotation appears on the Relevant Screen Page, or, if sub-paragraph (y)(aa)(2) applies and fewer than three such offered quotations appear on the Relevant Screen Page, in each case as at the time specified above, subject as provided below, the Calculation Agent shall request the principal Hong Kong office of each of the Reference Banks to provide the Calculation Agent with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate at approximately 11.15 a.m. (Hong Kong time) on the Interest Determination Date in question. If two or more of the Reference Banks provide the Calculation Agent with such offered quotations, the Rate of Interest for such Interest Accrual Period shall be the arithmetic mean of such offered quotations as determined by the Calculation Agent. If all four Reference Banks provide the Calculation Agent with such offered quotations, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Calculation Agent for the purpose of determining the arithmetic mean of such offered quotations;

(cc) if paragraph (y)(bb) above applies and the Calculation Agent determines that fewer than two Reference Banks are providing offered quotations, subject as provided below, the Rate of Interest shall be the arithmetic mean of the rates per annum (expressed as a percentage) as communicated to (and at the request of) the Calculation Agent by the Reference Banks or any two or more of them, at which such banks were offered at approximately 11.15 a.m. (Hong Kong time) on the relevant Interest Determination Date, deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate by leading banks in the Hong Kong inter-bank market, or, if fewer than two of the Reference Banks provide the Calculation Agent with such offered rates, the offered rate for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, or the arithmetic mean of the offered rates for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, at which at approximately 11.15 a.m. (Hong Kong time) on the relevant Interest Determination Date, any one or more banks (which bank or banks is or are in the opinion of the Issuer suitable for such purpose) informs the Calculation Agent it is quoting to leading banks in the Hong Kong inter-bank market, provided that, if the Rate of Interest cannot be determined in accordance with the foregoing provisions of this paragraph, the Rate of Interest shall be determined as at the last preceding Interest Determination Date (though substituting, where a different Margin or Maximum or Minimum Rate of Interest is to be applied to the relevant Interest Accrual Period from that which applied to the last preceding Interest Accrual Period, the Margin or Maximum or Minimum Rate of Interest relating to the relevant Interest Accrual Period, in place of the Margin or Maximum or Minimum Rate of Interest relating to that last preceding Interest Accrual Period);

(z) Where the Reference Rate from time to time in respect of Floating Rate Notes is specified hereon as EURIBOR or HIBOR:

(aa) the Rate of Interest for each Interest Accrual Period will, subject as provided below, be either:

(1) the offered quotation; or

(2) the arithmetic mean of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page as at either 11.00 a.m. (Brussels time in the case of EURIBOR or Hong Kong time in the case of HIBOR) on the Interest Determination Date in question as determined by the Calculation Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Calculation Agent for the purpose of determining the arithmetic mean of such offered quotations;

(bb) if the Relevant Screen Page is not available or, if sub-paragraph (aa)(1) applies and no such offered quotation appears on the Relevant Screen Page, or, if sub-paragraph (aa)(2) applies and fewer than three such offered quotations appear on the Relevant Screen Page, in each case as at the time specified above, subject as provided below, the Calculation Agent shall request, if the Reference Rate is EURIBOR, the principal Euro-zone office of each of the Reference Banks, or, if the Reference Rate is HIBOR, the principal Hong Kong office of each of the Reference Banks, to provide the Calculation Agent with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time) or, if the Reference Rate is HIBOR, at approximately 11.00 a.m. (Hong Kong time) on the Interest Determination Date in question. If two or more of the Reference Banks provide the Calculation Agent with such offered quotations, the Rate of Interest for such Interest Accrual Period shall be the arithmetic mean of such offered quotations as determined by the Calculation Agent; and

(cc) if paragraph (bb) above applies and the Calculation Agent determines that fewer than two Reference Banks are providing offered quotations, subject as provided below, the Rate of Interest shall be the arithmetic mean of the rates per annum (expressed as a percentage) as communicated to (and at the request of) the Calculation Agent by the Reference Banks or any two or more of them, at which such banks were offered, if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time) or, if the Reference Rate is HIBOR, at approximately 11.00 a.m. (Hong Kong time) on the relevant Interest Determination Date, deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate by leading banks in, if the Reference Rate is EURIBOR, the Euro-zone inter-bank market or, if the Reference Rate is HIBOR, the Hong Kong inter-bank market, as the case may be, or, if fewer than two of the Reference Banks provide the Calculation Agent with such offered rates, the offered rate for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, or the arithmetic mean of the offered rates for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, at which, if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time) or, if the Reference Rate is HIBOR, at approximately 11.00 a.m. (Hong Kong time), on the relevant Interest Determination Date, any one or more banks (which bank or banks is or are in the opinion of the Issuer suitable for such purpose) informs the Calculation Agent it is quoting to leading banks in, if the Reference Rate is EURIBOR, the Euro-zone inter-bank market or, if the Reference Rate is HIBOR, the Hong Kong inter-bank market, as the case may be, provided that, if the Rate of Interest cannot be determined in accordance with the foregoing provisions of this paragraph, the Rate of Interest shall be determined as at the last preceding Interest Determination Date (though substituting, where a different Margin or Maximum or Minimum Rate of Interest is to be applied to the relevant Interest Accrual Period from that which applied to the last preceding Interest Accrual Period, the Margin or Maximum or Minimum Rate of Interest relating to the relevant Interest Accrual Period, in place of the Margin or Maximum or Minimum Rate of Interest relating to that last preceding Interest Accrual Period);

(xx) in no event shall the Rate of Interest be less than zero per cent. per annum. If the Reference Rate from time to time in respect of Floating Rate Notes is specified hereon as being other than SHIBOR, CNH HIBOR, EURIBOR or HIBOR, the Rate of Interest in respect of such Notes will be determined as provided hereon.

***(B) ISDA Determination for Floating Rate Notes***

Where ISDA Determination is specified hereon as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period shall be determined by the Calculation Agent in the manner as described in the applicable Pricing Supplement.

***(C) Benchmark Replacement***

In addition, notwithstanding the provisions above in Condition 5(b) (Interest on Floating Rate Notes), if the Issuer determines that a Benchmark Event has occurred in relation to the relevant Reference Rate specified in the relevant Pricing Supplement when any Rate of Interest (or the relevant component part thereof) remains to be determined by such Reference Rate, then the following provisions shall apply:

(x) the Issuer shall use all reasonable endeavours to appoint, as soon as reasonably practicable, an Independent Adviser to determine (acting in a reasonable manner), no later than five Business Days prior to the relevant Interest Determination Date relating to the next succeeding Interest Period (the "**IA Determination Cut-off Date**"), a Successor Rate or, alternatively, if there is no Successor Rate, an Alternative Reference Rate for the purposes of determining the Rate of Interest (or the relevant component part thereof) applicable to the Notes;

(y) if the Issuer (acting in a reasonable manner) is unable to appoint an Independent Adviser, or the Independent Adviser appointed by it fails to determine a Successor Rate or an Alternative Reference Rate prior to the IA Determination Cut-off Date, the Issuer (acting in a reasonable manner) may determine a Successor Rate or, if there is no Successor Rate, an Alternative Reference Rate;

(z) if a Successor Rate or, failing which, an Alternative Reference Rate (as applicable) is determined in accordance with the preceding provisions, such Successor Rate or, failing which, an Alternative Reference Rate (as applicable) shall be the Reference Rate for each of the future Interest Periods (subject to the subsequent operation of, and to adjustment as provided in, this Condition 5(b)(ii)(C) (Benchmark Replacement)); provided, however, that if sub-paragraph (y) applies and the Issuer (acting in a reasonable manner) is unable to or does not determine a Successor Rate or an Alternative Reference Rate prior to the relevant Interest Determination Date, the Rate of Interest applicable to the next succeeding Interest Period shall be equal to the Rate of Interest last determined in relation to the Notes in respect of the preceding Interest Period (or alternatively, if there has not been a first Interest Payment Date, the rate of interest shall be the initial Rate of Interest) (subject, where applicable, to substituting the Margin, Maximum Rate of Interest or Minimum Rate Interest that applied to such preceding Interest Period for the Margin, Maximum Rate of Interest or Minimum Rate Interest that is to be applied to the relevant Interest Period); for the avoidance of doubt, the proviso in this sub-paragraph (z) shall apply to the relevant Interest Period only and any subsequent Interest Periods are subject to the subsequent operation of, and to adjustment as provided in, this Condition 5(b)(ii)(C) (Benchmark Replacement));

(xx) if the Independent Adviser or the Issuer (acting in a reasonable manner) determines a Successor Rate or, failing which, an Alternative Reference Rate (as applicable) in accordance with the above provisions, the Independent Adviser or the Issuer (acting in good faith and in a commercially reasonable manner) (as applicable), may also specify changes to these Conditions, including but not limited to the Day Count Fraction, Relevant Screen Page, Business Day Convention, business days, Interest Determination Date and/or the definition of Reference Rate applicable to the Notes, and the method for determining the fallback rate in relation to the Notes, if such changes are necessary to ensure the proper operation of such Successor Rate, Alternative Reference Rate and/or Adjustment Spread (as applicable). If the Independent Adviser (in consultation with the Issuer) or the Issuer (acting in a reasonable manner) (as applicable), determines that an Adjustment Spread is required to be applied to the Successor Rate or the Alternative Reference Rate (as applicable) and determines the quantum of, or a formula or methodology for determining, such Adjustment Spread, then such Adjustment Spread shall be applied to the Successor Rate or the Alternative Reference Rate (as applicable). If the Independent Adviser or the Issuer (acting in a reasonable manner) (as applicable) is unable to determine the quantum of, or a formula or methodology for determining, such Adjustment Spread, then such Successor Rate or Alternative Reference Rate (as applicable) will apply without an Adjustment Spread. For the avoidance of doubt, the Fiscal Agent shall, at the direction and expense of the Issuer, effect such consequential amendments to the Agency Agreement and these Conditions as may be required in order to give effect to this Condition 5(b)(ii)(C) (Benchmark Replacement). Noteholder or Couponholder consent shall not be required in connection with effecting the Successor Rate or Alternative Reference Rate (as applicable) or such other changes, including for the execution of any documents or other steps by the Fiscal Agent (if required); and

(yy) the Issuer shall promptly, following the determination of any Successor Rate or Alternative Reference Rate (as applicable), give notice thereof to the Fiscal Agent, Noteholders and Couponholders, which shall specify the effective date(s) for such Successor Rate or Alternative Reference Rate (as applicable) and any consequential changes made to these Conditions,

provided that the determination of any Successor Rate or Alternative Reference Rate, and any other related changes to the Notes, shall be made in accordance with applicable law.

(c) **Zero Coupon Notes**: Where a Note the Interest Basis of which is specified to be Zero Coupon is repayable prior to the Maturity Date and is not paid when due, the amount due and payable prior to the Maturity Date shall be the Early Redemption Amount of such Note. As from the Maturity Date, the Rate of Interest for any overdue principal of such a Note shall be a rate per annum (expressed as a percentage) equal to the Amortisation Yield (as described in Condition 6(b)(i)).

(d) **Accrual of Interest**: Interest shall cease to accrue on each Note on the due date for redemption unless, upon due presentation, payment is improperly withheld or refused by the Issuer or the Agents, in which event interest shall continue to accrue (both before and after judgment) at the Rate of Interest in the manner provided in this Condition 5 to the Relevant Date (as defined in Condition 8).

(e) **Margin, Maximum/Minimum Rates of Interest and Redemption Amounts and Rounding**:

(i) If any Margin is specified hereon (either (x) generally, or (y) in relation to one or more Interest Accrual Periods), an adjustment shall be made to all Rates of Interest, in the case of (x), or the Rates of Interest for the specified Interest Accrual Periods, in the case of (y), calculated in accordance with Condition 5(b) above by adding (if a positive number) or subtracting the absolute value (if a negative number) of such Margin subject always to the next paragraph;

(ii) If any Maximum or Minimum Rate of Interest or Redemption Amount is specified hereon, then any Rate of Interest or Redemption Amount shall be subject to such maximum or minimum, as the case may be;

(iii) For the purposes of any calculations required pursuant to these Conditions (unless otherwise specified), (x) all percentages resulting from such calculations shall be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005 of a percentage point being rounded up), (y) all figures shall be rounded to seven significant figures (provided that if the eighth significant figure is a 5 or greater, the seventh significant shall be rounded up) and (z) all currency amounts that fall due and payable shall be rounded to the nearest unit of such currency (with half a unit being rounded up), save in the case of yen, which shall be rounded down to the nearest yen. For these purposes "**unit**" means the lowest amount of such currency that is available as legal tender in the country of such currency.

(f) **Calculations**: The amount of interest payable per Calculation Amount in respect of any Note for any Interest Accrual Period shall be equal to the product of the Rate of Interest, the Calculation Amount specified hereon, and the Day Count Fraction for such Interest Accrual Period, unless an Interest Amount (or a formula for its calculation) is applicable to such Interest Accrual Period, in which case the amount of interest payable per Calculation Amount in respect of such Note for such Interest Accrual Period shall equal such Interest Amount (or be calculated in accordance with such formula). Where any Interest Period comprises two or more Interest Accrual Periods, the amount of interest payable per Calculation Amount in respect of such Interest Period shall be the sum of the Interest Amounts payable in respect of each of those Interest Accrual Periods. In respect of any other period for which interest is required to be calculated, the provisions above shall apply save that the Day Count Fraction shall be for the period for which interest is required to be calculated.

(g) **Determination and Publication of Rates of Interest, Interest Amounts, Final Redemption Amounts, Early Redemption Amounts and Optional Redemption Amounts**: The Calculation Agent shall, as soon as practicable on such date as the Calculation Agent may be required to calculate any rate or amount, obtain any quotation or make any determination or calculation, determine such rate and calculate the Interest Amounts for the relevant Interest Accrual Period, calculate the Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, obtain such quotation or make such determination or calculation, as the case may be, and cause the Rate of Interest and the Interest Amounts for each Interest Accrual Period and the relevant Interest Payment Date and, if required to be calculated, the Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount to be notified to the Fiscal Agent, the Issuer, each of the Paying Agents, the Noteholders, any other Calculation Agent appointed in respect of the Notes that is to make a further calculation upon receipt of such information and, if the Notes are listed on a stock exchange and the rules of such exchange or other relevant authority so require, such exchange or other relevant authority as soon as possible after their determination but in no event later than (i) the commencement of the relevant Interest Period, if determined prior to such time, in the case of notification to such exchange of a Rate of Interest and Interest Amount, or (ii) in all other cases, the fourth Business Day after such determination. Where any Interest Payment Date or Interest Period Date is subject to adjustment pursuant to Condition 5(b)(ii), the Interest Amounts and the Interest Payment Date so published may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of an extension or shortening of the Interest Period. If the Notes become due and payable under Condition 10, the accrued interest and the Rate of Interest payable in respect of the Notes shall nevertheless continue to be calculated as previously in accordance with this Condition but no publication of the Rate of Interest or the Interest Amount so calculated need be made. The determination of any rate or amount, the obtaining of each quotation and the making of each determination or calculation by the Calculation Agent(s) shall (in the absence of manifest error) be final and binding upon all parties.

(h) **Definitions**: In these Conditions, unless the context otherwise requires, the following defined terms shall have the meanings set out below:

"**Adjustment Spread**" means (a) a spread (which may be positive or negative or zero) or (b) a formula or methodology for calculating a spread, in each case required to be applied to the Successor Rate or the Alternative Reference Rate (as applicable) and is the spread, formula or methodology which:

(i) in the case of a Successor Rate, is formally recommended in relation to the replacement of the Reference Rate with the Successor Rate by any Relevant Nominating Body;

(ii) in the case of a Successor Rate for which no such recommendation has been made or in the case of an Alternative Reference Rate, the Independent Adviser (in consultation with the Issuer) or the Issuer (acting in a reasonable manner) (as applicable) determines is recognised or acknowledged as being in customary market usage in international debt capital markets transactions which reference the Reference Rate, where such rate has been replaced by the Successor Rate or the Alternative Reference Rate (as applicable); or

(iii) if the Independent Adviser (in consultation with the Issuer) or the Issuer (acting in a reasonable manner) (as applicable) determines that no such customary market usage is recognised or acknowledged, the Independent Adviser (in consultation with the

Issuer) or the Issuer in its discretion (as applicable), determines (acting in a reasonable manner) to be appropriate, having regard to the objective, so far as is reasonably practicable in the circumstances and solely for the purposes of this sub-paragraph (iii) only, of reducing or eliminating any economic prejudice or benefit (as the case may be) to the Noteholders and Couponholders;

"**Alternative Reference Rate**" means the rate that the Independent Adviser or the Issuer (as applicable) determines has replaced the relevant Reference Rate in customary market usage in the international debt capital markets for the purposes of determining rates of interest in respect of bonds denominated in the Specified Currency and of a comparable duration to the relevant Interest Period, or, if the Independent Adviser or the Issuer (as applicable) determines that there is no such rate, such other rate as the Independent Adviser or the Issuer (as applicable) determines in its discretion (acting in a reasonable manner) is most comparable to the relevant Reference Rate;

"**Benchmark Event**" means, in respect of a Reference Rate:

(i) such Reference Rate ceasing to be published for a period of at least five Business Days or ceasing to exist;

(ii) a public statement by the administrator of such Reference Rate that it has ceased or will cease publishing such Reference Rate permanently or indefinitely (in circumstances where no successor administrator has been appointed that will continue publication of such Reference Rate);

(iii) a public statement by the supervisor of the administrator of such Reference Rate that such Reference Rate has been or will be permanently or indefinitely discontinued;

(iv) a public statement by the supervisor of the administrator of such Reference Rate that means such Reference Rate will be prohibited from being used either generally or in respect of the Notes or that its use will be subject to restrictions or adverse consequences;

(v) a public statement by the supervisor of the administrator of such Reference Rate that, in the view of such supervisor, such Reference Rate is no longer representative of an underlying market or the methodology to calculate such Reference Rate has materially changed; or

(vi) it has become unlawful for any Paying Agent, Calculation Agent, the Issuer or other party to calculate any payments due to be made to any Noteholder or Couponholder using such Reference Rate,

provided that in the case of sub-paragraphs (ii), (iii) and (iv) of this definition, the Benchmark Event shall occur on the date of the cessation of publication of such Reference Rate, the discontinuation of such Reference Rate, or the prohibition of use of such Reference Rate, as the case may be, and not the date of the relevant public statement;

"**Business Day**" means:

(i) in the case of a currency other than euro and Renminbi, a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments in the principal financial centre for such currency; and/or

(ii) in the case of euro, a day on which T2 is open for the settlement of payments in euro (a "**TARGET Business Day**"); and/or

(iii) in the case of Renminbi, a day (other than a Saturday, Sunday or public holiday) on which commercial banks in Hong Kong SAR are generally open for business and settlement of Renminbi payments in Hong Kong SAR and banks in Beijing are not authorised or obliged by law or executive order to be closed; and/or

(iv) in the case of a currency and/or one or more Business Centres, a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments in such currency in the Business Centre(s) or, if no currency is indicated, generally in each of the Business Centres;

"**Day Count Fraction**" means, in respect of the calculation of an amount of interest on any Note for any period of time (from and including the first day of such period to but excluding the last) (whether or not constituting an Interest Period or an Interest Accrual Period, the "**Calculation Period**"):

(i) if "**Actual/Actual**" or "**Actual/Actual — ISDA**" is specified hereon, the actual number of days in the Calculation Period divided by 365 (or, if any portion of that Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365)

(ii) if "**Actual/365 (Fixed)**" is specified hereon, the actual number of days in the Calculation Period divided by 365

(iii) if "**Actual/365 (Sterling)**" is specified hereon, the actual number of days in the Calculation Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366

(iv) if "**Actual/360**" is specified hereon, the actual number of days in the Calculation Period divided by 360

(v) if "**30/360**", "**360/360**" or "**Bond Basis**" is specified hereon, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"$\mathbf{Y_1}$" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"$\mathbf{Y_2}$" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"$\mathbf{M_1}$" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"$\mathbf{M_2}$" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**$D_1$**" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case $D_1$ will be 30; and

"**$D_2$**" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and $D_1$ is greater than 29, in which case $D_2$ will be 30.

(vi) if "**30E/360**" or "**Eurobond Basis**" is specified hereon, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"**$Y_1$**" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"**$Y_2$**" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**$M_1$**" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"**$M_2$**" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**$D_1$**" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case $D_1$ will be 30; and

"**$D_2$**" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31, in which case $D_2$ will be 30.

(vii) if "**30E/360 (ISDA)**" is specified hereon, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"**$Y_1$**" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"**$Y_2$**" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**$M_1$**" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"**$M_2$**" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**$D_1$**" is the first calendar day, expressed as a number, of the Calculation Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case $D_1$ will be 30; and

"**$D_2$**" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case $D_2$ will be 30.

(viii) if "**Actual/Actual — ICMA**" is specified hereon,

(a) if the Calculation Period is equal to or shorter than the Determination Period during which it falls, the number of days in the Calculation Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Periods normally ending in any year; and

(b) if the Calculation Period is longer than one Determination Period, the sum of:

(x) the number of days in such Calculation Period falling in the Determination Period in which it begins divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year; and

(y) the number of days in such Calculation Period falling in the next Determination Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year

where:

"**Determination Period**" means the period from and including a Determination Date in any year to but excluding the next Determination Date; and

"**Determination Date**" means the date(s) specified as such hereon or, if none is so specified, the Interest Payment Date(s);

"**Euro-zone**" means the region comprised of member states of the European Union that adopt the single currency in accordance with the Treaty establishing the European Community, as amended;

"**Independent Adviser**" means an independent financial institution of international repute or other independent financial adviser of recognised standing and with appropriate expertise, in each case appointed by the Issuer at its own expense;

"**Interest Accrual Period**" means the period beginning on and including the Interest Commencement Date and ending on but excluding the first Interest Period Date and each successive period beginning on and including an Interest Period Date and ending on but excluding the next succeeding Interest Period Date;

"**Interest Amount**" means:

(i) in respect of an Interest Accrual Period, the amount of interest payable per Calculation Amount for that Interest Accrual Period and which, in the case of Fixed Rate Notes, and unless otherwise specified hereon, shall mean the Fixed Coupon

Amount or Broken Amount specified hereon as being payable on the Interest Payment Date ending the Interest Period of which such Interest Accrual Period forms part; and

(ii) in respect of any other period, the amount of interest payable per Calculation Amount for that period;

"**Interest Commencement Date**" means the Issue Date or such other date as may be specified hereon;

"**Interest Determination Date**" means, with respect to a Rate of Interest and Interest Accrual Period, the date specified as such hereon or, if none is so specified, (i) the first day of such Interest Accrual Period if the Specified Currency is Sterling or euro or Hong Kong dollars or Renminbi other than where the Specified Currency is Renminbi and the Reference Rate is SHIBOR or CNH HIBOR or (ii) the day falling two Business Days in London for the Specified Currency prior to the first day of such Interest Accrual Period if the Specified Currency is neither Sterling nor euro nor Hong Kong dollars nor Renminbi or (iii) the day falling two TARGET Business Days prior to the first day of such Interest Accrual Period if the Specified Currency is euro or (iv) the Business Day prior to the first day of such Interest Accrual Period if the Specified Currency is Renminbi and the Reference Rate is SHIBOR or (v) the day falling two Business Days in Hong Kong SAR prior to the first day of such Interest Accrual Period if the Specified Currency is Renminbi and the Reference Rate is CNH HIBOR;

"**Interest Period**" means the period beginning on and including the Interest Commencement Date and ending on but excluding the first Interest Payment Date and each successive period beginning on and including an Interest Payment Date and ending on but excluding the next succeeding Interest Payment Date;

"**Interest Period Date**" means each Interest Payment Date unless otherwise specified hereon;

"**Rate of Interest**" means the rate of interest payable from time to time in respect of this Note and that is either specified or calculated in accordance with the provisions hereon;

"**Reference Banks**" means in the case of a determination of EURIBOR, the principal Euro-zone office of four major banks in the Euro-zone inter-bank market and, in the case of a determination of CNH HIBOR or HIBOR, the principal Hong Kong office of four major banks dealing in Renminbi in the Hong Kong inter-bank market, in each case selected by the Calculation Agent in consultation with the Issuer or as specified hereon;

"**Reference Rate**" means the rate specified as such hereon;

"**Relevant Nominating Body**" means, in respect of a Reference Rate:

(i) the central bank for the currency to which the Reference Rate relates, or any central bank or other supervisory authority which is responsible for supervising the administrator of the Reference Rate; or

(ii) any working group or committee sponsored by, chaired or co-chaired by or constituted at the request of (a) the central bank for the currency to which the Reference Rate relates, (b) any central bank or other supervisory authority which is responsible for supervising the administrator of the Reference Rate, (c) a group of the aforementioned central banks or other supervisory authorities, or (d) the Financial Stability Board or any part thereof;

"**Relevant Screen Page**" means such page, section, caption, column or other part of a particular information service as may be specified hereon (or any successor or replacement page, section, caption, column or other part of a particular information service);

"**Specified Currency**" means the currency specified as such hereon or, if none is specified, the currency in which the Notes are denominated;

"**Successor Rate**" means the rate that the Independent Adviser or the Issuer (as applicable) determines is a successor to or replacement of the Reference Rate which is formally recommended by any Relevant Nominating Body; and

"**T2**" means the real time gross settlement system operated by the Eurosystem, or any successor system.

(i) **Calculation Agent**: The Issuer shall procure that there shall at all times be one or more Calculation Agents if provision is made for them hereon and for so long as any Note is outstanding (as defined in the Agency Agreement). Where more than one Calculation Agent is appointed in respect of the Notes, references in these Conditions to the Calculation Agent shall be construed as each Calculation Agent performing its respective duties under the Conditions. If the Calculation Agent is unable or unwilling to act as such or if the Calculation Agent fails duly to establish the Rate of Interest for an Interest Accrual Period or to calculate any Interest Amount, Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, as the case may be, or to comply with any other requirement, the Issuer shall appoint a leading bank or financial institution engaged in the interbank market (or, if appropriate, money, swap or over-the-counter index options market) that is most closely connected with the calculation or determination to be made by the Calculation Agent (acting through its principal office or any other office actively involved in such market) to act as such in its place. The Calculation Agent may not resign its duties without a successor having been appointed as aforesaid.

(j) **Business Day Convention**: If any date referred to in these Conditions that is specified to be subject to adjustment in accordance with a Business Day Convention would otherwise fall on a day that is not a Business Day, then, if the Business Day Convention specified is (A) the Floating Rate Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event (x) such date shall be brought forward to the immediately preceding Business Day and (y) each subsequent such date shall be the last Business Day of the month in which such date would have fallen had it not been subject to adjustment, (B) the Following Business Day Convention, such date shall be postponed to the next day that is a Business Day, (C) the Modified Following Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event such date shall be brought forward to the immediately preceding Business Day or (D) the Preceding Business Day Convention, such date shall be brought forward to the immediately preceding Business Day.

## 6 REDEMPTION, PURCHASE AND OPTIONS

(a) **Final Redemption**:

Unless previously redeemed, purchased and cancelled as provided below, each Note shall be finally redeemed on the Maturity Date specified hereon at its Final Redemption Amount (which, unless otherwise provided hereon, is its principal amount).

(b) **Early Redemption**:

(i) *Zero Coupon Notes*:

(A) The Early Redemption Amount payable in respect of any Zero Coupon Note, the Early Redemption Amount of which is not linked to an index and/or a formula, upon redemption of such Note pursuant to Condition 6(c), Condition 6(d) or Condition 6(e) or upon it becoming due and payable as provided in Condition 10 shall be the Amortised Face Amount (calculated as provided below) of such Note unless otherwise specified hereon.

(B) Subject to the provisions of sub-paragraph (C) below, the Amortised Face Amount of any such Note shall be the scheduled Final Redemption Amount of such Note on the Maturity Date discounted at a rate per annum (expressed as a percentage) equal to the Amortisation Yield (which, if none is shown hereon, shall be such rate as would produce an Amortised Face Amount equal to the issue price of the Notes if they were discounted back to their issue price on the Issue Date) compounded annually.

(C) If the Early Redemption Amount payable in respect of any such Note upon its redemption pursuant to Condition 6(c), Condition 6(d) or Condition 6(e) or upon it becoming due and payable as provided in Condition 10 is not paid when due, the Early Redemption Amount due and payable in respect of such Note shall be the Amortised Face Amount of such Note as defined in sub-paragraph (B) above, except that such sub-paragraph shall have effect as though the date on which the Note becomes due and payable were the Relevant Date. The calculation of the Amortised Face Amount in accordance with this sub-paragraph shall continue to be made (both before and after judgment) until the Relevant Date, unless the Relevant Date falls on or after the Maturity Date, in which case the amount due and payable shall be the scheduled Final Redemption Amount of such Note on the Maturity Date together with any interest that may accrue in accordance with Condition 5(c). Where such calculation is to be made for a period of less than one year, it shall be made on the basis of the Day Count Fraction shown hereon.

(ii) *Other Notes*: The Early Redemption Amount payable in respect of any Note (other than Notes described in Condition 6(b)(i) above), upon redemption of such Note pursuant to Condition 6(c), Condition 6(d) or Condition 6(e) or upon it becoming due and payable as provided in Condition 10, shall be the Final Redemption Amount unless otherwise specified hereon.

(c) **Redemption for Taxation Reasons**: Where the Issuer is the Hong Kong Branch, the Notes may be redeemed at the option of the Issuer in whole, but not in part, on any Interest Payment Date (if this Note is a Floating Rate Note) or, at any time, (if this Note is not a Floating Rate Note), on giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable), at their Early Redemption Amount (as described in Condition 6(b) above) (together with interest accrued to but excluding the date fixed for redemption), if (i) the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 8 as a result of any change in, or amendment to, the laws or regulations of Hong Kong SAR, Mainland China 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, which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of the Notes, and (ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts were a payment in respect of the Notes then due. Prior to the publication of any notice of redemption pursuant to this Condition 6(c), the Issuer shall deliver to the Fiscal Agent a certificate signed by an authorised representative of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred, and an opinion of independent legal advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such additional amounts as a result of such change or amendment.

(d) **Redemption at the Option of the Issuer**: If Call Option is specified hereon, the Issuer may, on giving not less than 15 nor more than 30 days' irrevocable notice to the Noteholders (or such other notice period as may be specified hereon) redeem, all or, if so provided, some, of the Notes on any Optional Redemption Date. Any such redemption of Notes shall be at their Optional Redemption Amount specified hereon (which may be the Early Redemption Amount (as described in Condition 6(b) above)) together with interest accrued to but excluding the date fixed for redemption. Any such redemption or exercise must relate to Notes of a principal amount at least equal to the Minimum Redemption Amount to be redeemed specified hereon and no greater than the Maximum Redemption Amount to be redeemed specified hereon.

All Notes in respect of which any such notice is given shall be redeemed on the date specified in such notice in accordance with this Condition.

In the case of a partial redemption the notice to Noteholders shall also contain the certificate numbers of the Bearer Notes, or in the case of Registered Notes shall specify the principal amount of Registered Notes drawn and the holder(s) of such Registered Notes, to be redeemed, which shall have been drawn in such place and in such manner as may be fair and reasonable in the circumstances, taking account of prevailing market practices, subject to compliance with any applicable laws and stock exchange or other relevant authority requirements.

*So long as the Notes in global form and the Certificate representing or evidencing such Notes is held on behalf of Euroclear, Clearstream, the CMU and/or an alternative clearing system, the selection of Notes for redemption under Condition 6(d) shall be effected in accordance with the rules of the relevant clearing system.*

(e) **Redemption at the Option of Noteholders**: If Put Option is specified hereon, the Issuer shall, at the option of the holder of any such Note, upon the holder of such Note giving not less than 15 nor more than 30 days' notice to the Issuer (or such other notice period as may be specified hereon) redeem such Note on the Optional Redemption Date(s) at its Optional Redemption Amount specified hereon (which may be the Early Redemption Amount (as described in Condition 6(b) above)) together with interest accrued to but excluding the date fixed for redemption.

To exercise such option the holder must deposit (in the case of Bearer Notes) such Note (together with all unmatured Coupons and unexchanged Talons) with any Paying Agent or (in the case of Registered Notes) the Certificate representing such Note(s) with the Registrar or any Transfer Agent at its specified office, together with a duly completed option exercise notice ("**Exercise Notice**") in the form obtainable from any Paying Agent, the Registrar or any Transfer Agent (as applicable) within the notice period. No Note or Certificate so deposited and option exercised may be withdrawn (except as provided in the Agency Agreement) without the prior consent of the Issuer.

(f) **Purchases**: Subject to applicable laws and regulations, the Bank and the Hong Kong Branch may at any time purchase Notes (provided that all unmatured Coupons and unexchanged Talons relating thereto are attached thereto or surrendered therewith) in the open market or otherwise at any price.

(g) **Cancellation**: All Notes purchased by or on behalf of the Bank or the Hong Kong Branch may be surrendered for cancellation, in the case of Bearer Notes, by surrendering each such Note together with all unmatured Coupons and all unexchanged Talons to the Fiscal Agent and, in the case of Registered Notes, by surrendering the Certificate representing such Notes to the Registrar and, in each case, if so surrendered, shall, together with all Notes redeemed by the Issuer, be cancelled forthwith (together with all unmatured Coupons and unexchanged Talons attached thereto or surrendered therewith). Any Notes so surrendered for cancellation may not be reissued or resold and the obligations of the Issuer in respect of any such Notes shall be discharged.

## 7 PAYMENTS AND TALONS

(a) **Bearer Notes**: Payments of principal and interest in respect of Bearer Notes shall, subject as mentioned below, be made against presentation and surrender of the relevant Notes (in the case of all payments of principal and in the case of interest as specified in Condition 7(f)(v)), or Coupons (in the case of interest, save as specified in Condition 7(f)(v)), as the case may be:

(i) in the case of a currency other than Renminbi, at the specified office of any Paying Agent outside the United States by a cheque payable in the relevant currency drawn on, or, at the option of the holder, by transfer to an account denominated in such currency with, a Bank; and

(ii) in the case of Renminbi, by transfer to a Renminbi account maintained by or on behalf of the Noteholder with a bank in Hong Kong.

In this Condition 7(a) and Condition 7(b), "**Bank**" means a bank in the principal financial centre for such currency or, in the case of euro, in a city in which banks have access to T2.

(b) **Registered Notes**:

(i) Payments of principal in respect of Registered Notes shall be made against presentation and surrender of the relevant Certificates representing such Notes at the specified office of any of the Transfer Agents or of the Registrar and in the manner provided in paragraph (ii) below.

(ii) Interest on Registered Notes shall be paid to the person shown on the Register at the close of business on the fifth (in the case of Renminbi) and fifteenth (in the case of a currency other than Renminbi) day before the due date for payment thereof (the "**Record Date**"). Payments of interest on each Registered Note shall be:

(x) in the case of a currency other than Renminbi, in the relevant currency by cheque drawn on a Bank and mailed to the holder (or to the first-named of joint holders) of such Note at its address appearing in the Register. Upon application by the holder to the specified office of the Registrar or any Transfer Agent before the Record Date, such payment of interest may be made by transfer to an account in the relevant currency maintained by the payee with a Bank; and

(y) in the case of Renminbi, by transfer to the registered account of the Noteholder. In this paragraph, "**registered account**" means the Renminbi account maintained by or on behalf of the Noteholder with a bank in Hong Kong, details of which appear on the Register at the close of business on the Record Date.

(c) **Payments in the United States**: Notwithstanding the foregoing, if any Bearer Notes are denominated in US dollars, payments in respect thereof may be made at the specified office of any Paying Agent in New York City in the same manner as aforesaid if (i) the Issuer shall have appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment of the amounts on the Notes in the manner provided above when due, (ii) payment in full of such amounts at all such offices is illegal or effectively precluded by exchange controls or other similar restrictions on payment or receipt of such amounts and (iii) such payment is then permitted by United States law, without involving, in the opinion of the Issuer, any adverse tax consequence to the Issuer.

(d) **Payments Subject to Laws**: Save as provided in Condition 8, all payments are subject in all cases to any other applicable fiscal or other laws and regulations in the place of payment or other laws and regulations to which the Issuer or its Agents agree to be subject and the Issuer will not be liable for any taxes or duties of whatever nature imposed or levied by such laws, regulations or agreements. No commission or expenses shall be charged to the Noteholders or Couponholders in respect of such payments.

(e) **Appointment of Agents**: The Fiscal Agent, the Paying Agents, the Registrar, the CMU Lodging Agent, the Transfer Agents and the Calculation Agent initially appointed by the Issuer and their respective specified offices are listed below. The Fiscal Agent, the Paying Agents, the Registrar, the CMU Lodging Agent, the Transfer Agents and the Calculation Agent(s) act solely as agents of the Issuer and do not assume any obligation or relationship of agency or trust for or with any Noteholder or Couponholder. The Issuer reserves the right at any time to vary or terminate the appointment of the Fiscal Agent, any other Paying Agent, the Registrar, the CMU Lodging Agent, any Transfer Agent or the Calculation Agent(s) and to appoint additional or other Paying Agents or Transfer Agents, provided that the Issuer shall at all times maintain (i) a Fiscal Agent, (ii) a Registrar in relation to Registered Notes, (iii) a Transfer Agent in relation to Registered Notes, (iv) one or more Calculation Agent(s) where the Conditions so require, (v) one or more Paying Agent(s) where the Conditions so require, (vi) a CMU Lodging Agent in relation to the Notes accepted for clearance through the CMU, and (vii) such other agents as may be required by another stock exchange on which the Notes may be listed.

In addition, the Issuer shall forthwith appoint a Paying Agent in New York City in respect of any Bearer Notes denominated in US dollars in the circumstances described in Condition 7(c) above.

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

(f) **Unmatured Coupons and unexchanged Talons**:

(i) Upon the due date for redemption of Bearer Notes which comprise Fixed Rate Notes, those Notes should be surrendered for payment together with all unmatured Coupons (if any) relating thereto, failing which an amount equal to the face value of each missing unmatured Coupon (or, in the case of payment not being made in full, that proportion of the amount of such missing unmatured Coupon that the sum of principal so paid bears to the total principal due) shall be deducted from the Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, as the case may be, due for payment. Any amount so deducted shall be paid in the manner mentioned above against surrender of such missing Coupon within a period of 10 years from the Relevant Date for the payment of such principal (whether or not such Coupon has become void pursuant to Condition 9).

(ii) Upon the due date for redemption of any Bearer Note comprising a Floating Rate Note, unmatured Coupons relating to such Note (whether or not attached) shall become void and no payment shall be made in respect of them.

(iii) Upon the due date for redemption of any Bearer Note, any unexchanged Talon relating to such Note (whether or not attached) shall become void and no Coupon shall be delivered in respect of such Talon.

(iv) Where any Bearer Note that provides that the relevant unmatured Coupons are to become void upon the due date for redemption of those Notes is presented for redemption without all unmatured Coupons, and where any Bearer Note is presented for redemption without any unexchanged Talon relating to it, redemption shall be made only against the provision of such indemnity as the Issuer may require.

(v) If the due date for redemption of any Note is not a due date for payment of interest, interest accrued from the preceding due date for payment of interest or the Interest Commencement Date, as the case may be, shall only be payable against presentation (and surrender if appropriate) of the relevant Bearer Note or Certificate representing it, as the case may be.

(g) **Talons**: On or after the Interest Payment Date for the final Coupon forming part of a Coupon sheet issued in respect of any Bearer Note, the Talon forming part of such Coupon sheet may be surrendered at the specified office of the Fiscal Agent in exchange for a further Coupon sheet (and if necessary another Talon for a further Coupon sheet) (but excluding any Coupons that may have become void pursuant to Condition 9).

(h) **Non-Business Days**: If any date for payment in respect of any Note or Coupon is not a business day, the holder shall not be entitled to payment until the next following business day nor to any interest or other sum in respect of such postponed payment. In this paragraph, "**business day**" means a day (other than a Saturday, Sunday or public holiday) on which banks and foreign exchange markets are open for business in the relevant place of presentation, in such jurisdictions as shall be specified as "**Financial Centres**" hereon and:

(i) (in the case of a payment in a currency other than euro and Renminbi) where payment is to be made by transfer to an account maintained with a bank in the relevant currency, on which foreign exchange transactions may be carried on in the relevant currency in the principal financial centre of the country of such currency; or

(ii) (in the case of a payment in euro) which is a Business Day; or

(iii) (in the case of a payment in Renminbi) on which banks and foreign exchange markets are open for business and settlement of Renminbi payments in Hong Kong SAR and banks in Beijing are not authorised or obliged by law or executive order to be closed.

## 8 TAXATION

All payments of principal and/or interest by or on behalf of the Issuer in respect of the Notes and the Coupons shall be made free and clear of, and without deduction or withholding for, or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of Mainland China or Hong Kong SAR (where the Issuer is the Hong Kong Branch only), or any political subdivision or authority therein or thereof having power to tax, unless such withholding or deduction is required by law. In that event, the Issuer shall pay such additional amounts as shall result in receipt by the Noteholders and the Couponholders 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 Note or Coupon for or on account of:

(a) **Other connection**: a Noteholder who is subject to such taxes in respect of such Note or Coupon by reason of his being connected with Mainland China or Hong Kong SAR (where the Issuer is the Hong Kong Branch only) other than merely by holding such Note or Coupon or receiving principal or interest in respect of such Note; or

(b) **Claim for exemption**: a Noteholder 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) **Presentation more than 30 days after the Relevant Date**: a Noteholder presenting a Note or Coupon (or in respect of which the Certificate representing it is presented) for payment more than 30 days after the Relevant Date except to the extent that the holder of such Note or Coupon would have been entitled to such additional amounts on presenting the same for payment on the last day of such 30 day period.

As used in these Conditions, "**Relevant Date**" in respect of any Note or Coupon means the date on which payment in respect of it first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the date seven days after that on which notice is duly given to the Noteholders that, upon further presentation of the Note (or relative Certificate) or Coupon being made in accordance with the Conditions, such payment will be made, provided that payment is in fact made upon such presentation. References in these Conditions to (i) "**principal**" shall be deemed to include any premium payable in respect of the Notes, Final Redemption Amounts, Early Redemption Amounts, Optional Redemption Amounts, Amortised Face Amounts and all other amounts in the nature of principal payable pursuant to Condition 6 or any amendment or supplement to it, (ii) "**interest**" shall be deemed to include all Interest Amounts and all other amounts payable pursuant to Condition 5 or any amendment or supplement to it and (iii) "**principal**" and/or "**interest**" shall be deemed to include any additional amounts that may be payable under this Condition.

The obligation of the Issuer 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 Notes; provided the Issuer shall pay all stamp or other taxes, duties, assessments or other governmental charges, if any, which may be imposed by Mainland China or any political subdivision or taxing authority in Mainland China, with respect to the Agency Agreement or as a consequence of the issue of the Notes.

## 9 PRESCRIPTION

Claims against the Issuer for payment in respect of the Notes and Coupons (which for this purpose shall not include Talons) shall be prescribed and become void unless made within 10 years (in the case of principal) or six years (in the case of interest) from the appropriate Relevant Date in respect of them.

## 10 EVENTS OF DEFAULT

If any of the following events ("**Events of Default**") occurs and is continuing:

(a) **Non-Payment**: failure by the Bank to pay any amount of principal or interest in respect of any of the Notes 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 one of its other obligations under or in respect of the Notes or the Agency Agreement 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) from holders of an aggregate principal amount of not less than 10 per cent. of the Notes outstanding, 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 US$50,000,000 (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 Notes) 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) **Insolvency**: the Bank is insolvent or bankrupt or unable to pay its debts, stops or suspends payment of all or a material part of its debts, proposes or makes any agreement for the deferral, rescheduling or other readjustment of all or a material part of its debts, proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any of such debts or a moratorium is agreed or declared in respect of or affecting all or a material part of the debts of the Bank; or

(e) **Winding-up**: an order is made or an effective resolution passed for the winding-up or dissolution or administration of the Bank, or the Bank ceases to carry on all or a material part of its business or operations except for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation on terms approved by an Extraordinary Resolution (as defined below) of the Noteholders; or

(f) **Illegality**: it is or will become unlawful for the Bank to perform or comply with any one or more of its obligations under any of the Notes or the Agency Agreement,

then each Noteholder may give written notice to the Bank and the Fiscal Agent at the specified office of the Fiscal Agent, whereupon the Early Redemption Amount of such Note held by it together (if applicable) with accrued interest to the date of payment shall become immediately due and payable unless prior to receipt of such demand by the Fiscal Agent, all such defaults have been cured. The Issuer shall notify Noteholders and the Fiscal Agent promptly upon becoming aware of the occurrence of any Event of Default, but will not be obliged to furnish any periodic evidence as to the absence of defaults.

## 11 MEETING OF NOTEHOLDERS AND MODIFICATIONS

(a) **Calling of Meeting, Notice and Quorum**: The Issuer may call a meeting of holders of Notes 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 Agency Agreement or the Notes to be made, given or taken by holders of the Notes or to modify, amend or supplement the terms and conditions of the Notes. Any such meeting shall be held at such time and at such place in Hong Kong SAR as the Issuer shall determine and as shall be specified in a notice of such a meeting that shall be furnished to the holders of Notes at least 30 days and not more than 60 days prior to the date fixed for the meeting. In addition, the Fiscal Agent may at any time and from time to time call a meeting of holders of the Notes, for any such purpose, to be held at such time and at such place in Hong Kong SAR as the Fiscal Agent shall determine, after consultation with the Issuer, and as shall be specified in a notice of such meeting that shall be furnished to holders of the Notes, at least 30 days and no more than 60 days prior to the date fixed for the meeting. In case at any time the holders of at least 15 per cent. in aggregate principal amount of the outstanding Notes shall have requested the Fiscal Agent to call a meeting of the Notes, 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 at least 30 days and not more than 60 days prior to the meeting. Notice of every meeting of holders of Notes 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 Noteholders, a person shall be a holder of outstanding Notes 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 Notes 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 Notes 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 Notes that proposes to discuss a Reserved Matter (as defined below), the persons entitled to vote 75 per cent. of the aggregate principal amount of the outstanding Notes 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 and the Hong Kong Branch, may make such reasonable and customary regulations consistent herewith as it shall deem advisable for any meeting of holders of the Notes, including attendance at such meeting and voting, the proof of the appointment of proxies in respect of holders of Notes, 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 Issuer and the Fiscal Agent may modify, amend or supplement the terms of the Notes in any way, and the holders of the Notes 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 Notes; 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 Notes 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 Notes 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, the Notes; (B) reduce or cancel, or change the method of calculating, any amounts payable in respect of the Notes; (C) change the provision of the Notes describing circumstances in which the Notes may be declared due and payable prior to its stated maturity; (D) change the currency or places in which payment of interest or principal in respect of the Notes is payable; (E) change the quorum required at any Meeting or the majority required to pass an Extraordinary Resolution; (F) amend the definition of "**Reserved Matters**"; (G) permit early redemption of the Notes or, if early redemption is already permitted, set a redemption date earlier than the date previously specified or the redemption price; (H) reduce the above-stated percentage of the principal amount of outstanding Notes the vote or consent of the holders of which is necessary to modify, amend or supplement the terms and conditions of the Notes 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; (I) change the obligation of the Issuer to pay additional amounts as provided in Condition 8 (Taxation); or (J) change the status of the Notes as described in Condition 3 (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 Noteholders, duly convened and held in accordance with these Conditions, by a majority of not less than 66.67 per cent. of the aggregate principal amount of Notes then outstanding represented at such meeting; and (b) in respect of a Reserved Matter a resolution passed at a meeting of the Noteholders, duly convened and held in accordance with these Conditions, by a majority of not less than 75 per cent. of the aggregate principal amount of Notes then outstanding represented at such meeting.

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

It shall not be necessary for the vote or consent of the holders of the Notes 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 substance thereof.

(c) **Binding Nature of Amendments, Notices, Notations, etc.**: Any instrument given by or on behalf of any holder of a Note 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 Note or any Note 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 11(b) (Voting and Consents) hereof shall be conclusive and binding on all holders of Notes, 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 Notes. Notice of any modification or amendment of, supplement to, or request, demand, authorisation, direction, notice, consent, waiver or other action with respect to the Notes or the 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 Notes affected thereby, in all cases as provided in the relevant Notes.

Notes 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 Issuer as to any matter provided for in such modification, amendment, supplement, request, demand, authorisation, direction, notice, consent, waiver or other action. New Notes modified to conform, in the opinion of the Fiscal Agent and the Issuer, to any such modification, amendment, supplement, request, demand, authorisation, direction, notice, consent, waiver or other action taken, made or given in accordance with Condition 11(b) (Voting and Consents) hereof may be prepared by the Issuer authenticated by the Fiscal Agent and delivered in exchange for outstanding Notes.

*These Conditions may be amended, modified or varied in relation to any Series of Notes by the terms of the relevant Pricing Supplement in relation to such Series.*

## 12 REPLACEMENT OF NOTES, CERTIFICATES, COUPONS AND TALONS

If a Note, Certificate, Coupon or Talon is lost, stolen, mutilated, defaced or destroyed, it may be replaced, subject to applicable laws, regulations and stock exchange or other relevant authority regulations, at the specified office of the Fiscal Agent (in the case of Bearer Notes, Coupons or Talons) and of the Registrar (in the case of Certificates) or such other Paying Agent or Transfer Agent, as the case may be, as may from time to time be designated by the Issuer for the purpose and notice of whose designation is given to Noteholders, in each case on payment by the claimant of the fees and costs incurred in connection therewith and on such terms as to evidence, security and indemnity (which may provide, *inter alia*, that if the allegedly lost, stolen or destroyed Note, Certificate, Coupon or Talon is subsequently presented for payment or, as the case may be, for exchange for further Coupons, there shall be paid to the Issuer on demand the amount payable by the Issuer in respect of such Notes, Certificates, Coupons or further Coupons) and otherwise as the Issuer may require. Mutilated or defaced Notes, Certificates, Coupons or Talons must be surrendered before replacements will be issued.

## 13 FURTHER ISSUES

The Issuer may from time to time without the consent of the Noteholders or Couponholders create and issue further notes having the same terms and conditions as the Notes and so that the same shall be consolidated and form a single series with such Notes, and references in these Conditions to "**Notes**" shall be construed accordingly.

## 14 NOTICES

Notices required to be given to the holders of Registered Notes pursuant to these Conditions shall be mailed to them at their respective addresses in the Register and deemed to have been given on the fourth weekday (being a day other than a Saturday, Sunday or public holiday) after the date of mailing. Notices required to be given to the holders of Bearer Notes pursuant to these Conditions shall be valid if published in English in South China Morning Post and in Chinese in Hong Kong Economic Times. If at any time, publication in such newspaper is not practicable, notice required to be given pursuant to these Conditions shall be validly given if published in another English and/or Chinese language newspaper, as the case may be, with general circulation in Hong Kong. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once on different dates, on the date of the first publication as provided above.

Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the holders of Bearer Notes in accordance with this Condition.

*So long as the Notes are represented by a Global Note or a Global Certificate and such Global Note or Global Certificate is held on behalf of (i) Euroclear or Clearstream or any other clearing system (except as provided in (ii) below), notices to the holders of Notes of that Series may be given by delivery of the relevant notice to that clearing system for communication by it to entitled accountholders in substitution for notification as required by the Conditions or by delivery of the relevant notice to the holder of the Global Note or Global Certificate or (ii) the CMU, notices to the holders of Notes of that Series may be given by delivery of the relevant notice to the CMU for communication by it to entitled accountholders in substitution for notification as required by the Conditions or by delivery of the relevant notice to the holder of the Global Note or Global Certificate, and any such notice shall be deemed to be given to the Noteholders on the date on which such notice is delivered to the relevant clearing system.*

## 15 GOVERNING LAW AND JURISDICTION

(a) **Governing Law**: The Notes, the Coupons, the Talons and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law.

(b) **Arbitration**:

(i) Any dispute, controversy or claim arising out of or relating to any Notes, Coupons or Talons, including any question regarding the breach, termination, existence or invalidity thereof, shall be settled by arbitration administered by the Hong Kong International Arbitration Centre (the "**HKIAC**") in accordance with the HKIAC Administered Arbitration Rules then in force when the Notice of Arbitration is submitted in accordance with such Rules (the "**Rules**") and as may be amended by the rest of this Condition.

(ii) The seat of arbitration shall be in Hong Kong SAR and the language of the arbitration shall be English. The governing law of this arbitration agreement shall be English law.

(iii) The arbitral tribunal (the "**Tribunal**") shall consist of three arbitrators to be appointed in accordance with the Rules.

(iv) The parties agree that any provisions in the Rules relating to applications for emergency relief, consolidation of arbitrations and/or single arbitrations under multiple contracts shall apply to any arbitral proceedings commenced pursuant to this Condition and under any of the Associated Contracts.

(v) The award of the Tribunal shall be final and binding among the parties regarding any claims, counterclaims, issues, or accountings presented to the Tribunal. To the fullest extent allowed by applicable laws, each party hereby waives any right to appeal such award.

(vi) By agreeing to arbitration, the parties shall not be prevented from seeking from any court of competent jurisdiction conservatory or interim relief including a pre-arbitral injunction, pre-arbitral attachment or other order in aid of arbitration proceedings and to enforce any award.

(vii) For the avoidance of doubt, the parties agree that Condition 15(b) is, and is to be treated as, an international arbitration agreement, and any dispute, controversy or claim arising out of or relating to the Notes, Coupons or Talons, including any question regarding the breach, termination, existence or invalidity thereof, is to be arbitrated as an international arbitration in accordance with Condition 15(b).

For the purposes of this Condition, "**Associated Contract**" means each of:

(i) the amended and restated dealer agreement dated 3 April 2024 between the Bank, the Hong Kong Branch and the arrangers and the dealers set out therein (as amended or supplemented as at the Issue Date);

(ii) the Agency Agreement; and

(iii) the Deed of Covenant.

(c) **Cost of Arbitration**: The costs of the arbitration shall be allocated between the relevant parties to the arbitration by the Tribunal and shall be set forth in the arbitral award in accordance with the Rules.

(d) **Waiver of Immunity**: To the extent that the Bank, or if the Issuer is the Hong Kong Branch, each of the Bank and the Hong Kong Branch 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 the Bank, or if the Issuer is the Hong Kong Branch, each of the Bank and the Hong Kong Branch or its assets such immunity (whether or not claimed), the Bank, or if the Issuer is the Hong Kong Branch, each of the Bank and the Hong Kong Branch hereby irrevocably agrees not to claim and hereby irrevocably waives and will waive such immunity in the face of the courts (if required) to the full extent permitted by the laws of such jurisdiction.

## 16 CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

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

# RISK FACTORS

*You should carefully consider the risks and uncertainties described below and other information contained in this Offering Circular before investing in the Notes. The risks and uncertainties described below may not be the only ones that we face. Additional risks and uncertainties that we are not aware of or that we currently believe are immaterial may also materially and adversely affect our business, financial condition or results of operations. If any of the possible events described below occurs, our business, financial condition or results of operations could be materially and adversely affected. In such case, we may not be able to satisfy our obligations under the Notes, and you could lose all or part of your investment.*

**Risks Relating to our Business**

***Our business, results of operations and financial condition may be affected by the PRC government's policies***

In March 2015, the State Council approved our reform deepening plan, affirming our position as a development finance institution and the relevant policy support. In accordance with the Articles of Association of China Development Bank approved by the State Council, we are positioned as a development finance institution. We will leverage on our comparative advantages of alignment with national strategies, credit, market-oriented operations and no profit maximisation targets, while actively exert the significant functions of medium and long-term investment and financing in China's efforts to ensure stable growth and restructure the economy, to promote and achieve the government's development goals, improve the efficiency in public resource allocation and stabilise economic cycles. We also increase support for national priorities and weak areas in the economy, and promote a sustainable and healthy economic and social development. In April 2017, as approved by the former CBRC and with the completion of the registration of the relevant changes with the competent Administration for Industry and Commerce, we have changed from a joint stock company to a limited liability company and our registered name has changed from "China Development Bank Corporation (國家開發銀行股份有限公司)" to "China Development Bank (國家開發銀行)". According to the former CBRC (now the NAFR), the investment of financial institutions in the banking industry in our financial bonds (excluding subordinated bonds) shall be treated the same way as policy-oriented bonds, the risk weighting of which shall be at 0%. Although currently we enjoy support from the PRC government, we are subject to risks relating to future changes of the PRC government's banking regulatory policies, industrial policies and overseas investment policies.

***Our loan portfolio and our operations are exposed to the credit risks of the borrowers, and the collateral and/or guarantees securing our loans may not fully protect us from such credit risks***

Our loan portfolio consists substantially of project financing and loans for infrastructure, basic and pillar industries and basic finance and international cooperation, including loans to local and international government entities. As of 31 December 2022, loans with a maturity of over one year accounted for 94.98% of our total outstanding RMB-denominated loan balance. Although some of our projects were, and may continue to be, recommended by either PRC central or local governmental agencies and we evaluate each project in accordance with our evaluation standards before we approve a loan, we cannot assure you, however, that the creditworthiness of our borrowers will not change over time or that there will be no default by our borrowers to meet their payment and other obligations. Most of our loans are secured by security interests in the borrowers' assets and/or guarantees from the borrowers' sponsors or affiliates. The value of such collateral, however, may significantly fluctuate or decline during any given period of time and the creditworthiness of the guarantors may also change over time as their risk profiles change due to changes in their operating environment as well as global or national macro-economic situation. As of 31 December 2022, approximately 63.12% and 8.16% of our loans were secured by collateral or by guarantees, respectively, with some of the loans secured by both. With respect to collateral, any decline in the value of such collateral could reduce the amount we may recover in respect of the underlying loans. In addition, the procedures in Mainland China for liquidating or otherwise realising the value of collateral may be protracted, and it may be difficult to enforce claims in respect of such collateral. With respect to guarantees, our exposure to the guarantors is generally unsecured. Any significant deterioration in the financial condition of the guarantors could significantly reduce our comfort level and the amount we may recover under the guarantees. In addition, our credit evaluation is also subject to periodic reviews. If the quality of our loan portfolio should deteriorate or we fail to realise the full value of the collateral or the guarantees securing our loans on a timely basis, our business, financial condition and results of operations may be adversely affected.

***We are subject to credit risks with respect to certain off-balance sheet commitments***

In the normal course of our business, we make commitments and provide guarantees which are not reflected as liabilities on our balance sheet, including commitments, guarantees and letters of credit relating to the performance of our customers. We are subject to the credit risks of our customers as a result of these off-balance sheet financial instruments. Over time, the creditworthiness of our customers may deteriorate and we may be called upon to fulfil our commitments and guarantees in case of any non-performance by our customers of their obligations owed to third parties. If we are not able to obtain payments or other indemnification from our customers in respect of these commitments and guarantees, our results of operations and financial condition may be adversely affected.

***Our business is highly dependent on the proper functioning and improvement of our information technology systems***

We depend on our information technology systems to process substantially all of our transactions across numerous and diverse markets and products on an accurate and timely basis. The proper functioning of our financial control, risk management, accounting, customer service and other data processing systems, together with the communication networks between our branches and our main data processing centres, is critical to our business and our ability to compete effectively in the marketplace. In light of emergencies in the event of catastrophe or failure of our primary systems, we have set up two disaster recovery centres in Beijing and Shenzhen, respectively, and back-up communication networks among our disaster recovery centres, our branches and major third-party financial institutions. We cannot assure you, however, that our business activities would not be materially disrupted if there is a partial or complete failure of any of these primary or back-up information technology systems or communications networks. Such failures could be caused by a variety of reasons, including natural disasters, extended power outages, computer viruses and data input errors. In addition, any security breach caused by unauthorised access to our information systems, or any significant malfunctions or loss or corruption of data, software, hardware or other computer equipment could have a material adverse effect on our business, results of operations and financial condition.

Furthermore, our ability to remain competitive depends in part on our ability to upgrade our information technology systems on a timely and cost-effective basis. Information available to us or received by us through our existing information technology systems may not be timely or sufficient for us to manage risks and accordingly plan for, and respond to, market changes and other developments in our operating environment. Although we have been making, and intend to continue to make, investments to improve and upgrade our information technology systems, we cannot assure that we will be able to effectively improve or upgrade our information technology systems. Any such failure to improve or upgrade our information technology systems could adversely affect our competitiveness, results of operations and financial condition.

***Uncertainties and instability in global market conditions could adversely affect our business, financial condition and results of operations***

Our overseas business grows steadily as our cooperation with foreign governments, enterprises and financial institutions continuously deepens and the scope of services provided by us in assisting Chinese enterprises to “Go Global” continuously expands. At present, the global economic recovery is uneven across countries, the pressure for monetary policy adjustment in major developed economies is increasing and the global economic situation and international financial markets are still exposed to a variety of risks. Such uncertainties and instability in the global economy may adversely affect our business, financial condition and results of operations.

***Our business and results of operations are subject to changes in, and risks involving, interest rate, exchange rate and other market factors***

Net interest income is the main source of our income. We operate our business predominantly in Mainland China under the interest rate regime regulated by the PBOC. Historically, interest rates in Mainland China were highly regulated, which over the years have gradually become much more liberalised. Interest rates of Renminbi-denominated loans could be set by adding or subtracting basis points from the loan prime rate (LPR).

Although it has been the practice in Mainland China for the interest rates of both interest-earning assets and interest-bearing liabilities to move in the same directions, there is no guarantee that PBOC will continue this practice in the future or that the move for both interest-earning assets and interest-bearing liabilities will be of the same magnitude or in different magnitude in favour of the commercial banks.

As of 31 December 2022, approximately 93% of our total loans and 97% of our total financial liabilities (including but not limited to debt securities issued, deposits from banks and other financial institutions and due to customers) were denominated in Renminbi and the remaining were denominated in foreign currencies. Changes in currency exchange rates, interest rates or other market factors could have a material adverse effect on our financial condition and results of operations. We cannot predict the impact of future exchange rate fluctuations on our results of operations and may incur net foreign currency losses in the future.

In addition, fluctuations in onshore and offshore financial markets, increasing competition in the banking industry and further intensified reforms of interest rates and exchange rates may add more volatility to interest rates and exchange rates. We cannot assure you that we will be able to adjust the composition of our assets and liabilities portfolios and/or our product pricing to enable us to effectively respond to any increased fluctuations in interest rates and/or exchange rates.

***We may not be able to detect and prevent fraud or other misconduct committed by our officers, employees, representatives, agents, customers or other third parties in a timely manner***

We may encounter fraud or other misconduct committed by our officers, employees, agents, intermediaries customers or other third parties, which could result in violations of laws and regulations by us and expose us to regulatory sanctions. Even if such instances of misconduct do not result in any legal liabilities on our part, they could cause serious reputational or financial harm to us.

Our internal control procedures are designed to monitor our operations and ensure overall compliance. However, our internal control procedures may be unable to identify all incidents of non-compliance or suspicious transactions in a timely manner, or at all. Furthermore, it is not always possible to detect and prevent fraud and other misconduct, and the precautions we take to detect and prevent such activities may not be fully effective. There had been incidents involving personal violations of disciplines and laws of the Bank’s former officers. We cannot assure you that a fraud or other misconduct will not occur in the future. Our failure to detect and prevent a fraud and other misconduct in a timely manner may have a material and adverse effect on our business reputation, financial condition and results of operations.

## Risks Relating to China's Economic and Social Developments

***Our business is affected by PRC economic and social developments and macro-control policies***

At present, China's economy continues to recover on a generally sound track of rebound. Production supply steadily increases, market demand gradually improves, employment and price are generally stable and high-quality development is making new progress. However, amid uncertainties brought by the complex global situation, domestic demand is still insufficient and the foundation for economic recovery still needs to be consolidated. In the next stage, China will adhere to the general principle of pursuing progress while maintaining stability. While fully, accurately and comprehensively implementing the new development philosophy, China will also expedite the building of a new development pattern, comprehensively deepen reform and opening up, and intensify the role of macro policies in regulating the economy. It is also imperative to make solid efforts to expand domestic demand, shore up confidence and prevent risks. China will continue to improve economic performance, boost endogenous driving force, improve social expectations, and defuse financial risks and hidden dangers, in a bid to effectively upgrade the quality and appropriately expand the quantity of the economy. If the macro-economic conditions change and macro-control policies, industrial policies and regulatory policies experience significant adjustments, our business, financial condition and results of operations could be affected.

## Risks Relating to the Notes

***There is less publicly available information about us than is available for other issuers in certain other jurisdictions***

We are not a public company, are not listed on any stock exchange and are not required under laws and regulations of Hong Kong SAR and Mainland China to publish our financial statements or make periodical public announcements. Therefore there is limited publicly available information about us. In addition, we produce financial statements in accordance with IFRS once a year and do not produce or make public any interim financial statements.

***Your claims as an investor of the Notes are effectively subordinated to all our secured debt***

The Notes to be issued under the Programme are unsecured and will rank equally with all of the relevant Issuer's other present or future unsecured and unsubordinated indebtedness (except for creditors whose claims are preferred by laws to rank ahead of the holders of the Notes). Payments under the Notes are effectively subordinated to all of the relevant Issuer's secured debt to the extent of the value of the assets securing such debt. As a result of such security interests given to the relevant Issuer's secured lenders, in the event of a bankruptcy, liquidation, dissolution, reorganisation or similar proceeding involving us, the affected assets of ours may not be used to pay you until all secured claims against the affected assets and claims of other creditors preferred by laws to rank ahead of the holders of the Notes have been fully paid.

***The Notes may not be a suitable investment for all investors***

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

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

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

(iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including where principal or interest is payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor's currency;

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

(v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Additionally, the investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities.

***The Financial Institutions (Resolution) Ordinance may adversely affect the Notes***

On 7 July 2017, the Financial Institutions (Resolution) Ordinance (Cap. 628) of Hong Kong SAR (the "**FIRO**") came into operation. The FIRO provides for, among other things, the establishment of a resolution regime for authorised institutions and other within scope financial institutions in Hong Kong SAR that may be designated by the relevant resolution authorities (which may include the Bank to the extent it conducts licensed activities in Hong Kong). The resolution regime seeks to provide the relevant resolution authorities with administrative powers to bring about timely and orderly resolution in order to stabilise and secure continuity for a failing authorised institution or within scope financial institution in Hong Kong SAR. In particular, the relevant resolution authority is provided with powers to affect contractual and property rights as well as payments (including in respect of any priority of payment) that creditors would receive in resolution. These may include, but are not limited to, powers to cancel, write off, modify, convert or replace all or a part of the Notes or the principal amount of, or interest on, the Notes, and powers to amend or alter the contractual provisions of the Notes, all of which may adversely affect the value of the Notes, and the holders thereof may suffer a loss of some or all of their investment as a result. Holders of Notes may become subject to and bound by the FIRO. As the implementation of FIRO remains untested and certain detail relating to FIRO may be set out through secondary legislation and supporting rules, the full impact of FIRO on the Bank, and in particular, the Hong Kong Branch, as well as holders of the Notes, cannot be fully assessed as at the date of this Offering Circular.

***The trading market for the Notes is expected to be limited***

We are not responsible for the establishment or maintenance of a secondary trading market in the Notes and cannot guarantee that a liquid trading market will develop or continue. The value of the Notes will fluctuate depending on factors such as market interest movements, our financial condition and results of operations, the market's view of our credit quality and the market price for similar securities. In addition, the price of the Notes could be affected if there are only very few potential buyers in the market for the Notes. If you try to sell the Notes before maturity, the sale price may be lower than the amount you invested, or you may not be able to sell the Notes at all.

***The PRC government does not guarantee the Notes***

We are currently wholly owned by the PRC government. According to the former CBRC (now the NAFR), the investment of financial institutions in the banking industry in our financial bonds (excluding subordinated bonds) shall be treated the same way as policy-oriented bonds, the risk weighting of which shall be at 0%. However, our borrowings and other obligations, including the Notes, are not guaranteed by the PRC government. You, therefore, may not enforce the obligations under the Notes against the PRC government. If you purchase the Notes, you are relying solely on our creditworthiness.

***Credit ratings may not reflect all risks and any credit rating of the Notes may be downgraded or withdrawn***

One or more independent credit rating agencies may assign credit ratings to an issue of Notes. The ratings 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 Notes. 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.

Each Tranche of Notes may be rated or unrated, as specified in the applicable Pricing Supplement. The rating represents the opinion of the relevant rating agency and its assessment of the ability of the Issuers to perform their respective obligations under the Notes, and credit risks in determining the likelihood that payments will be made when due under the Notes. A rating is not a recommendation to buy, sell or hold securities. The rating can be lowered or withdrawn at any time. The relevant Issuer is not obligated to inform holders of the Notes if a rating is lowered or withdrawn. A reduction or withdrawal of a rating may adversely affect the market price of the Notes.

***A change in English law which governs the Notes may adversely affect Noteholders***

The Conditions are governed by English law in effect as at the date of issue of the relevant Notes. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of issue of the relevant Notes.

***The Notes may be represented by Global Notes or Global Certificates and holders of a beneficial interest in a Global Note or Global Certificate must rely on the procedures of the relevant Clearing System(s)***

Notes issued under the Programme may be represented by one or more Global Notes or Global Certificates. Such Global Notes or Global Certificates will be deposited with a common depositary for Euroclear and Clearstream or lodged with the CMU (each of Euroclear, Clearstream and the CMU, a "**Clearing System**"). Except in the circumstances described in the relevant Global Note or Global Certificate, investors will not be entitled to receive definitive Notes. The relevant Clearing System(s) will maintain records of the beneficial interests in the Global Notes or Global Certificates. While the Notes are represented by one or more Global Notes or Global Certificates, investors will be able to trade their beneficial interests only through the Clearing Systems. While the Notes are represented by one or more Global Notes or Global Certificates, the relevant Issuer will discharge its payment obligations under the Notes by making payments to the common depositary for Euroclear and Clearstream or, as the case may be, in the case of the CMU, to the person(s) for whose account(s) interests in the relevant Global Note or Global Certificate are credited as being held in the CMU in accordance with the CMU Rules. A holder of a beneficial interest in a Global Note or Global Certificate must rely on the procedures of the relevant Clearing System(s) to receive payments under the relevant Notes. The relevant Issuer and the Agents have no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Notes or Global Certificates. Holders of beneficial interests in the Global Notes or Global Certificates will not have a direct right to vote in respect of the relevant Notes. Instead, such holders will be permitted to act only to the extent that they are enabled by the relevant Clearing System(s) to appoint appropriate proxies.

***Noteholders should be aware that definitive Notes which have a denomination that is not an integral multiple of the minimum denomination may be illiquid and difficult to trade***

In relation to any issue of Notes in bearer form which have denominations consisting of a minimum Specified Denomination (as defined in the Conditions) plus one or more higher integral multiples of another smaller amount, it is possible that the Notes may be traded in amounts that are not integral multiples of such minimum Specified Denominations. In such a case a Noteholder who, as a result of trading such amounts, holds a principal amount of less than the minimum Specified Denomination in his account with the relevant clearing system at the relevant time will not receive a definitive Note in respect of such holding (should definitive Notes be printed) and would need to purchase a principal amount of Notes such that it holds an amount equal to one or more Specified Denominations. If definitive Notes are issued, holders should be aware that definitive Notes which have a denomination that is not an integral multiple of the minimum Specified Denomination may be illiquid and difficult to trade.

**Risks Relating to the Structure of a Particular Issue of Notes**

A wide range of Notes may be issued under the Programme. A number of these Notes may have features which contain particular risks for potential investors. Set out below is a description of certain such features:

***Notes subject to optional redemption by the relevant Issuer may have a lower market value than Notes that cannot be redeemed***

Unless in the case of any particular Tranche of Notes the relevant Pricing Supplement specifies otherwise, in the event that the relevant Issuer would be obligated to increase the amounts payable in respect of any Notes due to any withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of Mainland China or Hong Kong SAR (where the Issuer is the Hong Kong Branch only), or any political subdivision or authority therein or thereof having power to tax as a result of certain changes in tax laws or regulations as further described in the Conditions, such Issuer may redeem all outstanding Notes in accordance with the Conditions.

An optional redemption feature is likely to limit the market value of the Notes. During any period when the relevant Issuer may elect to redeem such Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.

The relevant Issuer may be expected to redeem the Notes when its cost of borrowing is lower than the interest rate on the Notes. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

***The regulation and reform of "benchmark" rates of interest and indices may adversely affect the value of Notes linked to or referencing such "benchmarks"***

Interest rates and indices which are deemed to be or used as "benchmarks", are the subject of recent national, international regulatory and other regulatory guidance and proposals for reform. Some of these reforms are already effective whilst others are still to be implemented. These reforms may cause such benchmarks to perform differently than in the past or to disappear entirely, or have other consequences which cannot be predicted. Any such consequence could have a material adverse effect on any Note linked to or referencing such a benchmark.

Regulation (EU) 2016/1011 (the "**EU Benchmarks Regulation**") applies, subject to certain transitional provisions, to the provision of benchmarks, the contribution of input data to a benchmark and the use of a benchmark within the EU. Among other things, it (i) requires benchmark administrators to be authorised or registered (or, if non-EU-based, to be subject to an equivalent regime or otherwise recognised or endorsed) and (ii) prevents certain uses by EU supervised entities of benchmarks of administrators that are not authorised or registered (or, if non-EU based, not deemed equivalent or recognised or endorsed). Regulation (EU) 2016/1011 as it forms part of domestic law by virtue of the EUWA (the "**UK Benchmarks Regulation**") among other things, applies to the provision of benchmarks and the use of a benchmark in the UK. Similarly, it prohibits the use in the UK by UK supervised entities of benchmarks of administrators that are not authorised by the FCA or registered on the FCA register (or, if non-UK based, not deemed equivalent or recognised or endorsed).

The EU Benchmarks Regulation and/or the UK Benchmarks Regulation, as applicable, could have a material impact on any Notes linked to or referencing a benchmark in particular, if the methodology or other terms of the benchmark are changed in order to comply with the requirements of the EU Benchmarks Regulation and/or the UK Benchmarks Regulation, as applicable. Such changes could, among other things, have the effect of reducing, increasing or otherwise affecting the volatility of the published rate or level of the relevant benchmark.

More broadly, any of the international, national, or other proposals, for reforms or the general increased regulatory scrutiny of benchmarks, could increase the costs and risks of administering or otherwise participating in the setting of a benchmark and complying with any such regulations or requirements. For example, the sustainability of the London interbank offered rate ("**LIBOR**") has been questioned as a result of the absence of relevant active underlying markets and possible disincentives (including as a result of regulatory reforms) for market participants to continue contributing to such benchmarks. On 5 March 2021, the FCA announced that (i) the publication of 24 LIBOR settings (as detailed in the FCA announcement) will cease immediately after 31 December 2021, (ii) the publication of the overnight and 12-month U.S. dollar LIBOR settings will cease immediately after 30 June 2023, (iii) immediately after 31 December 2021, the 1-month, 3-month and 6-month sterling LIBOR settings will no longer be representative of the underlying market and economic reality that they are intended to measure and representativeness will not be restored (and the FCA will consult on requiring the ICE Benchmark Administration Limited (the "**IBA**") to continue to publish these settings on a synthetic basis, which will no longer be representative of the underlying market and economic reality they are intended to measure, for a further period after end 2021) and (iv) immediately after 30 June 2023, the 1-month, 3-month and 6-month U.S. dollar LIBOR settings will no longer be representative of the underlying market and economic reality that they are intended to measure and representativeness will not be restored. Following the 30 June 2023 cessation date, the FCA allows the publication of 1-month, 3-month and 6-month synthetic U.S. dollar LIBOR until 30 September 2024, using an unrepresentative 'synthetic' methodology, as part of the smooth wind-down of LIBOR. These synthetic U.S. dollar LIBOR settings will not be permitted to be used for new contracts.

In addition, on 29 November 2017, the Bank of England and the FCA announced that, from January 2018, its working group on Sterling risk free rates has been mandated with implementing a broad-based transition to the Sterling Overnight Index Average ("**SONIA**") over the next four years across sterling bond, loan and derivative markets so that SONIA is established as the primary sterling interest rate benchmark by the end of 2021. On 21 September 2017, the European Central Bank announced that it would be part of a new working group tasked with the identification and adoption of a "risk free overnight rate" which can serve as a basis for an alternative to current benchmarks used in a variety of financial instruments and contracts in the euro area. On 13 September 2018, the working group on Euro risk-free rates recommended the new Euro short-term rate ("**CSTR**") as the new risk-free rate for the euro area. The CSTR was published for the first time on 2 October 2019. Although the euro interbank offered rate ("**EURIBOR**") has been reformed in order to comply with the terms of the Benchmark Regulation, it remains uncertain as to how long it will continue in its current form, or whether it will be further reformed or replaced with CSTR or an alternative benchmark. The potential elimination of the LIBOR benchmark or any other benchmark, or changes in the manner of administration of any benchmark, could require an adjustment to the Conditions (as further described in Condition 5(b)(ii)(C) (Benchmark Replacement)), or result in other consequences, in respect of any Notes linked to such benchmark (including Floating Rate Notes whose interest rates are linked to LIBOR, EURIBOR or any other such benchmark that is subject to reform). Such factors may have the following effects on certain benchmarks:

(i) discourage market participants from continuing to administer or contribute to the benchmark; (ii) trigger changes in the rules or methodologies used in the benchmark or (iii) lead to the disappearance of the "benchmark". Furthermore, even prior to the implementation of any changes, uncertainty as to the nature of alternative reference rates and as to potential changes to such benchmark may adversely affect such benchmark during the term of the relevant Notes, the return on the relevant Notes and the trading market for securities (including the Notes) based on the same benchmark. Any of the above changes or any other consequential changes as a result of international or national reforms or other initiatives or investigations, could have a material adverse effect on the value of and return on any Notes linked to or referencing a benchmark.

The Conditions provide for certain fallback arrangements in the event that a Benchmark Event (as defined in the Conditions) occurs, including, without limitation, if an inter-bank offered rate (such as EURIBOR) or other relevant reference rate (which could include, without limitation, any mid-swap rate), and/or any page on which such benchmark may be published (or any successor service) becomes unavailable, or if any Paying Agent, Calculation Agent, the relevant Issuer or other party is no longer permitted lawfully to calculate interest on any Notes by reference to such benchmark. Such fallback arrangements include the possibility that the rate of interest could be set by reference to a Successor Rate (as defined in the Conditions) or an Alternative Reference Rate (as defined in the Conditions), with or without the application of an Adjustment Spread (as defined in the Conditions) which, if applied, could be positive or negative or zero, and may include amendments to the Conditions to ensure the proper operation of the successor or replacement benchmark.

Under these fallback arrangements, the relevant Issuer will use all reasonable endeavours to appoint, as soon as reasonably practicable, an Independent Adviser (as defined in the Conditions) to determine (acting in a reasonable manner) the Successor Rate or Alternative Reference Rate (as applicable) no later than five Business Days (as defined in the Conditions) prior to the relevant Interest Determination Date (as defined in the Conditions), but in the event that the relevant Issuer (acting in a reasonable manner) is unable to appoint an Independent Adviser, or such Independent Adviser fails to determine the Successor Rate or Alternative Reference Rate (as applicable), the relevant Issuer (acting in a reasonable manner) may, amongst other things, determine the relevant Successor Rate or Alternative Reference Rate (as applicable). There can be no assurance that such Successor Rate or Alternative Reference Rate (as applicable) determined by the relevant Issuer will be set at a level which is on terms commercially acceptable to all Noteholders.

In certain circumstances, the ultimate fallback for the purposes of calculation of Rate of Interest for a particular Interest Period may result in the Rate of Interest for the last preceding Interest Period being used. This may result in the effective application of a fixed rate for Floating Rate Notes based on the rate which was last observed on the Relevant Screen Page (as defined in the Conditions). Due to the uncertainty concerning the availability of Successor Rates and Alternative Reference Rates, any determinations that may need to be made by the relevant Issuer and the involvement of an Independent Adviser, there is a risk that the relevant fallback provisions may not operate as intended at the relevant time. Moreover, any of the above matters or any other significant change to the setting or existence of any relevant reference rate could affect the ability of the relevant Issuer to meet its obligations under the Floating Rate Notes or could have a material adverse effect on the value or liquidity of, and the amount payable under, the Floating Rate Notes.

Investors should consult their own independent advisers and make their own assessment about the potential risks imposed by the benchmark or other international or national reforms, in making any investment decision with respect to any Notes linked to or referencing a benchmark.

***The market price of variable rate Notes with a multiplier or other leverage factor may be volatile***

Notes with variable interest rates can be volatile securities. If they are structured to include multipliers or other leverage factors, or caps or floors, or any combination of those features or other similar related features, their market values may be even more volatile than those for securities that do not include such features.

***Inverse Floating Rate Notes are typically more volatile than conventional floating rate debt***

Inverse Floating Rate Notes have an interest rate equal to a fixed rate minus a rate based upon a reference rate such as the EURIBOR. The market values of such Notes typically are more volatile than market values of other conventional floating rate debt securities based on the same reference rate (and with otherwise comparable terms). Inverse Floating Rate Notes are more volatile because an increase in the reference rate not only decreases the interest rate of the Notes, but may also reflect an increase in prevailing interest rates, which further adversely affects the market value of these Notes.

***The market values of Notes issued at a substantial discount or premium tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest-bearing securities***

The market values of Notes issued at a substantial discount or premium to their principal amount tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest-bearing securities. Generally, the longer the remaining term of the Notes, the greater the price volatility as compared to conventional interest-bearing securities with comparable maturities.

***Changes in market interest rates may adversely affect the value of fixed rate Notes***

Investment in fixed rate Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of fixed rate Notes.

**Risks Relating to Renminbi-Denominated Notes ("RMB Notes")**

***Your investment in RMB Notes is subject to exchange rate risks***

We will make all payments of interest and principal in Renminbi with respect to our RMB Notes. This represents certain risks relating to currency conversions if your financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than Renminbi. The value of Renminbi against the Investor's Currency may fluctuate and is affected by changes in China, international political and economic conditions and many other factors. As a result, the value of these Renminbi payments in the Investor's Currency may vary with the prevailing exchange rates in the marketplace. If the value of Renminbi depreciates against the Investor's Currency between then and when we pay back the principal of the RMB Notes at maturity, the value of your investment in the Investor's Currency terms will have declined.

***Renminbi is not freely convertible and there are significant restrictions on the remittance into and outside Mainland China which may adversely affect the liquidity of RMB Notes***

Renminbi is not freely convertible at present. The government of the PRC continues to regulate conversion between Renminbi and foreign currencies, including the Hong Kong dollar, despite significant reduction in control by it in recent years over trade transactions involving import and export of goods and services, as well as other frequent routine foreign exchange transactions. These transactions are known as current account items.

However, remittance of Renminbi by foreign investors into Mainland China for the purposes of capital account items, such as capital contributions, 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 Mainland China on the remittance of Renminbi into Mainland China for settlement of capital account items are developing gradually.

In respect of Renminbi foreign direct investments ("**FDI**"), the PBOC promulgated the Administrative Measures on Renminbi Settlement of Foreign Direct Investment (外商直接投資人民幣結算業務管理辦法) (the "**PBOC FDI Measures**") on 13 October 2011, which was amended on 5 June 2015, as part of the PBOC's detailed Renminbi FDI accounts administration system. The system covers almost all aspects in relation to FDI, including capital injections, payments for the acquisition of domestic enterprises in Mainland China, repatriation of dividends and other distributions, as well as Renminbi-denominated cross-border loans. On 14 June 2012, the PBOC issued a circular setting out the operational guidelines for FDI. Under the PBOC FDI Measures, special approval for FDI and shareholder loans from the PBOC, which was previously required, is no longer necessary. In some cases, however, post-event filing with the PBOC is still necessary. On 5 July 2013, the PBOC promulgated the Circular on Policies related to Simplifying and Improving Cross-border Renminbi Business Procedures (關於簡化跨境人民幣業務流程和完善有關政策的通知) (the "**2013 PBOC Circular**"), which sought to improve the efficiency of the cross-border Renminbi settlement process. PBOC further issued the Circular on the Relevant Issues on Renminbi Settlement of Investment in Onshore Financial Institutions by Foreign Investors (關於境外投資者投資境內金融機構人民幣結算有關事項的通知) on 23 September 2013, which provides further details for using Renminbi to invest in a financial institution domiciled in Mainland China.

On 3 December 2013, the Ministry of Commerce of the PRC ("**MOFCOM**") promulgated the Circular on Issues in relation to Cross-border Renminbi Foreign Direct Investment (商務部關於跨境人民幣直接投資有關問題的公告) (the "**MOFCOM Circular**"), which became effective on 1 January 2014, to further facilitate FDI by simplifying and streamlining the applicable regulatory framework. Pursuant to the MOFCOM Circular, the appropriate office of MOFCOM and/or its local counterparts will grant written approval for each FDI and specify "Renminbi Foreign Direct Investment" and the amount of capital contribution in the approval. Unlike previous MOFCOM regulations on FDI, the MOFCOM Circular removes the approval requirement for foreign investors who intend to change the currency of its existing capital contribution from a foreign currency to Renminbi. In addition, the MOFCOM Circular also clearly prohibits the FDI funds from being used for any investment in securities and financial derivatives (except for investment in the listed companies in Mainland China as strategic investors) or for entrustment loans in Mainland China.

On 13 February 2015, State Administration of Foreign Exchange ("**SAFE**") promulgated the Notice on Further Simplifying and Improving Foreign Exchange Administration Policies for Direct Investment (關於進一步簡化和改進直接投資外匯管理政策的通知) ("**Circular 13**"), which was amended on 30 December 2019, to simplify foreign exchange rules for cross-border investments. According to Circular 13, foreign exchange registration for foreign direct investment and outbound direct investment will be exempted from the approval by the SAFE and the registration rights will be delegated from the SAFE to the qualified banks from 1 June 2015. Under Circular 13, foreign investors could open foreign exchange accounts in qualified banks directly after providing the banks with registration documents, with no need to obtain separate government approval. By Circular 13, such qualified banks will administer foreign exchange transactions according to the registration information provided by the parties and the SAFE will indirectly supervise foreign exchange registration by verifying and inspecting the qualified banks.

On 30 March 2015, the SAFE promulgated the Circular of the SAFE on Relevant Issues Concerning the Reform of the Administrative Method of the Conversion of Foreign Exchange Funds by Foreign-invested Enterprises (國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知) ("**Circular 19**"), which was amended on 9 June 2016 and 30 December 2019 and relaxed the capital account settlement for all foreign invested enterprises across the nation from 1 June 2015.

On 9 June 2016, the SAFE further promulgated the Circular of the SAFE on Relevant Issues Concerning the Reform and Regulation of the Administrative Policies of the Conversion under Capital Items (國家外匯管理局關於改革和規範資本項目結匯管理政策的通知) ("**Circular 16**"). According to Circular 16, in case of any discrepancy between Circular 19 and Circular 16, Circular 16 shall prevail. Circular 16 allows all foreign invested enterprises across Mainland China to convert 100 per cent. (subject to future adjustment at discretion of SAFE) of the foreign currency capital (which has been processed through the SAFE's equity interest confirmation procedure for capital contribution in cash or registered by a bank on the SAFE's system for account crediting for such capital contribution) into Renminbi at their own discretion without providing various supporting documents. However, to use the converted Renminbi, a foreign invested enterprise still needs to provide supporting documents and go through the review process with the banks for each withdrawal. A negative list with respect to the usage of the capital and the Renminbi proceeds through the aforementioned settlement procedure is set forth under the Circular 16.

In addition, pursuant to the Notice of SAFE on Improving the Check of Authenticity and Compliance to Further Promote Foreign Exchange Control (國家外匯管理局關於進一步推進外匯管理改革完善真實合規性審核的通知) ("**Circular No. 3 [2017]**") promulgated on 26 January 2017, when conducting outward remittance of a sum equivalent to more than US$50,000 for a domestic institution, the bank shall, under the principle of genuine transaction, check the profit distribution resolution made by the board of directors (or profit distribution resolution made by partners), original of tax filing form and audited financial statements, and stamp with the outward remittance sum and date on the original of tax filing form. In addition, the domestic institution shall make up its losses of previous years under the applicable laws. On 24 March 2017 and 27 April 2017, the SAFE respectively posted two series of questions and answers on its official website, in order to further explain the Circular No. 3 [2017].

On 5 January 2018, the PBOC promulgated the Notice on Further Improving Policies of Cross-Border Renminbi Business to Promote Trade and Investment Facilitation (關於進一步完善人民幣跨境業務政策促進貿易投資便利化的通知), which supports enterprises to use Renminbi in cross-border settlement and for the investment income such as profits and dividends legally obtained by overseas investors in Mainland China, banks shall review relevant materials as required before processing cross-border Renminbi settlement and ensure free remittance of profits of foreign investors in accordance with the law.

The above measures and circulars will be subject to interpretation and application by the relevant authorities in Mainland China.

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 pilot scheme for Renminbi cross-border utilisation will not be discontinued or that new regulations in Mainland China will not be promulgated in the future which have the effect of restricting or eliminating the remittance of Renminbi into or out of Mainland China. In the event that funds cannot be repatriated outside Mainland China in Renminbi, this may affect the overall availability of Renminbi outside Mainland China and the ability of the Bank to source Renminbi to finance its obligations under Notes.

***There is only limited availability of Renminbi outside Mainland China, which may affect the liquidity of RMB Notes and our ability to source Renminbi outside Mainland China to service RMB Notes***

As a result of the restrictions by the PRC government on cross-border Renminbi fund flows, the availability of Renminbi outside Mainland China is limited. The PBOC has established Renminbi clearing and settlement mechanisms by entering into agreements on the clearing of Renminbi business with various banks to act as Renminbi clearing banks in various financial centres outside Mainland China (each a "**Renminbi Clearing Bank**").

There are restrictions imposed by the PBOC on Renminbi business participating banks in respect of cross-border Renminbi settlement, such as those relating to direct transactions with enterprises in Mainland China. Furthermore, Renminbi business participating banks do not have direct Renminbi liquidity support from the PBOC. The Renminbi Clearing Banks only have access to onshore liquidity support from the PBOC for the purpose of squaring open positions of participating banks for limited types of transactions and are not obligated to square for participating banks any open positions resulting from other foreign exchange transactions or conversion services. In such cases, the participating banks will need to source Renminbi from outside Mainland China 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 laws and regulations in Mainland China on foreign exchange. There is no assurance that new regulations in Mainland China will not be promulgated or the establishment of Renminbi clearing and settlement mechanisms outside Mainland China will not be terminated or amended in the future which will have the effect of restricting availability of Renminbi outside Mainland China. The limited availability of Renminbi outside Mainland China may affect the liquidity of the Notes. To the extent the Bank is required to source Renminbi in the offshore market to service its Notes, there is no assurance that the Bank will be able to source such Renminbi on satisfactory terms, if at all.

***Payments in respect of RMB Notes will only be made to investors in the manner specified in the RMB Notes***

All payments to investors in respect of RMB Notes will be made solely by (i) when the RMB Notes are represented by a Global Note or Global Certificate held with a common depository for Euroclear and Clearstream or a sub-custodian for the CMU or any alternative clearing system, transfer to a Renminbi bank account maintained in Hong Kong SAR in accordance with prevailing rules and procedures of Euroclear and Clearstream, CMU, or as the case may be, the alternative clearing system, or (ii) when the RMB Notes are in definitive form, transfer to a Renminbi bank account maintained in Hong Kong SAR in accordance with prevailing rules and regulations. We cannot be required to make payment by any other means (including in any other currency or by transfer to a bank account in Mainland China).

# CAPITALISATION

The following table sets forth our capitalisation as of 31 December 2022 and should be read in conjunction with our audited consolidated financial statements prepared in accordance with IFRS and related notes included in this Offering Circular:

| | As of 31 December 2022 |
|---|---|
| | (in millions of RMB) |
| **Long-term Debt[(1)]:** | |
| Bonds issued[(2)] | 10,356,452 |
| Other debts[(3)] | 148,877 |
| **Total long-term debt** | 10,505,329 |
| **Capital Accounts:** | |
| Share capital | 421,248 |
| Capital reserve | 182,650 |
| Investment revaluation reserve | (14,624) |
| Surplus reserve | 214,825 |
| General reserve | 260,425 |
| Currency translation reserve | 1,128 |
| Other reserve | 398 |
| Retained earnings | 513,776 |
| Non-controlling interests | 25,755 |
| **Total equity** | 1,605,581 |
| **Total capitalisation[(4)]** | 12,110,910 |

*Notes:*

(1) Long-term debt includes all debt (including unamortised fees, discounts or premiums) with a maturity of one year or longer, excluding its current portion.

(2) Bonds issued includes debt securities issued by financial institutions, subordinated bonds issued and tier-two capital bonds issued.

(3) Other debts include deposits from banks and other financial institutions, due to customers, placements from banks, financial assets sold under repurchase agreements and borrowings from governments and financial institutions.

(4) Total capitalisation equals the sum of total long-term debt and total equity.

There has been no material adverse change in our capitalisation since 31 December 2022.

# USE OF PROCEEDS

The net proceeds of any Notes issued under the Programme shall be used for the following purposes:

(i) where the Issuer is the Bank, for the Bank's working capital and general corporate purposes; and

(ii) where the Issuer is the Hong Kong Branch, for the Hong Kong Branch's working capital and general corporate purposes.

If, in respect of any particular issue, there is a particular identified use of proceeds, this will be stated in the applicable Pricing Supplement.

# DESCRIPTION OF THE BANK

## OVERVIEW

We are a state-owned development finance institution. We report directly to the State Council on important matters relating to our business and operations, and are subject to the supervision and direction of the NAFR, which replaced the CBIRC in May 2023, with respect to our banking operations. Our operations are subject to the direct leadership of the State Council, in support of the development of key sectors and weak areas in the PRC economy. To anchor our mission of supporting national development and delivering a better life for the people, we align our business focus with China's major medium- and long-term economic development strategies.

We are currently wholly owned, directly or indirectly, by the PRC government, with the MOF, Huijin, Buttonwood and the National Council for Social Security Fund each holding an equity interest of approximately 36.54%, 34.68%, 27.19% and 1.59%, respectively.

We were established on 17 March 1994 pursuant to a special decree issued by the State Council (the "**Special Decree**"). On 11 December 2008, in accordance with the deployment of the State Council, we were converted into a joint stock company with limited liability pursuant to the Company Law of the People's Republic of China and other applicable laws and regulations. In March 2015, the State Council approved our reform deepening plan, affirming our position as a development finance institution and the relevant policy support, and stressing the need to strengthen our role and function as a development finance institution to provide financing to national priorities, weak areas in the economy and during critical periods. In April 2017, as approved by the former CBRC, which was replaced by the CBIRC in April 2018, and with the completion of the registration of the relevant changes with the competent Administration for Industry and Commerce, we have changed from a joint stock company to a limited liability company and our registered name has changed from "China Development Bank Corporation (國家開發銀行股份有限公司 )" to "China Development Bank (國家開發銀行)".

According to the former CBRC (now the NAFR), the investment of financial institutions in the banking industry in our financial bonds (excluding subordinated bonds) shall be treated the same way as policy-oriented bonds, the risk weighting of which shall be at 0%.

We are headquartered in Beijing, China and had 37 primary branches and four secondary branches in Mainland China, and one branch and 11 representative offices outside Mainland China as at 31 December 2022. Our major subsidiaries include CDB Capital, CDB Securities, CDB Leasing, CAD Fund, CDB Development Fund and CDB Infrastructure Fund. Our head office in Mainland China is located at No. 18 Fuxingmennei Street, Xicheng District, Beijing, the People's Republic of China and our place of business in Hong Kong SAR is located at 33/F, One International Finance Center, No. 1 Harbour View Street, Central, Hong Kong SAR, China.

As set forth in our articles of association approved by the former CBRC, the scope of our principal business activities includes:

- deposit taking from corporate customers;
- making short-, medium- and long-term loans;
- entrusted loans;
- making sub-loans with the support from small- and medium-size financial institutions;
- domestic and international settlement;

- acceptance and discount of negotiable instruments;
- issuance of financial bonds and other marketable securities;
- acting as agent for the issuance, repayment and underwriting of government bonds, financial bonds and credit bonds;
- trading in government bonds, financial bonds and credit bonds;
- interbank borrowing and lending;
- sale and purchase of foreign exchange on our own account or for customers;
- settlement and sale of foreign exchange;
- trading derivatives on our own account or for customers;
- letter of credit-related business and issuance of guarantees;
- collection and payment agent and bancassurance business;
- safety deposit box services;
- asset management business;
- asset securitization business;
- consultancy;
- banking business of our overseas branches authorised by us and permitted under local law;
- business such as investment and investment management, securities, financial leasing, banking and asset management legally carried out by our subsidiaries; and
- other business permitted by the banking regulatory authority under the State Council.

As of 31 December 2022, our total assets amounted to RMB18,243.1 billion, representing an increase of RMB1,075.1 billion and 6.26% from 31 December 2021, and our loans and advances to customers as of 31 December 2022 amounted to RMB13,899.1 billion, representing an increase of RMB1,107.4 billion and 8.66% from 31 December 2021. Net interest income is the main source of our income. For each of the two years ended 31 December 2021 and 2022, our net interest income was RMB143.6 billion and RMB170.3 billion, respectively.

We calculate our capital adequacy ratio in accordance with the Capital Management Rules for Commercial Banks (Provisional) (商業銀行資本管理辦法(試行)) promulgated by the former CBRC. As of 31 December 2022, our capital adequacy ratio was 11.37%.

## STRATEGIES

***Supporting supply-side structural reform and playing an active, counter-cyclical role to bring about high quality growth of the real economy.***

Further to the PRC government's strategic planning in respect of comprehensive expansion on infrastructure construction and formation of modern infrastructure system, we focus our resources in supporting key project construction that falls within the areas of national priorities, such as urban rail transport, utility tunnels, sponge cities, and distinct and unique small towns; facilitating the construction of railways, roadways and other infrastructures; facilitating the harmonious development among China's main function areas, urban agglomeration, large, medium and small cities as well as towns and villages; supporting the coordinated development of Beijing, Tianjin and Hebei, further development of the Yangtze River Economic Belt, the construction of the Guangdong-Hong Kong-Macao Greater Bay Area, the integrated development of the Yangtze River Delta, the ecological protection and high-quality development of the Yellow River Basin, and key regional strategies and coordinated development strategies, including high-quality development and comprehensive revitalization of northeast China; supporting the strategic restructuring of China's economy; promoting the integration of industrial parks and cities, the construction of industrial parks and the development of logistics, information service, emerging strategic and energy saving and environmental friendly sectors, in order to lay a solid foundation for and contribute to a high quality economic growth.

***Improving areas relating to basic people's livelihood.***

We endeavour to provide financial services to benefit all people. We offer solutions such as using wholesale loans to resolve ordinary families' financing difficulties, and facilitate the development of areas such as affordable housing, old urban residential areas renovation, rural revitalisation, education, healthcare, senior care and medium-, small- and micro-enterprises.

***Assisting Chinese enterprises to "Go Global".***

On the basis of mutual benefit, we explore various market-oriented approaches to further international cooperative business and actively participate in the Belt and Road Initiative. We have been successfully involved in a number of high-profile projects, facilitated "small yet smart" projects under Belt and Road Initiative with a view to promote high-standard, sustainable and people centered development, supported overseas expansion activities of Chinese enterprises and deepened multilateral financial cooperation.

## COMPETITIVE STRENGTHS

### A state-funded development finance institution owned by the PRC central government and the investment of financial institutions in the banking industry in our financial bonds (excluding subordinated bonds) are treated the same way as policy-oriented bonds, the risk weighting of which shall be at 0%

We are a state-funded and state-owned development finance institution. As an independent legal entity directly overseen by the State Council, we are dedicated to supporting China's economic development in key industries and under-developed sectors. As a wholesale bank with expertise in medium- and long-term bond offerings, we play a significant role in medium- and long-term financing for infrastructure development, basic industries and pillar industries in China. In March 2015, the State Council approved our reform deepening plan, affirming our position as a development finance institution and the relevant policy support and stressing the need to strengthen our role and function as a development finance institution to provide financing to national priorities, weak areas in the economy and during critical periods. According to the former CBRC (now the NAFR), the investment of financial institutions in the banking industry in our financial bonds (excluding subordinated bonds) shall be treated the same way as policy-oriented bonds, the risk weighting of which shall be at 0%. Our debt credit policy has been continuously stable with no maturity date set for our debt credit. Such debt credit policy applies to our RMB bonds and foreign currency bonds. International rating agencies such as Moody's and S&P put us at the same level as China's sovereign rating for successive years. In April 2017, as approved by the former CBRC and with the completion of the registration of the Bank's name change with the competent Administration for Industry and Commerce, our registered name has been changed from China Development Bank Corporation (國家開發銀行股份有限公司) to China Development Bank (國家開發銀行).

**Dedicated to serving the PRC national economic strategies with quality customer base, well-regarded brand name and solid financial partners**

We are one of the key banks in medium- and long-term investment and financing in China and support the implementation of the medium- and long-term development strategies of national economy through our financial services including medium- and long-term investment, loans, bonds, leases and securities. We supported a large number of national key projects, including the three gorges project, projects for diverting water from the country's south to the north, projects for transmission of natural gas from the country's west to the east, railway links between Beijing and Kowloon, high-speed railway links between Beijing and Shanghai, Shougang Corporation's relocation, Beijing Olympic stadiums, infrastructure for Shanghai World Expo, national oil reserves and coal base facilities. Our businesses mainly involve areas such as public infrastructure, self-reliance in advanced science and technology, strategic emerging industries, rural revitalisation, affordable housing and high-quality Belt and Road Initiative cooperation.

In 2022, as we approach a new phase of development, we acted on the new development philosophy and upheld the guiding principle of pursuing progress while ensuring stability, implemented the national macro polices, focused on our mandate, and increased the provision of development finance for the real economy. We granted Renminbi and foreign currency loans and relent to micro and small enterprises in an aggregate amount of more than RMB3 trillion. We actively served and integrated into the new development paradigm to facilitate high quality development. With steady improvement in our overall performance, we have made positive head ways across our lines of business.

Over the years, we have established good long-term relationships with governments at all levels in and outside Mainland China, as well as a number of large state-owned enterprises and competitive private enterprises, which enable us to have abundant customer resources.

Our contribution in serving economic and social development has been well recognised by various sectors of the community. In 2022, we received a number of honours and awards, including the "People's Social Responsibility Award — Enterprise of the Year" from People.cn and "Bank of the Year for Infrastructure Development" from Financial News.

Over the year, we have been keenly aware that risks do not discriminate between persons and all are responsible for risk management, and put in enormous efforts to ensure risk prevention is built in our consciousness, rules and methods, and established and perfected a medium- and long-term risk control scheme which is adapted to the characteristics of development finance, so as to ensure our healthy and sustainable development. As at 31 December 2022, our non-performing loan ("**NPL**") ratio was 0.78%.

**The largest bond house amongst Chinese banks, a major player in the debt capital market in Mainland China and a driver of financial innovation**

We are currently the largest bond house (excluding central bank bills) amongst Chinese banks with bond offerings of terms ranging from three months to 50 years, maintaining a leading advantage in bond liquidity. According to the former CBRC (now the NAFR), the investment of financial institutions in the banking industry in our financial bonds (excluding subordinated bonds) shall be treated the same way as policy-oriented bonds, the risk weighting of which shall be at 0%. In 2022, we issued RMB-denominated bonds in Mainland China with an aggregate principal amount of RMB2,535.0 billion and our outstanding bonds as at 31 December 2022 exceeded RMB11,716.4 billion which accounted for approximately 8.3% of the total outstanding bonds in the market in Mainland China. In May 2022, we issued GBP500 million bonds outside Mainland China by way of private placement. In July 2022, we issued U.S. dollar-denominated bonds in Mainland China with an aggregate principal amount of US$500 million.

We have combined the functions of bond offering, underwriting, investment and trading. We were the first Chinese bank that tapped into the international capital markets, and remain one of the most active and frequent Chinese issuers. As a major player in the bond market in Mainland China and a driver of financial innovation, we were the first to issue financial bonds with a term up to 50 years, the first to engage in Renminbi interest rate swaps, the first to issue Renminbi asset-backed securities, the first to issue OTC financial bonds through commercial banks, the first to publicly offer U.S. dollar-denominated bonds in Mainland China, the first to issue Renminbi-denominated bonds in Hong Kong SAR, the first to issue SHIBOR based floating rate bonds in Hong Kong SAR, the first to issue CHN HIBOR interbank rate based floating rate bonds, the first Chinese quasi-sovereign issuer to issue bonds which are listed on the London Stock Exchange. We were also the first to concurrently adopt the book-building and the CMU bidding approaches in Renminbi-denominated bonds in Hong Kong SAR.

**Sound risk management and quality assets**

In 2004, we established a risk management board of governors (which was renamed as the risk management committee in 2020) as our highest risk management authority in charge of the overall planning and decision making, and comprehensive management of all types of risks throughout our bank. Since 2007, we have gradually expanded our focus on risk management from credit risk management to overall risk management, effectively identifying, measuring, monitoring and reporting risks relating to loans, fund transactions and other investing activities. In 2009, we further improved our overall risk management organization structure covering all the business sectors and risks types of our head office and branches. We achieved the integration of credit risk management, market risk management, operational risk management, compliance risk management and other types of risk management. At the same time, we perfected our comprehensive risk management reporting system, to timely, accurately and comprehensively identify, assess and monitor all types of our risks, and report such risks to the board of directors and senior management.

We streamline the organization structure and responsibilities in relation to risk management according to the former CBRC's Guidelines for Comprehensive Risk Management of Banking Financial Institutions. Integrating the regulatory requirements and our practical situation, we followed the basic principles of symmetry, comprehensiveness, independence, and effectiveness to build a robust risk governance structure that works closely together to keep risks under control at various levels. We formulated a comprehensive risk management framework that further improves our risk management and control system, cultivates a compliance culture and increases the awareness of our employees so that they are aware that risks do not discriminate between persons and all are responsible for risk management. This is to improve the effectiveness of the quality control of our risk management.

**Reasonable and steady profitability and efficient operation management**

In line with the nature of development finance, we have adhered to the principle of principal safety and modest profit and recorded a stable financial performance. In 2022, we implemented the national macro polices, focused on our mandate, and supported national strategies and boosted the performance of the real economy. As a result, we have made a good start in the 14th Five-Year Plan period. For the year ended 31 December 2022, we recorded a profit for the year of RMB84.3 billion, representing an increase of 4.39% from 31 December 2021, return on assets of 0.48% and return on equity (including minority shareholders' interests) of 5.37%. Owing to our streamlined corporate structure and competent staff as well as our efficient operations management, our cost to income ratio has remained at a low level.

### Experienced management team and well-trained workforce

Our executive management team has extensive experience in the banking and financial service industry, with an average of over 25 years of industry experience. Our directors include the persons-in-charge of relevant departments of the State Council and senior professionals in the banking industry. As of the end of 2022, approximately 76.56% of our staff have received master's or higher degrees.

## LOAN OPERATIONS

Our principal financing activity is the provision of long- and medium-term loans for large- and medium-size projects involving infrastructure, basic industries and pillar industries, including railway and road transportation, power generation, coal, telecommunication, petrochemical and chemical industries and urban public facilities. We also provide financings for projects involving urbanisation, and development of small- and medium-size enterprises, as well as projects in the agriculture, education, health care and environmental protection sectors. In 2019, we established CDB global finance as a business unit to strengthen comprehensive management of international business operation and support high-quality cooperation under the Belt and Road Initiative. We seek to expand our customer base and continue to build on our relationships with many industry leaders and the public sectors.

We evaluate each loan application in accordance with our lending policies before a loan is approved. As part of the selection process, we are also able to negotiate with relevant industry regulators and appropriate local governments with respect to credit enhancement packages and support for projects and borrowers and establish relevant cooperation systems.

The major factors that we take into consideration when evaluating and approving a loan for a project include:

- repayment capacity of the borrower;
- level of capitalisation of the borrower;
- significance of the project to the PRC national or regional economy;
- overall technical and financial feasibility of the project;
- reliability and stability of the project's other sources of funding;
- quality of security and guarantees;
- availability of other credit enhancement measures;
- compliance by the borrower with national industrial policies; and
- compliance by the borrower with environmental laws and regulations.

Environmental compliance has become an aspect of our loan evaluation process. A loan applicant will need to have obtained approval from the relevant environmental agencies in relation to the project to be funded by the loan. Under the Law on Environmental Impact Assessment, effective on 1 September 2003, project companies must submit environmental impact assessment reports to the State Environmental Protection Administration at the relevant national, provincial or local levels with respect to environmentally sensitive projects. In accordance with this law, the State Environmental Protection Administration has published a catalogue, which lists environmentally sensitive projects and specifies the requirements and coverage of their environmental impact assessment reports. The catalogue currently lists a number of industries subject to this reporting requirements, including coal mining, oil and gas exploration and development, pulp mill, petroleum refinery, chemical and petrochemical production, machinery and equipment manufacturing, power generation and transmission, hydropower facilities, urban transportation infrastructure, waste disposal facilities, railways, highways, ports and nuclear facilities.

Most of our loans are secured by a guarantee, pledge, mortgage or other forms of security arrangements.

We have also established loan appraisal procedures to monitor the performance of each loan. In order to ensure that loan proceeds are used for their intended purpose, we generally do not disburse the full amount of the loan immediately following commitment. Instead, we disburse loans according to a schedule to coincide with actual project expenditures as they are incurred.

In order to closely monitor the risks associated with any loan project, we have established a risk evaluation and management system, under which we periodically conduct review of credit risk ratings of the borrowers and their risk management measures, the related industries and regions, and implement corresponding measures. See the section entitled "— *Risk Management*".

We grant loans in Renminbi or in foreign currencies. We determine the interest rates on loans denominated in Renminbi mainly by reference to the Renminbi benchmark lending rates set by PBOC from time to time with respect to different types of loans of varying maturities. We may lend at rates higher or lower than these benchmark rates. Changes in the PRC government monetary policy or in the Renminbi benchmark lending rates would affect our lending operations. For loans denominated in foreign currencies, we use fixed interest rates or determine the interest rates in accordance with prevailing rates in the international capital markets plus a premium. In order to minimise our exposure to foreign exchange and interest rate risks, we seek to match our loans and guarantees to liabilities denominated in the same currencies and to engage in such economic hedging transactions through interest rate and cross currency swaps.

The following table sets forth our total outstanding net loans and advances to customers in Renminbi and foreign currencies that we had extended to our customers as of the dates indicated:

**Outstanding Loans and Advances to Customers by Currencies[(1)]**

| | 31 December | |
|---|---|---|
| | **2022** | **2021** |
| | **(in millions of RMB)** | |
| Renminbi | 12,880,055 | 11,658,348 |
| Foreign Currencies | 1,019,052 | 1,133,318 |
| Total | 13,899,107 | 12,791,666 |

*Note:*

(1) After deduction for allowance for impaired loans.

As of 31 December 2022, our total outstanding loans and advances to customers in foreign currencies were equivalent to RMB1,019.1 billion, which consisted of outstanding loans and advances to customers in U.S. dollar equivalent to approximately RMB848.8 billion and outstanding loans and advances to customers in other foreign currencies equivalent to approximately RMB170.2 billion.

We also provide to our borrowers short-term construction project loans, working capital loans and off-balance sheet financing. The maturity of the short-term construction project loans does not generally exceed one year. These short-term loans are mainly granted to infrastructure development projects, basic industry projects and pillar industry construction projects. Generally, these short-term loans are part of our overall financing commitments to these projects for the purpose of bridging the gap between the actual project commencement date and the availability date of long-term financing that we have committed.

The following table sets forth the aggregate outstanding amount of our loans in Renminbi and foreign currencies as of the dates indicated, categorised by industrial sector:

***Loans and Advances to Customers by Industry of Counterparties***

| | 31 December | | | |
|---|---|---|---|---|
| | 2022 | | 2021 | |
| | Amounts | % of Total | Amounts | % of Total |
| | (in millions of RMB, except for percentages) | | | |
| Urban renewal | 2,791,908 | 19 | 2,924,303 | 22 |
| Road transportation | 2,629,214 | 18 | 2,451,616 | 18 |
| Water conservation, environmental protection and public utilities | 1,503,640 | 10 | 1,236,152 | 9 |
| Electric power, heating and water production and supply | 1,436,376 | 10 | 1,289,544 | 10 |
| Railway transportation | 1,096,774 | 8 | 945,765 | 7 |
| Urban public transportation | 1,062,034 | 7 | 956,820 | 7 |
| Manufacturing industry | 1,015,403 | 7 | 833,559 | 6 |
| Petroleum, petrochemical and chemical industry | 570,021 | 4 | 566,233 | 4 |
| Other transportation | 511,028 | 4 | 392,847 | 3 |
| Mining industry | 322,431 | 2 | 310,443 | 2 |
| Education | 281,996 | 2 | 253,652 | 2 |
| Financial Industry | 149,456 | 1 | 212,995 | 2 |
| Telecommunication and other information transmission services | 75,979 | 1 | 83,118 | 1 |
| Others | 1,028,664 | 7 | 805,451 | 7 |
| Total | 14,474,924 | 100 | 13,262,498 | 100 |

For the year ended 31 December 2022, we issued foreign currency loans in the aggregate principal amount of US$28.5 billion. Our foreign currency loans had an aggregate principal amount (before deduction of allowance for impaired loans) of US$172.5 billion outstanding as of 31 December 2022.

Our loans to finance overseas investments are focused on servicing the Belt and Road Initiative, overseas infrastructure construction and interconnection, international industrial capacity cooperation and energy and resource exploration.

We also provide short-term loans in foreign currencies to enterprises in Mainland China that undertake projects of national or regional importance. The original maturities of such short-term loans usually do not exceed one year.

## FUND MANAGEMENT

As the earliest institution in private equity fund investment and management in Mainland China, CDB Capital has supported the healthy and rapid development of the equity investment sector in Mainland China. CDB Capital has directly invested in and managed 46 equity investment funds totalling a size of approximately RMB1,100 billion as of 31 December 2022 and is one of the most influential and best reputed fund investment management brands in Mainland China. With many years' practice experience in the investment management of various kinds of funds, CDB Capital has cultivated a professional fund management team in Mainland China and established sound and industry-leading investment evaluation, post-investment management and risk control systems. The fund management businesses of CDB Capital mainly include bilateral, multilateral cooperation funds and domestic development funds.

Starting from 1998, we have been establishing, investing in and managing bilateral and multilateral cooperation funds and we are now the top brand in terms of bilateral and multilateral cooperation fund investment and management in Mainland China. As of 31 December 2022, we have invested in and managed 20 bilateral and multilateral cooperation funds with external investment commitments totalling more than RMB100 billion.

We participated in the investment and management of the China National Integrated Circuit Industry Investment Funds I and II, which were set up to invest in accordance with the National Integrated Circuit Industry Development Guidelines and build a full integrated circuit industrial chain covering design, manufacture, equipment, material and others. Driven by the funds, the investment, financing and mergers and acquisitions in the domestic integrated circuit industry has become very active and the investment and financing environment in such industry has improved significantly. We played an important role in using development finance and investment to support the state's key areas and weak links and increase competitiveness of those key enterprises. As of 31 December 2022, the two phases of funds have invested approximately RMB220.5 billion in total, covering the whole industrial chain of design, manufacturing, packaging, testing, and material installation of integrated circuits, and accumulatively driving various new social investment and financing of more than RMB900 billion.

We also participated and invested in the National Manufacturing Transformation and Upgrade Fund with emphasis on supporting the "supplementing and strengthening of the industrial chain" in respect of the manufacturing industry and maintaining the security of the industrial and supply chains. We were entrusted with the management of a sub-fund with a total size of RMB50.1 billion, CDBC Manufacturing Transformation and Upgrading Fund (Limited Partnership) ("**CDBC Manufacturing Fund**"), focusing on new generation information technology and electrical equipment as an investment sector. As of 31 December 2022, the CDBC Manufacturing Fund had completed investment of RMB16.8 billion in total, with the key infrastructure and "weak areas development" sectors accounting for 70% of the investment, and had accumulatively driven various new social investment and financing of more than RMB130 billion.

We are one of the earliest institutions to carry out fund of funds business. In December 2010, with the approval from State Council, we established Guochuang Kaiyuan Fund of Funds ("**Guochuang FoF**"), which is currently the largest and most prominent fund of funds in Mainland China. Guochuang FoF is the first of its kind in the equity investment fund industry in Mainland China and has significant influence and brand appeal. Guochuang FoF has invested in a number of outstanding domestic private equity funds and direct investment projects, serving the real economy while also generating good returns for investors. From 2018 to 2020, we were awarded as "Top 20 China's GP-Focused Fund of Funds" and "China's Best Private Equity Investment Limited Partner TOP 20" for three consecutive years, and were awarded as "China's Best Fund of Funds" in 2019 and 2020 for two consecutive years by CVAwards. In 2020, we ranked No. 6 among the top 30 institutional limited partners in the equity investment market of China awarded by Zero2IPO. In 2021, we were also awarded "Best Market-oriented Fund of Funds in China Top 10" by China Venture.

**INTERMEDIARY BUSINESS**

We provide a variety of intermediary service products, including bills, factoring, and letters of guarantee, to support balanced development across regions, green and low-carbon growth and livelihood programs. We also underwrite debt securities, including short-term financing bonds, medium-term notes and commercial bank bonds and other bonds in Mainland China. In 2022, our bond underwriting remained stable. By acting as a lead underwriter for 190 bonds for a total volume of RMB302.71 billion in 2022, we played a major role in channelling market resources to support the state's key areas and major projects. 99% of our new projects are rated AA+ or above, showing project quality higher than market average.

In 2022, as a lead underwriter, we issued RMB500 million rural revitalisation bonds and RMB30.31 billion bonds for businesses in northwest and southwest of China. As of 31 December 2022, we ranked among the top as lead underwriter in China in terms of the amount and number of debt financing instruments issued for rural revitalisation. We were also the lead underwriter of green bonds issued in 2022 worth a total of RMB5.04 billion, including three carbon-neutrality bonds and one of the first issued transition bonds in China. In 2023, as a leading underwriter, we issued RMB60.0 billion special bonds for power supply.

## TREASURY BUSINESSES

We steadily developed our treasury businesses and obtained the qualifications of inter-bank bond and foreign currency market maker and primary dealer for open market operations in Mainland China. We also acted as primary market maker for spot, forward and swap transactions within Mainland China, providing daily uninterrupted quotes for major transaction products. We maintained a leading position in the repurchase, lending, bond, foreign exchange and derivatives trading volumes for several consecutive years and achieved an annual trading volume of approximately RMB95 trillion in 2022.

## DERIVATIVES TRANSACTIONS

We engage in derivative transactions, including Renminbi interest rate swap market making, Renminbi FX forward and swap market making, and Renminbi and foreign currency hedging on behalf of customers. In addition, we also use currency swaps for hedging purposes.

## INTERNATIONAL COOPERATION AND OTHER ACTIVITIES

*International cooperation*. In 2022, we actively played a counter-cyclical role as a development finance institution, strengthened support for economic and trade cooperation and international supply chain projects; and provided financial and intelligence support. We proactively served the Belt and Road Initiative and international industrial capacity cooperation and promoted breakthroughs in key projects of energy resources, infrastructure connectivity, production capacity cooperation, financial cooperation and other key areas. We steadily and prudently supported the internationalization of Renminbi. We continued to improve our risk control system. At the end of 2022, we had total outstanding foreign currency loans in aggregate principal amount (before deduction of allowance for impaired loans) of US$172.5 billion, and an offshore Renminbi-denominated loan balance of RMB115.8 billion.

*Interbank cooperation and correspondent banking*. In order to strengthen China's ties with international banks and develop foreign business relationships, we have established cooperative or agency relationships with a large number of foreign banks, securities companies and other financial institutions. These relationships provide an opportunity for us to share information and enter into foreign exchange transactions with these institutions.

*Financial services*. In response to our customers' growing need for financial services, we provide spot and forward foreign exchange trading, settlement and sales business. We also provide products such as interest rate swaps and currency swaps to meet customers' hedging needs.

*Asset-backed securities*. We are the first domestic financial institution to successfully issue credit asset-backed securities. As at 31 December 2022, we have issued 36 credit securitization products with an aggregate size of RMB320.9 billion.

## RISK MANAGEMENT

We are a financial institution which introduced a comprehensive risk management system relatively early in Mainland China. In 2004, we established a risk management board of governors (which was renamed as the risk management committee in 2020) as our highest risk management authority in charge of the overall planning and decision making, and comprehensive management of all the types of risks throughout our bank. Since 2007, we have expanded our focus on the risk management from credit risk management to overall risk management, undertaking overall identification, measurement, monitoring and reporting of the credit risk, market risk and operational risk we would be exposed to when granting loans and conducting fund transactions and other investment activities. In 2009, we further perfected the "four-tier, three-prevention" comprehensive risk management organizational structure: "four-tier" includes our board of directors, senior management, headquarters' departments and branches and affiliates, while "three-prevention" contains business lines, risk management lines, and internal audit lines.

In recent years, we effectively improved the operational structure led by our governance structure, supported by our data system, guaranteed by our measurement skills and monitored by checking key indicators. We further promoted the development of our risk data and Information Technology ("**IT**") system to form a cluster of risk management systems covering various risks such as the credit risk, market risk, operational risk and compliance risk and combining risk identification, measurement, monitoring, early warning and reporting, which facilitated the overall rapid integration of systems and centralisation of data and in turn provided strong support to our risk management commitments.

At present, the major risks to which we are exposed include:

- credit risk;
- market risk;
- liquidity risk;
- operational risk; and
- compliance risk.

We have established and continue to improve the overall risk management reporting system covering all the business sectors and risk types throughout the whole business procedure and reported to the board of directors, the senior management, the regulatory authorities and other related parties, realising the good interaction between the business development and the risk management. At the same time, we have paid high attention to the management of compliance and internal control. Pursuant to the requirement under the Guidelines for the Internal Control of Commercial Banks and the Guidelines for Risk Management Compliance of Commercial Banks issued by the former CBRC, we carried out relevant work on internal control, compliance risk management frameworks, and carried out verifications tasks in relation to the compliance of internal regulations. We successfully established a regulatory interview mechanism between the former CBIRC (now the NAFR) and us, and have actively conducted related-party transaction management.

**Credit Risk**

We have set up an internal credit rating system focused in five areas:

- country and sovereign credit rating;
- region credit rating;
- industry credit rating;
- borrower's and group clients' credit rating; and
- project credit rating.

The credit risk in connection with each individual loan is managed through a dual-rating system, borrower rating and project rating. We update each type of credit rating results annually.

With regard to a borrower's credit rating, we closely examine a borrower's credit history, corporate governance, business operations, financial condition, business prospects and other relevant factors, and have established borrower rating models to enhance the precision of such rating. We monitor, analyse and report on concentration risk status of borrowers on a quarterly basis.

With regard to facility rating, we evaluate the post-default recoverability of debt based on the characteristics of a borrower's industry and the risk prevention mechanism of the project.

With respect to our loan portfolios, we set risk limits, and manage and control concentration risks, for countries and industries. We monitor, analyse and report on our portfolio credit risk positions on a quarterly basis.

We continued to optimise and adjust credit structure by carrying out works in various aspects, including model development and management, internal credit rating system construction, risk evaluation and monitoring, and IT system construction. We improved our credit rating standards, continued to refine the credit rating system and achieved better management of credit risk. We also enhanced asset quality classification management, strengthened the risk management of clients with large exposures or high risks and continued to improve and optimize our customer management mechanism. We have established a sound risk monitoring, evaluation and report framework, to strictly control credit risk in all respects.

**Market Risk**

Market risk refers to the risk of loss of our on-and off-balance sheet businesses caused by adverse changes in market prices (such as interest rates, foreign exchange rates and security or commodity prices). The market risks we face mainly include risks relating to interest rate risks and foreign exchange risks within our banking and trading books. For trading books, we measure and monitor various market risk limit indicators on a daily basis to effectively manage market risk conditions. For banking books, we conduct sensitivity analysis of foreign exchange rates risk and interest rates risk on a regular basis, to monitor the market risk conditions comprehensively. We continued to strengthen the market risk management and optimize the market risk management process, enhance the technical methods for market risk identification, measurement, monitoring and reporting, closely monitor the linkage effects of various risks in the international and domestic financial markets, and steadily enhance our capability and skill of market risk management.

In recent years, we refined our methods for market risk identification, measurement, monitoring and control, and steadily enhanced our capability to manage our treasury trading risks. We set a host of market risk limits for our trading accounts, including indicators such as sensitivity, size, stop-loss and maturity. We also measured, monitored and reported our market risk exposures and position on a daily basis. We set risk monitoring indicators for our banking accounts, including market value revaluation and duration analysis, closely tracked changes in international and domestic financial markets, and carried out monthly analysis of the changes to risk exposures.

**Liquidity Risk**

Liquidity risk is the risk that we are unable to fund our current obligations and operations by increasing liabilities at a reasonable price or realising assets in a cost-efficient manner regardless of our solvency. In order to minimise liquidity risk, we have established a full set of liquidity management policies and models, including periodic cash flow projection and 12-month advance monitoring, interest rate sensitivity analysis and contingent funding mechanisms. Our primary funding source is the issuance of bonds in the domestic bond markets and international capital market. In addition, we may also borrow from the interbank market, and from the overseas capital market. Changes in the monetary policies of the PRC government and market expectations of surging interest rates are important factors that could adversely affect our funding. We periodically perform a maturity analysis of our assets, liabilities and commitments to assess our need for additional funding and to determine the best available sources and lowest cost of funds. At the same time, we calculate the liquidity gap based on the terms remaining on our contracts.

**Operational Risk**

Operational risk is the risk of loss arising from failed internal control process on systems, people and IT system and/or external events. We improved the system, mechanism and structure for operational risk management, and refined the management on all operational risk factors, including internal procedures, human resources, IT system, and external risks, keeping bank-wide operational risks at a minimal level. We strengthened the mechanism and capacity for NPL resolution through legal procedures, and sought expert opinions and adopted targeted measures for key branches, clients and projects, aiming to leverage legal means more in NPL resolution.

**Compliance Risk**

Compliance risk is the risk of significant financial loss and reputational loss arising from legal or regulatory penalties due to our failure to comply with laws, regulations and rules. We take law-based and complaint operation as the basic principle of business development. Through advancing the construction of our compliance risk management system, we achieved effective identification and management of compliance risk, implemented regulatory requirements, vigorously defended the bottom line of compliance risk prevention, and continuously strengthened law-based and compliant operation. We improved the internal control and compliance system that comprises internal control management, compliance management, authorisation, operational risk management, case handling, and related party transaction. We developed a culture of compliance and the rule of law in our key business areas and carried out compliance education and training for all staff members at different levels step by step to continuously improve law-based and compliant operation and increase awareness in this regard.

In 2022, we actively implemented the tasks in the "Year of Long-acting Internal Control Mechanism", identified the key links and weak points of internal control and compliance system for credit business, and improved the management in key areas of compliance. We went all out to rectify problems identified in notifications and on-site inspections by the former CBIRC; solved problems on a case by case basis and summarised the lessons to ensure good results a long run; addressed both the symptoms and root causes, focused more on a permanent solution, and continued to sustain the effect of root cause rectification.

**LOAN EVALUATION AND MONITORING**

Credit risk is one of the most significant risks faced by any bank. We have set up a credit management system that separates the function of evaluation from that of approval with respect to our lending activity, with a "firewall" erected in between and different scopes of authorisation. Our credit and investment business has adopted an approver system consisting of one lead approver and multiple full-time and part-time approvers and the lead approver leads approval meeting for credit and investment business review.

At present, our head office credit appraisal departments organised along industry lines, and our domestic and overseas branches are each responsible for appraising cases according to their division of responsibility. The credit appraisal activities of the head office are led by the appraisal administration department for further review for compliance, which consolidates review opinions on roadshows and from the relevant departments of the head office, summarises the views of the above, and reports and makes recommendations to the approval meeting of the head office consisting of one lead approver and multiple approvers, which will make the final decision.

Our loan management department and international loan management department of the CDB global finance department are in charge of bank-wide post-lending risk management of Renminbi, foreign currency and RMB urban renewal loans, respectively, and report to the credit risk management committee with respect to the initial review of the asset quality of each credit and the relevant project. Day-to-day administration of our lending activities and the monitoring of our loan portfolios are performed by our 37 primary branches and four secondary branches in Mainland China, and one branch and 11 representative offices outside Mainland China. Our branches and representative offices continuously monitor and periodically review the quality of credit assets and the credit of all our borrowers and promptly and independently report their findings to our loan management department, international loan management department of the CDB global finance department and housing programme finance department. Our branches and representative offices are subject to audit review by our audit department.

We adopted a five-category loan classification method in 1997 and we were the first bank in Mainland China to adopt such method. Currently, all commercial banks and financial institutions in Mainland China are required by the NAFR to adopt this five-category loan classification method. We have also voluntarily adopted this classification standard in our asset quality control process.

The five-category loan classification applies to all our risk-based loans. Our principal assets are our loan portfolio and they are classified as follows:

- *Normal*: A borrower can perform a contract, and there lack sufficient reasons to suspect that the principal and interest of a loan cannot be fully repaid on time.

- *Watch/special mention*: A borrower has the ability to repay the principal and interest of a loan for the time being, but there are some factors that are likely to have an adverse effect on the repayment.

- *Substandard*: An obvious problem has appeared in a borrower's ability to repay, the principal and interest of a loan cannot be fully repaid by completely depending on the normal business revenue of the borrower, and, even if a security is executed, there might be some losses incurred.

- *Doubtful*: A borrower cannot fully repay the principal and interest of a loan, and, even if a security is executed, large losses are surely to be incurred.

- *Bad/loss*: After the adoption of all possible measures or all necessary legal proceedings, the principal and interest of a loan cannot be recovered, or only a very small part of it can be recovered.

On the basis of this five-category classification standard, we have further designed and implemented a more detailed classification system with respect to our loan assets. Under the new classification system, we have further subdivided the five categories into 12 sub-categories to provide a more detailed assessment of the quality of our loan assets. Specifically, we have subdivided "normal loans" into four sub-categories, "watch/special mention loans" into four sub-categories, and "substandard loans" into two sub-categories. We conduct our bank-wide credit asset classification on a quarterly basis. We regard "substandard", "doubtful" and "bad/loss" loans as NPLs.

## LOAN QUALITY

The following table sets forth our total outstanding NPLs as of the dates indicated as well as their percentages of our total outstanding loans to our customers as of the dates indicated.

| | 31 December | |
|---|---|---|
| | **2022** | **2021** |
| | **(in billions of RMB, except for percentages)** | |
| NPL Ratio | 0.78% | 0.84% |

The amounts of our loans to customers in the five regulatory categories as well as our treatment of NPLs and NPLs ratios are calculated in compliance with applicable banking laws and regulations in Mainland China. We prepare these amounts and ratios for regulatory and reporting purposes in Mainland China. They may not be comparable to loan classification and NPL treatment methods of financial institutions in other jurisdictions, which are formulated pursuant to different banking laws and regulations of these other jurisdictions. Our financial statements prepared under the IFRS may not rely solely on this asset classification and NPL treatment. For more information on our accounting treatment of impaired loans in accordance with IFRS, see "*— Impaired Loans and Loan Loss Provision — Treatment Under IFRS*".

## IMPAIRED LOANS AND LOAN LOSS PROVISION

*Investment*. We treat our NPLs in accordance with the relevant laws and regulations in Mainland China for regulatory reporting purposes in Mainland China. We treat our impaired loans in accordance with the IFRS for the purpose of our annual reports to the public.

*Regulatory Treatment*. We classify our loans in accordance with the Loan Risk Classification Guidelines issued by the former CBRC. Such guideline classifies loans into five categories: normal, watch/special mention, substandard, doubtful and bad/loss. We classify loans which are in the substandard, doubtful and bad/loss categories as NPLs.

*Treatment Under IFRS*. In accordance with International Financial Reporting Standard No. 9, we applied expected credit losses (the "**ECL**") model to calculate the credit loss allowance for our debt financial instruments carried at amortised cost, as well as loan commitments and financial guarantee contracts. For the financial instruments incorporated into the measurement of expected credit losses, we apply a three-stage impairment model based on assessment of whether their credit risk has increased significantly since their initial recognition and calculate their credit loss allowance and recognise their ECL accordingly. A Stage 1 financial instrument credit loss allowance is measured at an amount equivalent to the expected credit loss of the financial instrument in the next 12 months. Stage 2 and Stage 3 financial instruments shall have their credit loss allowances measured at an amount equivalent to the expected credit loss of the financial instrument expected to arise over its remaining duration. For more information on our international financial reporting treatment and provision with respect to our impaired loans, see our consolidated financial statements included in this Offering Circular.

As of 31 December 2022, our balance of allowance for impairment losses of loans and advances to customers was RMB619.2 billion.

## SOURCES OF FUNDS

According to the former CBRC (now the NAFR), all the bonds issued by us in relation to our development business are treated as low-risk bonds, and the investment of financial institutions in the banking industry in our financial bonds (excluding subordinated bonds) shall be treated the same way as policy-oriented bonds, the risk weighting of which shall be at 0%. We may be entitled to financial, policy, liquidity and/or other support, if any, made generally available by the PRC government to wholly state-owned banks or state-controlled commercial banks.

In addition to our capital and capital reserves, we may obtain funds from a variety of sources, such as the issuance of bonds in the domestic and international capital markets, the receipt of on-lent business, and borrowings from foreign governments, international financial institutions, foreign commercial banks and foreign export credit agencies. Funds for our Renminbi loans and foreign currency loans are obtained from different sources.

*Funding for Loans Denominated in Renminbi*. Principal sources of funding for our Renminbi loans include:

- our capital contributed by our shareholders;
- bonds and notes that we issue in the domestic and international capital markets;
- deposits from our corporate customers and financial institutions; and
- short-term borrowings from other institutions.

The following table sets forth the amounts of Renminbi funds obtained by us from each of our principal sources of funding during the periods indicated:

**Sources of Funds for Renminbi Loans and Advances to Customers**

| | Year Ended 31 December 2022 |
|---|---|
| | (in millions of RMB) |
| Renminbi-denominated bonds issued | 2,478,040 |
| Capital contributions by equity holders | – |
| Net increase in borrowings and deposits | 377,407 |
| Total | 2,855,447 |

*Funding for Foreign Currency Loans*. Principal sources of funding for our loans denominated in foreign currencies include:

- foreign currency capital contributed by our shareholders;
- foreign currency loans and foreign exchange loans obtained from foreign governments, domestic and international financial institutions, foreign export credit agencies and foreign commercial banks, including short-term loans on the international interbank market;
- the issuance of bonds denominated in foreign currencies in both domestic and international markets; and
- short-term borrowings from other institutions and deposits from financial institutions and customers.

## DEBT REPAYMENT RECORD

We have never defaulted in the repayment of principal of or interest on any of our obligations.

## SUBSIDIARIES, BRANCHES AND REPRESENTATIVE OFFICES

Our major subsidiaries are CDB Capital, CDB Securities, CDB Leasing, CAD Fund, CDB Development Fund and CDB Infrastructure Fund.

*CDB Capital*. It engages in investment and investment management business, and its main business areas include fund business, direct investment in various industries, social livelihood and international cooperation.

*CDB Securities*. It engages in securities brokerage, security investment consulting, financial advisory related to securities trading and securities investment, securities underwriting and sponsorship, proprietary securities dealing, securities asset management, margin trading and short selling, securities investment fund sales, proxy sale of financial products and other businesses approved by China Securities Regulatory Commission.

*CDB Leasing*. It provides comprehensive leasing services to customers in the fields of aviation, infrastructure, shipping, inclusive finance, new energy and high-end equipment manufacturing.

*CAD Fund*. It provides support for economic and trade cooperation between China and African countries, the investments of which cover some important areas including capacity cooperation, infrastructure, energy and mineral resources, agricultural and people's livelihood.

*CDB Development Fund*. It mainly provides financial support to construction projects in key sectors through project capital investment, equity investment, shareholder loans and investments in local investment and financing company funds.

*CDB Infrastructure Fund*. It mainly engages in non-securities investment, investment management and advisory business.

At present, we have 38 primary branches in Beijing, Tianjin, Hebei, Shanxi, Inner Mongolia, Liaoning, Dalian, Jilin, Heilongjiang, Shanghai, Jiangsu, Suzhou, Zhejiang, Ningbo, Anhui, Fujian, Xiamen, Jiangxi, Shandong, Qingdao, Henan, Hubei, Hunan, Guangdong, Shenzhen, Guangxi, Hainan, Chongqing, Sichuan, Guizhou, Yunnan, Shaanxi, Gansu, Xinjiang, Qinghai, Ningxia, Tibet and Hong Kong SAR. We also have 11 representative offices in various countries. These local branches and representative offices, located near various project sites, enhance our ability to implement our credit management policies nationwide and monitor the projects. We staff our branch offices and representative offices with experts to support their operations.

## EMPLOYEES

As of 31 December 2022, we had 10,564 full-time employees.

## PROPERTIES

Our head office is located at 18 Fuxingmennei Street, Xicheng District, Beijing 100031, the People's Republic of China. In addition to our head office, we, our subsidiaries, branch offices and representative offices maintain offices located in premises owned or leased by us.

# DESCRIPTION OF THE HONG KONG BRANCH

## BACKGROUND

We established the Hong Kong Branch in July 2009 to develop cross-border banking businesses. The Hong Kong Branch is the first overseas branch of the Bank.

## BUSINESS ACTIVITIES

We are a licensed bank (Licence No. B296) in Hong Kong SAR and are regulated by the HKMA. The Bank operates its principal business in Hong Kong SAR through its Hong Kong Branch, whose registered office is at 33/F, One International Finance Center, No. 1 Harbour View Street, Central, Hong Kong SAR, China. The core business strategy of the Hong Kong Branch is to develop and expand corporate banking services for the Bank's China-based clients and their overseas subsidiaries.

As of 31 December 2022, the Hong Kong Branch had 125 employees.

The products and services offered by the Hong Kong Branch to its clients include the following:

- multi-currency denominated lending services, including corporate financing, project financing, syndicated loans and lease financing;

- issuance of guarantees, standby guarantees and counter-indemnities;

- deposit and remittance services; and

- issuance of certificates of deposit and bonds.

As of 31 December 2022, the Hong Kong Branch's total outstanding amount of loans was equivalent to US$22.38 billion, which consisted of US$19.1 billion of outstanding loans in U.S. dollars and equivalent to US$3.2 billion of outstanding loans in other currencies.

## HONG KONG REGULATORY GUIDELINES

The banking industry in Hong Kong SAR is regulated by and subject to the provisions of the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (the "**Banking Ordinance**") and to the powers and functions ascribed by the Banking Ordinance to the HKMA. The Banking Ordinance provides that only banks which have been granted a banking license ("**license**") by the HKMA may carry on banking business (as defined in the Banking Ordinance) in Hong Kong SAR and contains controls and restrictions on such banks ("**licensed banks**").

The provisions of the Banking Ordinance are implemented by the HKMA, the principal function of which is to promote the general stability and effective working of the banking system, especially in the area of supervising compliance with the provisions of the Banking Ordinance. The HKMA supervises licensed banks through, *inter alia*, a regular information gathering process, the main features of which are as follows:

- each licensed bank must submit a monthly return to the HKMA setting out the assets and liabilities of its principal place of business in Hong Kong SAR and all local branches, and a further comprehensive quarterly return relating to its principal place of business in Hong Kong SAR and all local branches, and the HKMA has the right to allow returns to be made at less frequent intervals;

- the HKMA may order a licensed bank, any of its subsidiaries, its holding company or any subsidiaries of its holding company to provide such further information (either specifically or periodically) as it may reasonably require for the exercise of its functions under the Banking Ordinance or as it may consider necessary to be submitted in the interests of the depositors or potential depositors of the licensed bank concerned. Such information shall be submitted within such period and in such manner as the HKMA may require. The HKMA may also require a report by the licensed bank's auditors (approved by the HKMA for the purpose of preparing the report) confirming whether or not such information or return is correctly compiled in all material respects;

- licensed banks may be required to provide information to the HKMA regarding companies in which they have an aggregate of 20% or more direct or indirect shareholding or with which they have common directors or managers (as defined in the Banking Ordinance), the same controller (as defined in the Banking Ordinance), and common features in their names or a concert party arrangement to promote the licensed bank's business;

- licensed banks are obligated to report to the HKMA immediately of their likelihood of becoming unable to meet their obligations;

- the HKMA may direct a licensed bank to appoint an auditor to report to the HKMA on the state of affairs and/or profit and loss of the licensed bank or the adequacy of the systems of control of the licensed bank or other matters as the HKMA may reasonably require; and

- the HKMA may, at any time, with or without prior notice, examine the books, accounts and transactions of any licensed bank, and, in the case of a licensed bank incorporated in Hong Kong, any local branch, overseas branch, overseas representative office or subsidiary, whether local or overseas, of such licensed bank.

# CORPORATE GOVERNANCE AND MANAGEMENT

We are a development finance institution which is wholly owned by the PRC government and directly report to the State Council. We were established on 17 March 1994 pursuant to the Special Decree. On 11 December 2008, in accordance with the deployment of the State Council, we were converted into a joint stock company with limited liability pursuant to the Company Law of the People's Republic of China and other applicable laws and regulations. In March 2015, the State Council approved our reform deepening plan, affirming our position as a development finance institution and the relevant policy support. Under the plan, the State Council has directed us to build the Bank into a development finance institution with adequate capital, proper corporate governance, strict internal control, safe operation, high-quality service, and a healthy asset base. Pursuant to the plan, we make full use of our development finance functions with alignment with national strategies, credit, market-oriented operations and no profit maximisation targets while we preserve our capital, to strengthen our role and function as a development finance institution to provide financing to national priorities, to weak areas in the economy and during critical periods and to promote a sustainable and healthy development of the national economy.

As at the date of this Offering Circular, our registered capital is approximately RMB421,248 million. MOF, Huijin, Buttonwood and National Council for Social Security Fund each holds approximately 36.54%, 34.68%, 27.19% and 1.59% of our equity interest.

In November 2016, our articles of association was approved by the State Council. Our articles of association constitute a legally binding document regulating our organization and activities, and ensuring the effective performance of our duties. In April 2017, as approved by the former CBRC and with the completion of the registration of the relevant changes with the competent Administration for Industry and Commerce, we have changed from a joint stock company to a limited liability company and our registered name has changed from "China Development Bank Corporation (國家開發銀行股份有限公司)" to "China Development Bank (國家開發銀行)". The registration of such changes does not affect our rights or liabilities or those of our customers.

The following is a summary of provisions of our articles of association relating to our corporate governance, and it does not contain all information that may be important to you.

## SHAREHOLDERS

Our shareholders enjoy their rights and assume their obligations in proportion to their respective capital contributions.

Our shareholders enjoy the following rights:

- receiving profit distribution in proportion to their capital contribution;
- supervising, managing and making proposals and inquiries in relation to our business operations;
- inspecting resolutions including those of our board of directors and our board of supervisors;
- obtaining information necessary to perform their obligations in accordance with the articles of association; and
- enjoying any other rights stipulated by laws or regulations or granted by the State Council.

Our shareholders have the following obligations:

- complying with laws and regulations and our articles of association;

- having a fiduciary duty to us and our other shareholders, not abusing the shareholder's rights in order to gain improper benefits or not harming our legitimate rights or interests or those of any other shareholders;

- supporting any measure proposed by our board of directors to reasonably increase our capital adequacy ratios in the circumstance where our capital adequacy ratios fall below the regulatory standards; and

- assuming any other obligations in accordance with laws and regulations or as stipulated by the State Council.

## DIRECTORS AND BOARD OF DIRECTORS

Our articles of association sets out that our directors comprise of executive directors and non-executive directors. Our non-executive directors include government agency directors and equity directors. "Government agency directors" are the persons appointed by the NDRC, MOF, the Ministry of Commerce and the PBOC as directors, and who also act as the responsible officers of PRC ministries or commissions. "Equity directors" are those appointed by our shareholders. Our directors serve a term of three years commencing on the date that their respective eligibility for directorship is approved by the banking regulatory authority of the State Council, subject to successive re-election for an additional term.

Our articles of association currently requires our board of directors to be composed of 13 directors, with three executive directors (including the chairman) and ten non-executive directors (including four government agency directors and six equity directors).

Pursuant to our articles of association, our board of directors shall have the following powers and duties:

- considering and approving our medium- and long-term development strategies, annual business plans and investment plans;

- preparing plans for any adjustments to our business scope and business division, and submitting such plans to the State Council for approval according to relevant procedures;

- formulating our annual financial budget and final accounts;

- considering and approving our annual bond issuance plans;

- considering and approving plans for our capital management and issuances of capital instruments;

- formulating our profit distribution plans and loss make-up plans;

- preparing our registered capital increase or reduction plans, and submitting such plans to the State Council for approval according to relevant procedures;

- preparing amendment plans to our articles of association, and submitting such plans to the State Council for approval pursuant to relevant procedures;

- formulating rules of the procedures of the board of directors, and revision plans;

- considering and approving our material projects, including but not limited to material mergers and acquisitions, material investments, material asset acquisitions and disposals and material external guarantees (except for bank guarantee business);

- resolving on matters including the establishment, separation, merger/consolidation and change to the capital of our tier-one subsidiaries;

- preparing plans for our merger/consolidation, separation, dissolution or change to our organisational form, and submitting such plans to the State Council for approval according to relevant procedures;

- appointing or removing the president, the secretary of the board of directors and the chief auditing officer;

- appointing (according to the nomination of the president) or removing the vice presidents, and other executive management officers who shall be appointed or removed by the board of directors according to laws and regulations (except for the secretary of the board of directors and the chief auditing officer);

- determining matters relating to the executive management officers' remuneration, performance assessment and rewards and penalties according to the relevant requirements issued by the state;

- determining the scope of authorities delegated to our chairman and executive management;

- considering and approving our basic management systems such as risk management and internal control;

- considering and approving our internal organisation structure, and plans for the establishment, adjustment and discontinuance of our domestic and overseas primary branches;

- considering and approving our internal audit protocols, annual work plans and internal audit units;

- determining the engagement, dismissal or non-reappointment of accounting firms as our auditors;

- formulating our information disclosure policy and system;

- considering and approving our annual reports;

- determining the directors (including the chairman), supervisors (including the chairman of the board of supervisors) and general managers (presidents) to be appointed in the subsidiaries;

- considering the articles of association of our subsidiaries;

- regularly listening to feedbacks provided by commercial financial institutions, corporations and government departments and other parties;

- proactively coordinating different departments; and

- other powers as stipulated by laws and regulations and granted by the State Council.

The following table sets forth information regarding our directors as of the date of this Offering Circular.

| Directors | Date of Birth | Position |
|---|---|---|
| Mr. Zhao Huan | December 1963 | Chairman and Executive Director |
| Mr. Tan Jiong | June 1966 | Vice Chairman, Executive Director and President |
| Mr. Li Chunlin | February 1968 | Government Agency Director |
| Mr. Liao Min | December 1968 | Government Agency Director |
| Ms. Guo Tingting | July 1971 | Government Agency Director |
| Ms. Zhang Xiaohui | May 1958 | Government Agency Director |
| Mr. Zhang Shenghui | March 1966 | Equity Director |
| Mr. Tan Long | January 1966 | Equity Director |
| Ms. Ge Rongrong | January 1968 | Equity Director |
| Ms. Zhang Lusong | October 1970 | Equity Director |
| Mr. Fan Kejun | August 1966 | Equity Director |

You may find additional biographical information on each of our current directors under the section entitled "*— Management Biographical Information — Directors*".

Pursuant to our articles of association, the meeting of our board of directors are divided into regular meetings and ad hoc meetings. Our articles of association requires our board of directors to meet at least four times a year. The quorum for the meeting of our board of directors is more than half of all our directors. The resolution of our board of directors shall be approved by more than half of all our directors; and the resolution of our board of directors in relation to material matters shall be approved by more than two thirds of all our directors.

## SPECIAL COMMITTEES OF BOARD OF DIRECTORS

Our articles of association requires that our board of directors establish five special committees, subject to the discretional powers of our board of directors to set up additional special committees and to make adjustment to the existing committees as necessary:

- a committee on strategic development and investment management;
- an audit committee;
- a risk management committee;
- a committee on related-party transaction control; and
- a committee on human resources and remuneration.

Each special committee operates in accordance with the authorization from, and is accountable to, our board of directors.

## EXECUTIVE MANAGEMENT

Our articles of association requires that our executive management team is composed of the president, vice presidents, secretary of the board of directors and other executive management officers. We currently have one president and several vice presidents, and our executive management officers may include the chief financial officer, the chief risk officer and the chief audit officer.

The following table sets forth information regarding our executive management officers as of the date of this Offering Circular.

| Executive Management Officers | Date of Birth | Position |
|---|---|---|
| Mr. Tan Jiong | June 1966 | President |
| Mr. Song Xianping | August 1962 | Chief Inspector of Discipline Inspection and Supervision |
| Mr. Zhang Hui | April 1972 | Executive Vice President |
| Mr. Wang Weidong | March 1968 | Executive Vice President |
| Mr. Xie Taifeng | July 1972 | Executive Vice President |
| Mr. Wang Kebing | December 1968 | Executive Vice President(1) |
| Mr. Li Huachang | December 1965 | Secretary of the Board of Directors |
| Ms. Yang Baohua | November 1965 | Chief Audit Officer |
| Mr. Liu Peiyong | August 1964 | Chief Business Officer |
| Mr. Wang Zhong | August 1966 | Chief Risk Officer |

*Note:*

(1) Pending confirmation by the NAFR.

You may find additional biographical information on each of our executive management members under the section entitled "— *Management Biographical Information — Executive management*".

Our president is accountable to our board of directors, and has the following powers and duties:

- leading our operational management, and carrying out resolutions adopted by our board of directors;
- preparing our medium- and long-term development strategies, annual business plans and investment plans;
- preparing plans for any adjustments to our business scope and business division;
- preparing our annual financial budget and final accounts;
- preparing our annual bond issuance plans;
- preparing plans for our capital management and issuances of capital instruments;
- preparing our profit distribution plans and loss make-up plans;
- within the authority from our board of directors, approving matters such as investments, asset acquisitions and disposals and guarantees (except for bank guarantee business) under certain limits;
- within the authority from our board of directors, determining matters including the establishment, separation, merger/consolidation and change to the capital of our tier-one subsidiaries, provided that the amount of a single matter does not exceed certain percentage of our net assets in the most recent audited accounts;
- authorising our other executive management officers and responsible persons of internal functions and branches to manage day-to-day operation;
- preparing our basic management systems such as risk management and internal control, and formulating our detailed rules;

- preparing our internal organisation structure, and plans for the establishment, adjustment and discontinuance of our domestic and overseas primary branches;

- establishing special committees relating to operational management if needed;

- nominating and proposing the removal of the vice presidents, and other executive management officers who shall be appointed or removed by our board of directors according to laws and regulations (except for the secretary of our board of directors and the chief auditing officer);

- appointing or removing the responsible persons of our internal departments and branches;

- considering and approving plans for our internal remuneration and performance assessment system;

- formulating remuneration and performance assessment plans for the responsible persons of our internal departments and branches, and assessing their remuneration and performance;

- preparing the salaries, benefits, rewards and penalties plan for our employees, and determining, or authorising the managers at the lower level to determine in accordance with their authorisation, the employment or dismissal of our staff;

- in the event that any unexpected material event or other emergency occurs, taking urgent measures in compliance with laws and regulations to protect our interest, and reporting to our board of directors and our board of supervisors immediately; and

- other powers as stipulated by laws and regulations or authorised by our board of directors.

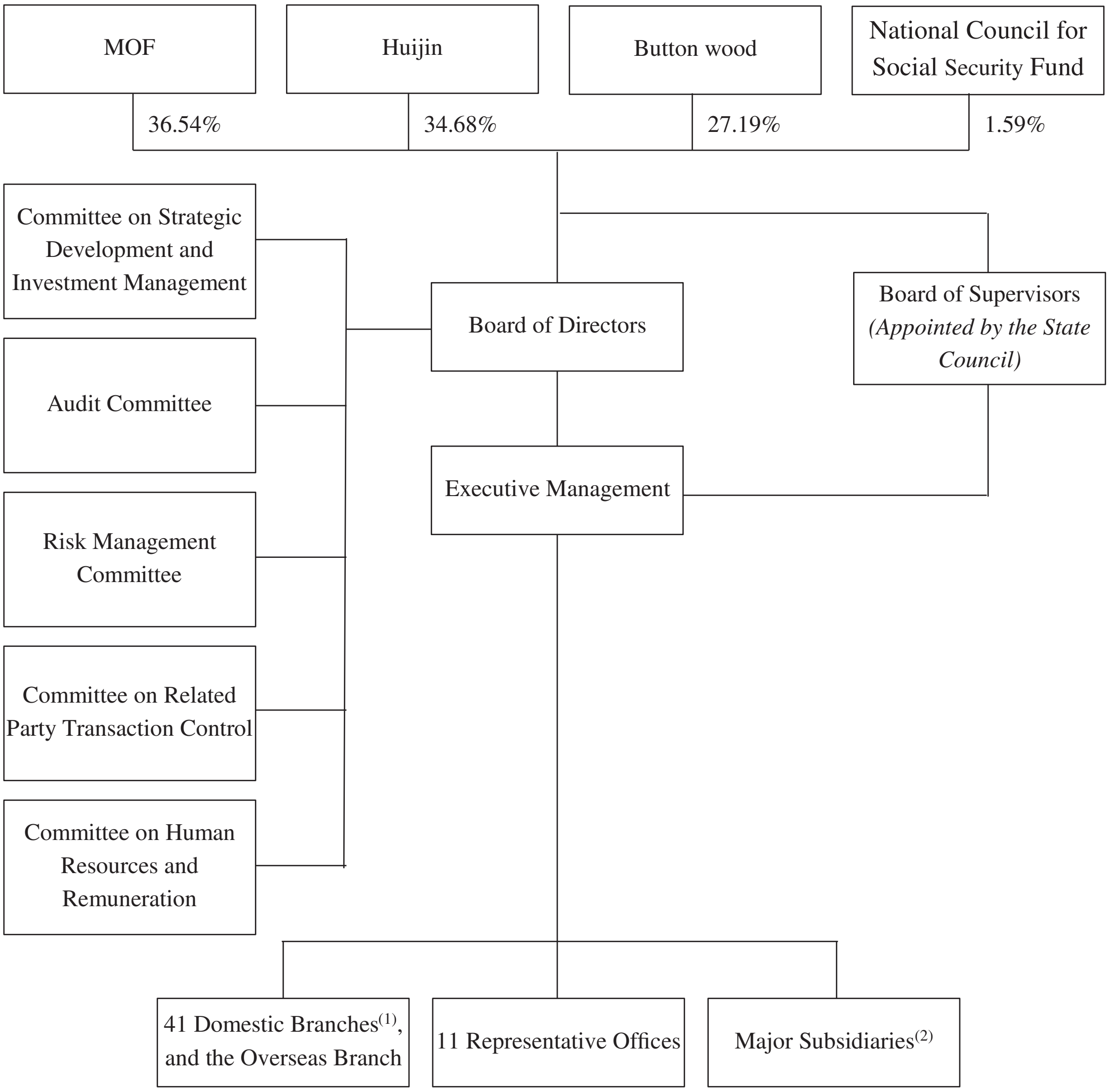
When our president is unable to perform his duties, such duties shall be performed by the executive director, vice president or other executive management officer designated by our board of director for such purpose.

Our vice presidents assist our president and each of them is responsible for a different area of our operation according to the authorisation from our president.

## CORPORATE ORGANISATION

The departments at our headquarter include the board of directors office, the executive office (Communist Party of China ("**CPC**") committee office), the research centre (CPC committee publicity department), the policy research department, the planning and research department (institute)/innovation and development centre for the Belt and Road Initiative, the business development department, the market development and equity investment department, the legal and compliance department, the finance and accounting department, the treasury and financial market department, the risk management department, the credit review department, the transport business department, the energy and water resource business department, the industry and sci-tech innovation business department, the housing and urban construction business department, the rural vitalization business department, social and people's livelihood business department, the loan management department, the asset preservation department, the strategic client department, the information technology department, the operations department, the internal audit department, the human resources department (CPC committee organization department), the office of steering group for the CPC disciplinary inspection (CPC ethics office), the department of party, trade union and youth affairs (CPC committee united front department), CPC committee at CDB headquarters, the general office, retired staff department, international finance department, CDB party school (CDB institute of development finance) and procurement centre. At present, our board of directors has a committee on strategic development and investment management, an audit committee, a risk management committee, a committee on related-party transaction control and committee on human resources and remuneration.

The following is our organisational chart as of the date of this Offering Circular:




*Notes:*

(1) Including 37 primary branches and 4 secondary branches in Mainland China.

(2) Including CDB Capital, CDB Securities, CDB Leasing, CAD Fund, CDB Development Fund and CDB Infrastructure Fund.

## MANAGEMENT BIOGRAPHICAL INFORMATION

The following contains certain biographical information about each of our directors and executive management members as of the date of this Offering Circular.

**Directors**

**Mr. Zhao Huan** — Chairman and Executive Director. Prior to joining the Bank, he held various positions successively in China Construction Bank, including Deputy General Manager of the Corporate Business Department, Deputy General Manager of Xiamen Branch, General Manager of the Corporate Business Department, General Manager of Shanghai Branch, and Executive Vice President. He also served as Executive Director of China Everbright (Group) Corporation and China Everbright Group Ltd. and concurrently Executive Director and President of China Everbright Bank; and Vice Chairman and President of Agricultural Bank of China ("**ABC**").

**Mr. Tan Jiong** — Vice Chairman, Executive Director and President. Previously, he served as Deputy General Manager (acting general manager) and General Manager of Bank of China ("**BOC**") Tibet Branch, General Manager of BOC Yunnan Branch, Chairman of Bank of China Investment Management Co., Ltd., General Manager of BOC Guangdong Branch, Executive Director and Executive Vice President of the Industrial and Commercial Bank of China ("**ICBC**"), Vice Governor of Guizhou Provincial People's Government, member of the Party Leadership Group of Guizhou Provincial People's Government, member of the Standing Committee of CPC Guizhou Provincial Committee, Head of the United Front Work Department of CPC Guizhou Provincial Committee, and concurrently Deputy Secretary of the Party Leadership Group of the Chinese People's Political Consultative Conference Guizhou Committee.

**Mr. Li Chunlin** — Vice Minister of the NDRC and our Government Agency Director. Previously he worked in Shaanxi, serving successively as Vice Minister of Shaanxi Provincial Development and Reform Commission, member of the Standing Committee of Yulin and then Deputy Mayor, Vice Party Secretary, Mayor and then Party Secretary of Yulin, member of the Standing Committee and then Secretary-General of CPC Shaanxi Provincial Committee.

**Mr. Liao Min** — Vice Minister of MOF and our Government Agency Director. Previously he served as Deputy Director-General and Director-General of the General Office of CBRC, Director-General of Shanghai Bureau of CBRC, Director-General of the Fourth Department of the Office of the Central Leading Group for Financial and Economic Affairs and Vice Minister of Office of the Central Commission for Finance and Economy.

**Ms. Guo Tingting** — Vice Minister of the MOFCOM and our Government Agency Director. Previously she held various positions successively in the MOFCOM, including Deputy Director-General and then Director-General of the Department of Finance, Director-General of the Comprehensive Department, and Assistant Minister of the MOFCOM.

**Ms. Zhang Xiaohui** — Government Agency Director. Previously, she was PBOC Chief Representative for the Americas, Senior Advisor to China's International Monetary Fund Executive Director, Director-General of the Department of Financial Markets and the Department of Monetary Policies of the PBOC, Assistant Governor of the PBOC, and Dean of Tsinghua University PBOC School of Finance.

**Mr. Zhang Shenghui** — Equity Director. Previously, he was Deputy Director-General of the Balance of Payments Department of SAFE, Deputy Director-General and then Director-General of the Supervision and Inspection Department of SAFE, PBOC Chief Representative for the Americas, and Chief Accountant of SAFE.

**Mr. Tan Long** — Equity Director. Previously, he held positions in MOF successively as Chief Accountant (Deputy-Director-General-Level), Deputy Director-General of the Treasury Payment Centre, and Deputy Director-General and Level I Inspector of the Tax Policy Department.

**Ms. Ge Rongrong** — Equity Director. She used to be Equity Director of the ICBC, work for Central Huijin Investment Ltd. as Deputy Director-General of the Banking Institution Management Department I and Senior Advisor, and serve as Independent Director of ICBC Credit Suisse Asset Management Co., Ltd., and Director of Shenwan Hongyuan Group Co., Ltd. and Shenwan Hongyuan Securities Co., Ltd.

**Ms. Zhang Lusong** — Equity Director. Previously, she held various positions at China Investment Corporation, including team leader and senior manager of the Legal & Compliance Department and then Senior Advisor.

**Mr. Fan Kejun** — Equity Director. Previously, he served as Deputy Director General of the Department of Administration and Finance of the Liaison Office of the Central People's Government in the Macao SAR, and worked in the MOF successively as Deputy Inspector of the Department of Agriculture, Deputy Director-General and Level 1 Inspector of the Department of Natural Resources and Ecological Environment.

Ms. Yan Lijuan has been appointed as Equity Director by our board of directors. Such appointment is subject to the approval by regulatory authorities. Previously she worked as Deputy Director-General of the General Office and Level II Inspector of PBOC.

The business address of the directors is 18 Fuxingmennei Street, Xicheng District, Beijing 100031, the People's Republic of China.

**Executive Management**

**Mr. Tan Jiong** — President. You may find his biographical information under the section entitled "— *Management Biographical Information — Directors*".

**Mr. Song Xianping** — Chief Inspector of the Discipline Inspection and Supervision of CPC Central Commission for Discipline Inspection and National Supervision Commission. Previously, he was Secretary of Discipline Inspection and Supervision of the Agricultural Development Bank of China. Earlier in his career, he worked in the ABC successively as Deputy Director-General of the General Office, Deputy Director-General and then Director-General of the Research Office, General Manager of Jilin Branch, General Manager of the Risk Management Department, and Chief Risk Officer and General Manager of the Risk Management Department (Agricultural Business Risk Management Centre).

**Mr. Zhang Hui** — Executive Vice President. Before joining the Bank, he worked in the Bank of Communications of China as Deputy-General Manager and then General Manager of the Asset Preservation Department; Deputy General Manager of the Risk Management Department (Asset Preservation Department); Deputy General Manager and Disciplinary Secretary of Shanghai Branch; Deputy General Manager and then General Manager of Guizhou Branch, General Manager of the Risk Management Department (Asset Preservation Department), Chief Risk Officer and concurrently General Manager (Director-General) of the Risk Management Department (Office of Case Prevention Leadership Team).

**Mr. Wang Weidong** — Executive Vice President. Previously, he worked successively at the Bank as Deputy Director-General of the International Finance Department, Deputy Director-General of the International Cooperation Department, General Manager of Shenzhen Branch, Director-General of the Administration Office of the International Finance Department, General Manager of Chongqing Branch, and General Manager of Jiangsu Branch.

**Mr. Xie Taifeng** — Executive Vice President. Before joining the Bank, he worked in the Industrial and Commercial Bank of China successively as Deputy Director-General of the General Office and Deputy General Manager of the Brand and Service Management Department, Assistant to the General Manager and then Deputy General, and Director of the General Office; General Manager of the Jiangsu Branch, and Senior Business Director.

**Mr. Wang Kebing** — Executive Vice President (pending confirmation by the NAFR). Previously he worked as Deputy Director-General of Tianjin Bureau of Finance (Municipal Bureau of Taxation), Deputy Director-General of the Department of Treaty and Law of MOF, Deputy Director-General, Inspector and Level 1 Inspector of the Budget Department of MOF, Vice President of Chinese Accounting Correspondence School, Deputy Director-General and Director-General of Centre for Research and Assessment of Government Debt, and Director-General of the Department of Finance of MOF.

**Mr. Li Huachang** — Secretary of the Board of Directors and General Manager of the Human Resources Department. Previously, he worked successively at the Bank as Deputy Director-General of the Project Appraisal Department III, Deputy Director-General of the Executive Office, Deputy Director-General and then Director-General of the Legal Department, General Manager of Henan Branch, Director-General of the Loan Management Department, Chairman and President of CDB Capital Co., Ltd., and Director-General of the Human Resources Department.

**Ms. Yang Baohua** — Chief Audit Officer and General Manager of the Audit Department. She worked successively at the Bank as Deputy Director-General of the Finance and Accounting Department, Director-General of the Operations Department, Director-General of the Finance and Accounting Department, Chairperson of the CAD Fund, and Director-General of the Audit Department.

**Mr. Liu Peiyong** — Chief Business Officer and General Manager of the Business Development Department. Previously, he worked successively at the Bank as Deputy General Manager of Guangdong Branch, Deputy Director-General and then Director-General of the Project Appraisal Department II, Director-General of the Large Corporate Client Department, and Director-General of the Business Development Department.

**Mr. Wang Zhong** — Chief Risk Officer and General Manager of the Risk Management Department. Previously, he worked successively at the Bank as Deputy Director-General of the Human Resources Department, Full-time Deputy Chief of the Assessment and Evaluation Team, Director-General of the Operations Centre, Director-General of the Information Technology Department, General Manager of Sichuan Branch, and Director-General of the Treasury & Financial Market Department.

# SUMMARY OF PROVISIONS RELATING TO THE NOTES WHILE IN GLOBAL FORM

*The Global Notes and Global Certificates contain provisions which apply to the Notes while they are in global form, some of which modify the effect of the Conditions set out in this Offering Circular. The following is a summary of some of those provisions.*

## INITIAL ISSUE OF NOTES

Global Notes and Global Certificates may be delivered on or prior to the original issue date of the Tranche to a Common Depositary for Euroclear and Clearstream or a sub-custodian for the CMU.

Upon the initial deposit of a Global Note with the Common Depositary or with a sub-custodian for the CMU or registration of Registered Notes in the name of (i) any nominee for Euroclear and Clearstream or (ii) the HKMA as operator of the CMU and delivery of the relevant Global Certificate to the Common Depositary or the sub-custodian for the CMU (as the case may be), Euroclear or Clearstream or the CMU (as the case may be) will credit each subscriber with a principal amount of Notes equal to the principal amount thereof for which it has subscribed and paid.

Notes that are initially deposited with the Common Depositary may also be credited to the accounts of subscribers with (if indicated in the applicable Pricing Supplement) other clearing systems through direct or indirect accounts with Euroclear and Clearstream held by such other clearing systems. Conversely, Notes that are initially deposited with any other clearing system may similarly be credited to the accounts of subscribers with Euroclear, Clearstream or other clearing systems.

## RELATIONSHIP OF ACCOUNTHOLDERS WITH CLEARING SYSTEMS

Each of the persons shown in the records of Euroclear, Clearstream or any other clearing system (an "**Alternative Clearing System**") as the holder of a Note represented by a Global Note or a Global Certificate must look solely to Euroclear, Clearstream or any such Alternative Clearing System (as the case may be) for his share of each payment made by the relevant Issuer to the bearer of such Global Note or the holder of the underlying Registered Notes, as the case may be, and in relation to all other rights arising under the Global Notes or Global Certificates, subject to and in accordance with the respective rules and procedures of Euroclear, Clearstream or such Alternative Clearing System (as the case may be). Such persons shall have no claim directly against the relevant Issuer in respect of payments due on the Notes for so long as the Notes are represented by such Global Note or Global Certificate and such obligations of the relevant Issuer will be discharged by payment to the bearer of such Global Note or the holder of the underlying Registered Notes, as the case may be, in respect of each amount so paid.

If a Global Note or a Global Certificate is lodged with a sub-custodian for or registered with the CMU, the person(s) for whose account(s) interests in such Global Note or Global Certificate are credited as being held in the CMU in accordance with the CMU Rules shall be the only person(s) entitled (or in the case of Registered Notes, directed or deemed by the CMU as entitled) to receive payments in respect of Notes represented by such Global Note or Global Certificate and the relevant Issuer will be discharged by payment to, or to the order of, such person(s) for whose account(s) interests in such Global Note or Global Certificate are credited as being held in the CMU in respect of each amount so paid.

Each of the persons shown in the records of the CMU, as the beneficial holder of a particular principal amount of Notes represented by such Global Note or Global Certificate must look solely to the CMU for his share of each payment so made by the Bank in respect of such Global Note or Global Certificate.

## EXCHANGE

### Temporary Global Notes

Each temporary Global Note will be exchangeable, free of charge to the holder, on or after its Exchange Date:

(i) if the applicable Pricing Supplement indicates that such Global Note is issued in compliance with US Treas. Reg. §1.163-5(c)(2)(i)(C) (or any successor rules in substantially the same form that are applicable for purposes of Section 4701 of the Code) ("**TEFRA C**") or in a transaction to which TEFRA is not applicable (as to which, see "*Summary of the Programme — Selling Restrictions*"), in whole, but not in part, for the Definitive Notes defined and described below; and

(ii) otherwise, in whole or in part upon certification as to non-U.S. beneficial ownership in the form set out in the Agency Agreement for interests in a permanent Global Note or, if so provided in the applicable Pricing Supplement, for Definitive Notes.

The CMU may require that any such exchange for a permanent Global Note is made in whole and not in part and in such event, no such exchange will be effected until all relevant account holders (as set out in a CMU Issue Position Report (as defined in the rules of the CMU) or any other relevant notification supplied to the CMU Lodging Agent by the CMU) have so certified. The holder of a temporary Global Note will not be entitled to collect any payment of interest, principal or other amount due on or after the Exchange Date unless, upon due certification, exchange of the temporary Global Note for an interest in a permanent Global Note or for Definitive Notes is improperly withheld or refused.

### Permanent Global Notes

Each permanent Global Note will be exchangeable, free of charge to the holder, on or after its Exchange Date in whole but not, except as provided under "*Partial Exchange of Permanent Global Notes*" below, in part for Definitive Notes:

(i) if the permanent Global Note is held on behalf of Euroclear, Clearstream, the CMU or an Alternative Clearing System and any such clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or in fact does so; and

(ii) if principal in respect of any Notes is not paid when due, by the holder giving notice to the Fiscal Agent (or, in the case Notes lodged with the CMU, the CMU Lodging Agent) of its election for such exchange.

In the event that a Global Note is exchanged for Definitive Notes in any circumstance specified in the Global Note, such Definitive Notes shall be issued in Specified Denomination(s) only. A Noteholder who holds a principal amount of less than the minimum Specified Denomination will not receive a definitive Note in respect of such holding and would need to purchase a principal amount of Notes such that it holds an amount equal to one or more Specified Denominations.

**Global Certificates**

The following will apply in respect of transfers of Notes held in Euroclear, Clearstream, the CMU or an Alternative Clearing System. These provisions will not prevent the trading of interests in the Notes within a clearing system whilst they are held on behalf of such clearing system, but will limit the circumstances in which the Notes may be withdrawn from the relevant clearing system. Transfers of the holding of Notes represented by any Global Certificate pursuant to Condition 2 may only be made in part:

(i) if the relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so;

(ii) upon or following any failure to pay principal in respect of any Notes when it is due and payable; or

(iii) with the consent of the relevant Issuer,

provided that, in the case of the first transfer of part of a holding pursuant to (i) or (ii) above, the holder of the Notes represented by this Global Certificate has given the Registrar not less than 30 days' notice at its specified office of such holder's intention to effect such transfer.

**Partial Exchange of Permanent Global Notes**

For so long as a permanent Global Note is held on behalf of a clearing system and the rules of that clearing system permit, such permanent Global Note will be exchangeable in part on one or more occasions for Definitive Notes if principal in respect of any Notes is not paid when due or if so provided in, and in accordance with, the Conditions (which will be set out in the applicable Pricing Supplement).

**Delivery of Notes**

On or after any due date for exchange, the holder of a Global Note may surrender such Global Note or, in the case of a partial exchange, present it for endorsement to or to the order of the Fiscal Agent (or, in the case of Notes lodged with the CMU, the CMU Lodging Agent).

In exchange for any Global Note, or the part thereof to be exchanged, the relevant Issuer will (i) in the case of a temporary Global Note exchangeable for a permanent Global Note, deliver, or procure the delivery of, a permanent Global Note in an aggregate principal amount equal to that of the whole or that part of a temporary Global Note that is being exchanged or, in the case of a subsequent exchange, endorse, or procure the endorsement of, a permanent Global Note to reflect such exchange or (ii) in the case of a Global Note exchangeable for Definitive Notes, deliver, or procure the delivery of, an equal aggregate principal amount of duly executed and authenticated Definitive Notes. Global Notes, Global Certificates and Definitive Notes will be delivered outside the United States and its possessions.

In this Offering Circular, "Definitive Notes" means, in relation to any Global Note, the definitive Bearer Notes for which such Global Note may be exchanged (if appropriate, having attached to them all Coupons in respect of interest that have not already been paid on the Global Note and a Talon). Definitive Notes will be security printed in accordance with any applicable legal and stock exchange requirements in or substantially in the form set out in the Schedules to the Trust Deed.

On exchange in full of each permanent Global Note, the relevant Issuer will, if the holder so requests, procure that it is cancelled and returned to the holder together with the relevant Definitive Notes.

## Exchange Date

"Exchange Date" means, (i) in relation to an exchange of a temporary Global Note to a permanent Global Note, the first day following the expiry of 40 days after its issue date and (ii) in relation to an exchange of a permanent Global Note to a Definitive Note, a day falling not less than 60 days, or in the case of failure to pay principal in respect of any Notes when due 30 days, after that on which the notice requiring exchange is given and on which banks are open for business in the city in which the specified office of the Fiscal Agent or CMU Lodging Agent is located and, in the case of failure to pay principal in respect of any Notes when due, in the city in which the relevant clearing system is located.

## AMENDMENT TO CONDITIONS

The temporary Global Notes, permanent Global Notes and Global Certificates contain provisions that apply to the Notes that they represent, some of which modify the effect of the terms and conditions of the Notes set out in this Offering Circular. The following is a summary of certain of those provisions:

### Payments

No payment falling due after the Exchange Date will be made on any Global Note unless upon due presentation of the Global Note, exchange for an interest in a permanent Global Note or for Definitive Notes is improperly withheld or refused.

Payments on any temporary Global Note issued in compliance with TEFRA D before the Exchange Date will only be made against presentation of certification as to non-U.S. beneficial ownership in the form set out in the Agency Agreement.

All payments in respect of Notes represented by a Global Note (except with respect to a Global Note held through the CMU) will be made against presentation for endorsement and, if no further payment falls to be made in respect of the Notes, surrender of that Global Note to or to the order of the Fiscal Agent or such other Paying Agent or the CMU Lodging Agent as shall have been notified to the Noteholders for such purpose. A record of each payment so made will be enfaced on each Global Note, which endorsement will be prima facie evidence that such payment has been made in respect of the Notes. For the purpose of any payments made in respect of a Global Note, the words "in the relevant place of presentation" (if applicable) shall be disregarded in the definition of "business day" set out in Condition 7(h).

All payments in respect of Notes represented by a Global Certificate (other than a Global Certificate held through the CMU) will be made to, or to the order of, the person whose name is entered on the Register at the close of business on the record date which shall be on the Clearing System Business Day immediately prior to the date for payment, where "Clearing System Business Day" means Monday to Friday inclusive except 25 December and 1 January.

In respect of a Global Note or Global Certificate representing the Notes held through the CMU, any payments of principal, premium, interest (if any) or any other amounts shall be made to the person(s) for whose account(s) interests in the relevant Global Note or Global Certificate are credited as being held by the CMU (as set out in the record of the CMU) at the close of business on the Clearing System Business Day immediately prior to the date for payment and, save in the case of final payment, no presentation of the relevant Global Note or Global Certificate shall be required for such purpose. For the purposes of this paragraph, "Clearing System Business Day" means a day on which the CMU is operating and open for business.

### Prescription

Claims against the relevant Issuer in respect of Notes that are represented by a permanent Global Note will become void unless it is presented for payment within a period of 10 years (in the case of principal) and six years (in the case of interest) from the appropriate Relevant Date (as defined in Condition 8).

**Meetings**

The holder of a permanent Global Note or of the Notes represented by a Global Certificate shall (unless such permanent Global Note or Global Certificate represents only one Note) be treated as being two persons for the purposes of any quorum requirements of a meeting of Noteholders and, at any such meeting, the holder of a permanent Global Note or of the Notes represented by a Global Certificate shall be treated as having one vote in respect of each integral currency unit of the Specified Currency of the Notes. All holders of Registered Notes are entitled to one vote in respect of each integral currency unit of the Specified Currency of the Notes comprising such Noteholders holding, whether or not represented by a Global Certificate.

**Cancellation**

Cancellation of any Note represented by a permanent Global Note that is required by the Conditions to be cancelled (other than upon its redemption) will be effected by reduction in the principal amount of the relevant permanent Global Note upon its presentation to or to the order of the Fiscal Agent (or, in the case of Notes lodged with the CMU, the CMU Lodging Agent) for endorsement in the relevant schedule of such permanent Global Note or in the case of a Global Certificate, by reduction in the aggregate principal amount of the Certificates in the Register, whereupon the principal amount thereof shall be reduced for all purposes by the amount so cancelled and endorsed.

**Purchase**

Notes represented by a permanent Global Note may only be purchased by the relevant Issuer if they are purchased together with the rights to receive all future payments of interest (if any) thereon.

**Issuer's Option**

Any option of early redemption of the relevant Issuer provided for in the Conditions of any Notes while such Notes are represented by a permanent Global Note shall be exercised by the relevant Issuer giving notice to the Noteholders within the time limits set out in and containing the information required by the Conditions, except that the notice shall not be required to contain the serial numbers of Notes drawn in the case of a partial exercise of an option and accordingly no drawing of Notes shall be required. In the event that any option of the relevant Issuer is exercised in respect of some but not all of the Notes of any Series, the rights of accountholders with a clearing system in respect of the Notes will be governed by the standard procedures of Euroclear, Clearstream, the CMU or any other clearing system (as the case may be).

**Noteholders' Option**

Any option of the Noteholders provided for in the Conditions of any Notes while such Notes are represented by a permanent Global Note or Global Certificate may be exercised by the holder of the permanent Global Note or Global Certificate giving notice to the Fiscal Agent (or, in the case of Notes lodged with the CMU, the CMU Lodging Agent) within the time limits relating to the deposit of Notes with a Paying Agent set out in the Conditions, in accordance with the rules and procedures of Euroclear and Clearstream (or, in the case of Notes lodged with the CMU, substantially in the form of the notice available from any Paying Agent, except that the notice shall not be required to contain the certificate numbers of the Notes in respect of which the option has been exercised) and stating the principal amount of Notes in respect of which the option is exercised and at the same time presenting the permanent Global Note to the Fiscal Agent (or, in the case of Notes lodged with the CMU, the CMU Lodging Agent) or a Paying Agent acting on its behalf, for notation.

**Notices**

So long as any Notes are represented by a Global Note or a Global Certificate and such Global Note or Global Certificate is held on behalf of (i) Euroclear and/or Clearstream or any other clearing system (except as provided in (ii) below), notices to the holders of Notes may be given by delivery of the relevant notice to that clearing system for communication by it to entitled accountholders in substitution for notification as required by the Conditions or by delivery of the relevant notice to the holder of the Global Note or (ii) the CMU, notices to the holders of Notes of that Series may be given by delivery of the relevant notice to the CMU for communication by it to entitled accountholders in substitution for notification as required by the Conditions or by delivery of the relevant notice to the holder of the Global Note or Global Certificate, and any such notice shall be deemed to be given to the Noteholders on the date on which such notice is delivered to the relevant clearing system.

# TAXATION OF NOTES

*The following is a general description of certain tax considerations relating to the Notes. It is based on law and relevant interpretations thereof in effect as at the date of this Offering Circular, all of which are subject to change, and does not constitute legal or taxation advice. It does not purport to be a complete analysis of all tax considerations relating to the Notes. Prospective holders of Notes who are in any doubt as to their tax position or who may be subject to tax in any jurisdiction are advised to consult their own professional advisers.*

## TAXATION — MAINLAND CHINA

The following summary accurately describes the principal tax consequences in Mainland China of ownership of the Notes by beneficial owners who, or which, are not residents of Mainland China for Mainland China's tax purposes and do not conduct business activities in Mainland China. These beneficial owners are referred to as non-resident holders in this "*Taxation — Mainland China*" section, and include both non-resident enterprises and non-resident individuals. If you are considering the purchase of the Notes, you should consult your own tax advisers with regard to the application of tax laws in Mainland China to your particular situations as well as any tax consequences arising under the laws of any other tax jurisdiction. Reference is also made to the avoidance of double taxation arrangement between Mainland China and Hong Kong SAR with respect to Hong Kong SAR taxes from the year of assessment beginning on or after 1 April 2007 and with respect to taxes in Mainland China from the taxable year beginning on or after 1 January 2007.

### Income Tax

Pursuant to the PRC Enterprise Income Tax Law and the PRC Individual Income Tax Law as well as their respective implementation rules, an income tax is levied on the payment of interest in respect of debt securities, including notes sold by enterprises established within the territory of Mainland China to non-resident enterprises (including Hong Kong SAR enterprises) and non-resident individuals (including Hong Kong SAR resident individuals). The current rates of such income tax are 20% (for non-resident individuals) and 10% (for non-resident enterprises) of the gross amount of the interest. However, some tax agreements entered into between China and the countries in which the investors are the residents may contain more favourable tax treatment. According to the Measures for the Administration of Non-Resident Taxpayers' Enjoyment of the Treatment under Tax Agreements (非居民納稅人享受稅收協定待遇管理辦法) (Guoshui (2019) No.35, "**Announcement 35**"), investors should make their own judgement as to whether they meet the conditions for the treatment under the relevant tax agreement; and if they meet such conditions, they must file the relevant forms and materials. Should the tax authority in Mainland China deem the investors eligible for such treatment, the investors are permitted to pay the income tax in accordance with the agreed tax treatment.

According to the PRC Enterprise Income Tax Law and the relevant implementation rules, non-resident enterprises will not be subject to the income tax in Mainland China in respect of the interest income borne and paid by an enterprise, organisation or establishment located outside Mainland China. However, pursuant to the PRC Individual Income Tax Law and the relevant implementation rules, it remains uncertain as to whether non-resident individuals shall be subject to the income tax in Mainland China in respect of the interest income from Notes issued by the Hong Kong Branch. Should the tax authority in Mainland China deem the interest income from Notes issued by the Hong Kong Branch held by the non-resident individuals as income sourced within the PRC referred to in the Regulations on the Implementation of the PRC Individual Income Tax Law, the non-resident individual holders of Notes issued by the Hong Kong Branch may be subject to the individual income tax at 20%, unless otherwise provided in preferential taxation policies under special taxation arrangements. However, in the event that the relevant Issuer is required to make such a deduction or withholding of any tax in Mainland China in respect of any payment of interest on the Notes, the relevant Issuer has agreed to pay such additional amounts as will result in receipt by the Noteholders 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 "*Terms and Conditions of the Notes — Condition 8 (Taxation)*".

According to the avoidance of double taxation arrangement between Mainland China and Hong Kong SAR, residents of Hong Kong SAR will not be subject to tax in Mainland China on any capital gains from a sale or exchange of the Notes. For other investors of the Notes, according to the PRC Enterprise Income Tax Law and its implementation rules, it is unclear whether the capital gains of non-resident holders derived from a sale or exchange of the Notes will be subject to income tax in Mainland China. If such capital gains are determined as income sourced in Mainland China by the tax authority in Mainland China, the non-resident holders other than Hong Kong residents may be subject to the enterprise income tax at a rate of 10% for non-resident enterprises, or individual income tax at 20% for non-resident individuals, respectively, unless otherwise provided in other preferential taxation policies under special taxation arrangements.

**Value Added Tax ("VAT")**

On 23 March 2016, the MOF and the State Administration of Taxation ("**SAT**") issued the Circular of Full Implementation of Business Tax to VAT Reform (關於全面推開營業稅改徵增值稅試點的通知) (Caishui [2016] No. 36, "**Circular 36**") which provides that business tax will be completely replaced by VAT from 1 May 2016. Since then, the income derived from the provision of financial services which previously attracted business tax will be subject to VAT.

Later on, the MOF and the SAT have successively issued a series of tax policies, including the Circular on Further Specifying the Policies relating to Financial Sector under the Full Implementation of Business Tax to VAT Reform (關於進一步明確全面推開營改增試點金融業有關政策的通知) (Caishui [2016] No. 46, "**Circular 46**"), and the Supplemental Notice on Value-Added Tax Policies for Financial Transactions between Financial Institutions and Other Matters (關於金融機構同業往來等增值稅政策的補充通知) (Caishui [2016] No. 70, "**Circular 70**").

According to Circular 36, the entities and individuals providing the services within Mainland China shall be subject to VAT. The services are treated as being provided within Mainland China where either the service provider or the service recipient is located in Mainland 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 funds for another's use and receiving the interest income thereon. Based on the definition of "loans" under Circular 36, the issuance of Notes shall be treated as the holders of the Notes providing loans to the relevant Issuer, which thus shall be regarded as financial services subject to VAT.

In the case of issuance of Notes by the Bank, given that the Bank is located in Mainland China, the holders of the Notes would be regarded as providing the financial services within Mainland China and consequently, the holders of the Notes shall be subject to VAT at the rate of 6% when receiving the interest payments under the Notes. Given that the Bank pays interest income to Noteholders who are located outside Mainland China, the Bank, acting as the obligatory withholder in accordance with applicable law, shall withhold VAT from the payment of interest income to Noteholders who are located outside Mainland China.

According to Circular 46, interests on policy-oriented financial bonds (which are bonds issued by a development or policy-oriented financial institution) received by onshore financial institution investors are exempt from VAT. However, as at the date of this Offering Circular, it is unclear whether interests on such policy-oriented financial bonds issued outside Mainland China (including the Notes) which are held by onshore financial institution investors will be exempt from VAT, and this is subject to the confirmation by the relevant authority. According to Circular 36 and Circular 70, offshore financial institution investors will not be exempt from VAT.

In the case of issuance of Notes by the Hong Kong Branch, Circular 36 does not apply if the provision of loans by individuals or entities located outside Mainland China takes place outside Mainland China. Neither the Hong Kong Branch nor the holders of the Notes are located in Mainland China and if the provision of loans takes place outside Mainland China, then no VAT is payable on interest payments under the Notes. This is, however, subject to the interpretation of Circular 36 by the relevant authority.

However, in the event that the relevant Issuer is required to make such a deduction or withholding of any tax in Mainland China (including VAT) in respect of any payment of interest on the Notes, the relevant Issuer has agreed to pay such additional amounts as will result in receipt by the Noteholders 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 "*Terms and Conditions of the Notes — Condition 8 (Taxation)*".

Where a holder of the Notes who is an entity or individual located outside Mainland China resells the Notes to an entity or individual located outside Mainland China and derives any gain, Circular 36 does not apply and the relevant Issuer does not have the obligation to withhold the VAT. However, if either the transferor or transferee of the Notes is located in Mainland China, payment of VAT in Mainland China is required. Nevertheless, in such circumstance the relevant Issuer has no obligation to withhold the VAT.

The above statements and circulars may be subject to further change upon the issuance of further clarification rules and/or different interpretation by the relevant authority. There is uncertainty as to the application of Circular 36, Circular 46 and Circular 70, and investors are advised to consult their own tax advisers.

## HONG KONG SAR TAXATION

### Withholding Tax

No withholding tax is payable in Hong Kong SAR in respect of payments of principal or interest on the Notes or in respect of any capital gains arising from the sale of the Notes.

### Profits Tax

Hong Kong profits tax is chargeable on every person carrying on a trade, profession or business in Hong Kong SAR in respect of profits arising in or derived from Hong Kong SAR from such trade, profession or business (excluding profits arising from the sale of capital assets).

Interest on the Notes may be deemed to be profits arising in or derived from Hong Kong SAR from a trade, profession or business carried on in Hong Kong SAR in the following circumstances:

(i) interest on the Notes is derived from Hong Kong SAR and is received by or accrues to a corporation carrying on a trade, profession or business in Hong Kong SAR; or

(ii) interest on the Notes is derived from Hong Kong SAR and is received by or accrues to a person, other than a corporation, carrying on a trade, profession or business in Hong Kong SAR and is in respect of the funds of that trade, profession or business; or

(iii) interest on the Notes is received by or accrues to a financial institution (as defined in the Inland Revenue Ordinance (Cap. 112) of Hong Kong SAR (the "**IRO**")) and arises through or from the carrying on by the financial institution of its business in Hong Kong SAR; or

(iv) interest on the Notes is received by or accrues to a corporation, other than a financial institution, and arises through or from the carrying on in Hong Kong SAR by the corporation of its intra-group financing business (within the meaning of Section 16(3) of the IRO).

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 SAR from the sale, disposal and redemption of Notes will be subject to Hong Kong profits tax. Sums received by or accrued to a corporation, other than a financial institution, by way of gains or profits arising through or from the carrying on in Hong Kong SAR by the corporation of its intra-group financing business (within the meaning of Section 16(3) of the IRO) from the sale, disposal or other redemption of Notes will be subject to Hong Kong profits tax.

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

In addition, the Inland Revenue (Amendment) (Taxation on Specified Foreign-sourced Income) Ordinance 2022 of Hong Kong (the "**Amendment Ordinance**") came into effect on 1 January 2023. Under the Amendment Ordinance, certain foreign-sourced interest on the Bonds accrued to an MNE entity (as defined in the Amendment Ordinance) carrying on a trade, profession or business in Hong Kong is regarded as arising in or derived from Hong Kong and subject to Hong Kong profits tax when it is received in Hong Kong. The Amendment Ordinance also provides for relief against double taxation in respect of certain foreign-sourced income and transitional matters.

In addition, the Inland Revenue (Amendment) (Taxation on Specified Foreign-sourced Income) Ordinance 2022 of Hong Kong (the "**Amendment Ordinance**") came into effect on 1 January 2023. Under the Amendment Ordinance, certain foreign-sourced interest on the Notes accrued to an MNE entity (as defined in the Amendment Ordinance) carrying on a trade, profession or business in Hong Kong is regarded as arising in or derived from Hong Kong and subject to Hong Kong profits tax when it is received in Hong Kong. The Amendment Ordinance also provides for relief against double taxation in respect of certain foreign-sourced income and transitional matters.

In certain circumstances, Hong Kong profits tax exemptions (such as concessionary tax rates) may be available. Investors are advised to consult their own tax advisors to ascertain the applicability of any exemptions to their individual position.

**Stamp Duty**

Stamp duty will not be payable on the issue of Bearer Notes provided that either:

(i) such Bearer Notes are denominated in a currency other than the currency of Hong Kong SAR and are not repayable in any circumstances in the currency of Hong Kong; or

(ii) such Bearer Notes constitute loan capital (as defined in the Stamp Duty Ordinance (Cap. 117) of Hong Kong SAR (the "**SDO**")).

If stamp duty is payable, it is payable by the Issuer on the issue of Bearer Notes at a rate of 3 per cent. of the market value of the Bearer Notes at the time of issue. No stamp duty will be payable on any subsequent transfer of Bearer Notes.

No stamp duty is payable on the issue of Registered Notes. Stamp duty may be payable on any transfer of Registered Notes if the relevant transfer is required to be registered in Hong Kong. Stamp duty will, however, not be payable on any transfer of Registered Notes provided that either:

(i) such Registered Notes are denominated in a currency other than the currency of Hong Kong SAR and are not repayable in any circumstances in the currency of Hong Kong; or

(ii) such Registered Notes constitute loan capital (as defined in the SDO).

With effect from 17 November 2023, if stamp duty applies to the transfer of Registered Notes required to be registered in Hong Kong and which are not otherwise exempt it will be payable at the rate of 0.2 per cent. (of which 0.1 per cent. is payable by the seller and 0.1 per cent. is payable by the purchaser) normally by reference to the consideration or its value, whichever is higher. In addition, stamp duty is payable at the fixed rate of HK$5 on each instrument of transfer executed in relation to any transfer of the Registered Notes if the relevant transfer is required to be registered in Hong Kong.

**FATCA WITHHOLDING**

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a "foreign financial institution" may be required to withhold on certain payments it makes ("**foreign passthru payments**") to persons that fail to meet certain certification, reporting, or related requirements. The Issuers may be a foreign financial institution for these purposes. A number of jurisdictions (including Hong Kong SAR and Mainland China) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA ("**IGAs**"), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Notes, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, 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 Notes, such withholding would not apply prior to the date that is two years after the date on which final regulations defining foreign passthru payments are published in the U.S. Federal Register, and Notes characterised as debt (or which are not otherwise characterised as equity and have a fixed term) for U.S. federal tax purposes that are 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. However, if additional notes (as described under "*Terms and Conditions of the Notes — Further Issues*") that are not distinguishable from previously issued Notes are issued after the expiration of the grandfathering period and are subject to withholding under FATCA, then withholding agents may treat all Notes, including the Notes offered prior to the expiration of the grandfathering period, as subject to withholding under FATCA. Holders should consult their own tax advisors regarding how these rules may apply to their investment in the Notes.

# SUBSCRIPTION AND SALE

The Bank and the Hong Kong Branch have entered into an amended and restated dealer agreement with The Hongkong and Shanghai Banking Corporation Limited, Standard Chartered Bank (Hong Kong) Limited and Bank of China (Hong Kong) Limited (the "**Arrangers**"), ABCI Securities Company Limited, Bank of Communications Co., Ltd. Hong Kong Branch, CCB International Capital Limited, Industrial and Commercial Bank of China (Asia) Limited and ICBC International Securities Limited (together with the Arrangers, the "**Dealers**") dated 3 April 2024 in relation to the Notes (and as amended and/or supplemented and/or restated from time to time, the "**Dealer Agreement**") which sets out the basis upon which the Dealers or any of them may from time to time agree to subscribe for the Notes. Where the relevant Issuer agrees to sell to the Dealer(s), who agree to subscribe and pay for, or to procure subscribers to subscribe and pay for, Notes at an issue price (the "**Issue Price**"), the Dealer(s)' subsequent offering of those Notes to investors may be at a price different from such Issue Price. The relevant Issuer will pay each relevant Dealer a commission as agreed between them in respect of Notes subscribed by it and the expenses incidental to the performance of its obligations under the Dealer Agreement as agreed between the relevant Issuer and the relevant Dealer(s).

The Dealer Agreement provides that the Bank and, if the relevant Issuer is the Hong Kong Branch, the Hong Kong Branch will indemnify the Dealers against certain liabilities in connection with any loss arising out of any misrepresentation made in this Offering Circular. The Dealer Agreement entitles the Dealers to terminate any agreement that they make to subscribe Notes in certain circumstances prior to payment for such Notes being made to the relevant Issuer.

In connection with the offering of the Notes, the Dealers may engage in over-allotment, stabilising transactions and syndicate covering transactions. Over-allotment involves sales in excess of the offering size, which creates a short position for the Dealers. Stabilising transactions involve bids to purchase the Notes in the open market for the purpose of pegging, fixing or maintaining the price of the Notes. Syndicate covering transactions involve purchases of the Notes in the open market after the distribution has been completed in order to cover short positions. Stabilising transactions and syndicate covering transactions may cause the price of the Notes to be higher than it would otherwise be in the absence of those transactions. If the Dealers engage in stabilising or syndicate covering transactions, they may discontinue them at any time.

In connection with the issue of any Tranche of Notes, the Dealer or Dealers (if any) named as the Stabilisation Manager(s) (or any person acting on behalf of any of them) in the applicable Pricing Supplement may over allot Notes or effect transactions with a view to supporting the price of the Notes at a level higher than that which might otherwise prevail, but in so doing, the Stabilisation Manager(s) (or any person acting on behalf of any of them) shall act as principal and not as agent of the relevant Issuer. However, stabilisation may not necessarily occur. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the Notes is made and, if begun, may cease at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes. Any stabilisation action or over-allotment shall be conducted in accordance with all applicable laws and rules.

The Dealers and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities ("**Banking Services or Transactions**"). The Dealers and their respective affiliates may have, from time to time, performed, and may in the future perform, various Banking Services or Transactions with the Issuers for which they have received, or will receive, fees and expenses.

In connection with the offering of each Tranche of the Notes, the Dealers and/or their respective affiliates, or affiliates of the Issuers, may act as investors and place orders, receive allocations and trade such Notes for their own account and such orders, allocations or trading of the Notes may be material. Such entities may hold or sell such Notes or purchase further Notes of such Tranche or Series for their own account in the secondary market or deal in any other securities of the Issuers, and therefore, they may offer or sell the Notes of such Tranche or Series or other securities otherwise than in connection with the offering of the relevant Tranche of the Notes. Accordingly, references herein to the offering of such Notes should be read as including any offering of the relevant Notes to the Dealers and/or their respective affiliates, or affiliates of the Issuers as investors for their own account. Such entities are not expected to disclose such transactions or the extent of any such investment, otherwise than in accordance with any applicable legal or regulatory requirements. If such transactions occur, the trading price and liquidity of the relevant Notes may be impacted.

Furthermore, it is possible that a significant proportion of any Tranche or Series of the Notes may be initially allocated to, and subsequently held by, a limited number of investors. If this is the case, the trading price and liquidity of trading in the relevant Notes may be constrained. The Issuers and the Dealers are under no obligation to disclose the extent of the distribution of such Notes amongst individual investors, otherwise than in accordance with any applicable legal or regulatory requirements.

In the ordinary course of their various business activities, the Dealers and their respective affiliates make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers, and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the Issuers, including the Notes and could adversely affect the trading price and liquidity of the relevant Notes. The Dealers and their affiliates may make investment recommendations and/or publish or express independent research views (positive or negative) in respect of the Notes or other financial instruments of the Issuers, and may recommend to their clients that they acquire long and/or short positions in the Notes or other financial instruments of the Issuers.

**Notice to capital market intermediaries and prospective investors pursuant to paragraph 21 of the Hong Kong SFC Code of Conduct — Important Notice to CMIs (including private banks)**

This notice to CMIs (including private banks) is a summary of certain obligations the SFC Code imposes on CMIs, which require the attention and cooperation of other CMIs (including private banks). Certain CMIs may also be acting as OCs for the relevant CMI Offering and are subject to additional requirements under the SFC Code. The application of these obligations will depend on the role(s) undertaken by the relevant Dealer(s) in respect of each CMI Offering.

Prospective investors who are the directors, employees or major shareholders of the relevant Issuer, a CMI or its group companies would be considered under the SFC Code as having an Association with the relevant Issuer, the CMI or the relevant group company. CMIs should specifically disclose whether their investor clients have any Association when submitting orders for the relevant Notes. In addition, private banks should take all reasonable steps to identify whether their investor clients may have any Associations with the relevant Issuer or any CMI (including its group companies) and inform the relevant Dealers accordingly.

CMIs are informed that, unless otherwise notified, the marketing and investor targeting strategy for the relevant CMI Offering includes institutional investors, sovereign wealth funds, pension funds, hedge funds, family offices and high net worth individuals, in each case, subject to the selling restrictions and any MiFID II product governance language or any UK MiFIR product governance language set out elsewhere in this Offering Circular and/or the applicable Pricing Supplement.

CMIs should ensure that orders placed are bona fide, are not inflated and do not constitute duplicated orders (i.e. two or more corresponding or identical orders placed via two or more CMIs). CMIs should enquire with their investor clients regarding any orders which appear unusual or irregular. CMIs should disclose the identities of all investors when submitting orders for the relevant Notes (except for omnibus orders where underlying investor information may need to be provided to any OCs when submitting orders). Failure to provide underlying investor information for omnibus orders, where required to do so, may result in that order being rejected. CMIs should not place "X-orders" into the order book.

CMIs should segregate and clearly identify their own proprietary orders (and those of their group companies, including private banks as the case may be) in the order book and book messages.

CMIs (including private banks) should not offer any rebates to prospective investors or pass on any rebates provided by the relevant Issuer. In addition, CMIs (including private banks) should not enter into arrangements which may result in prospective investors paying different prices for the relevant Notes. CMIs are informed that a private bank rebate may be payable as stated above and in the applicable Pricing Supplement, or otherwise notified to prospective investors.

The SFC Code requires that a CMI disclose complete and accurate information in a timely manner on the status of the order book and other relevant information it receives to targeted investors for them to make an informed decision. In order to do this, those Dealers in control of the order book should consider disclosing order book updates to all CMIs.

When placing an order for the relevant Notes, private banks should disclose, at the same time, if such order is placed other than on a "principal" basis (whereby it is deploying its own balance sheet for onward selling to investors). Private banks who do not provide such disclosure are hereby deemed to be placing their order on such a "principal" basis. Otherwise, such order may be considered to be an omnibus order pursuant to the SFC Code. Private banks should be aware that placing an order on a "principal" basis may require the relevant affiliated Dealer(s) (if any) to categorise it as a proprietary order and apply the "proprietary orders" requirements of the SFC Code to such order and will result in that private bank not being entitled to, and not being paid, any rebate.

In relation to omnibus orders, when submitting such orders, CMIs (including private banks) that are subject to the SFC Code should disclose underlying investor information in respect of each order constituting the relevant omnibus order (failure to provide such information may result in that order being rejected). Underlying investor information in relation to omnibus orders should consist of:

a. The name of each underlying investor;

b. A unique identification number for each investor;

c. Whether an underlying investor has any "Associations" (as used in the SFC Code);

d. Whether any underlying investor order is a "Proprietary Order" (as used in the SFC Code);

e. Whether any underlying investor order is a duplicate order.

Underlying investor information in relation to omnibus order should be sent to the Managers or Dealer named in the relevant Pricing Supplement.

To the extent information being disclosed by CMIs and investors is personal and/or confidential in nature, CMIs (including private banks) agree and warrant: (A) to take appropriate steps to safeguard the transmission of such information to any OCs; and (B) that they have obtained the necessary consents from the underlying investors to disclose such information to any OCs. By submitting an order and providing such information to any OCs, each CMI (including private banks) further warrants that they and the underlying investors have understood and consented to the collection, disclosure, use and transfer of such information by any OCs and/or any other third parties as may be required by the SFC Code, including to the relevant Issuer, relevant regulators and/or any other third parties as may be required by the SFC Code, for the purpose of complying with the SFC Code, during the bookbuilding process for the relevant CMI Offering. CMIs that receive such underlying investor information are reminded that such information should be used only for submitting orders in the relevant CMI Offering. The Dealers may be asked to demonstrate compliance with their obligations under the SFC Code, and may request other CMIs (including private banks) to provide evidence showing compliance with the obligations above (in particular, that the necessary consents have been obtained). In such event, other CMIs (including private banks) are required to provide the relevant Dealers with such evidence within the timeline requested.

**GENERAL**

The distribution of this Offering Circular or any offering material and the offering, sale or delivery of the Notes is restricted by law in certain jurisdictions. Therefore, persons who may come into possession of this Offering Circular or any offering material are advised to consult with their own legal advisors 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 us or Dealers that would, or is intended to, permit the public offering of the Notes, or possession or distribution of this Offering Circular or any amendment or supplement thereto or any other offering or publicity material relating to the Notes, in any country or jurisdiction where action for that purpose is required, except to the extent provided in the following paragraph. Accordingly, the Notes 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 Notes may be distributed or published, by us or any Dealer, 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 us or any Dealer.

If a jurisdiction requires that any offering be made by a licensed broker or dealer and the Dealer or any affiliate of it is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by it or such affiliate on behalf of the relevant Issuer in such jurisdiction.

Each Dealer has given the representations and warranties on the selling restrictions below in respect of the relevant Tranche(s) of Notes for which it has entered into the Dealer Agreement.

**HONG KONG SAR**

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

(i) it has not offered or sold and will not offer or sell in Hong Kong SAR, by means of any document, any Notes (except for Notes which are a "structured product" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong SAR (the "**SFO**")) other than (a) to "professional investors" as defined in the SFO and any rules made under the SFO; or (b) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong SAR (the "**C(WUMP)O**") or which do not constitute an offer to the public within the meaning of the C(WUMP)O; and

(ii) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong SAR or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong SAR (except if permitted to do so under the securities laws of Hong Kong SAR) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong SAR or only to "professional investors" as defined in the SFO and any rules made under the SFO.

**UNITED STATES**

The Notes have not been and will not be registered under the Securities Act and the Notes may not be offered or sold within the United States or, in certain cases, to, or for the account or benefit of, U.S. persons, except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S.

The Bearer Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986, as amended and regulations thereunder.

Each Dealer has agreed, and each further Dealer appointed under the Programme will be required to agree, that except as permitted by the Dealer Agreement, it will not offer, sell or, in the case of Bearer Notes, deliver Notes (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution of an identifiable tranche of which such Notes are a part, as determined and certified to the Fiscal Agent by such Dealer (or, in the case of an identifiable tranche of Notes sold to or through more than one Dealer, by each of such Dealers with respect to Notes of an identifiable tranche purchased by or through it, in which case the Fiscal Agent shall notify such Dealer when all such Dealers have so certified), within the United States or to, or for the account or benefit of, U.S. persons, and it will have sent to each Dealer to which it sells Notes during the distribution compliance period a confirmation or other notice setting out the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons. Terms used in the preceding sentence have the meanings given to them by Regulation S.

The Notes are being offered and sold outside the United States in reliance on Regulation S, and in certain cases, only to non-U.S. persons.

In addition, until 40 days after the commencement of the offering of any identifiable tranche of Notes, an offer or sale of Notes within the United States by any dealer (whether or not participating in the offering of such tranche of Notes) may violate the registration requirements of the Securities Act.

In respect of any Notes in respect of which the Pricing Supplement specifies that "Regulation S Category 2" applies, each purchaser of such Notes and each subsequent purchaser of such Notes in resales prior to the expiration of the distribution compliance period, by accepting delivery of this Offering Circular and the Notes, will be deemed to have represented, agreed and acknowledged that:

(1) it is, or at the time Notes are purchased will be, the beneficial owner of such Notes and (a) it is not a U.S. person and it is located outside the United States (within the meaning of Regulation S) and (b) it is not an affiliate of the relevant Issuer or a person acting on behalf of such an affiliate.

(2) it understands that such Notes have not been and will not be registered under the Securities Act and that, prior to the expiration of the distribution compliance period, it will not offer, sell, pledge or otherwise transfer such Notes except in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S, in each case in accordance with any applicable securities laws of any State of the United States.

(3) the relevant Issuer, the Registrar, the Dealers and their affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgments, representations and agreements.

(4) it understands that the Notes offered in reliance on Regulation S will be represented by a Global Certificate. Prior to the expiration of the distribution compliance period, before any interest in the Global Certificate may be offered, sold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in the Global Certificate, it will be required to provide the Transfer Agent with a written certification (in the form provided in the Agency Agreement) as to compliance with applicable securities laws.

## MAINLAND CHINA

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that the Notes will not be offered or sold and may not be offered or sold, directly or indirectly, in Mainland China, except as permitted by the laws of Mainland China.

## JAPAN

The Notes 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 "**FIEA**") and accordingly, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Notes in Japan or to, or for the benefit of, any resident of Japan or to others for re-offering or resale, directly or indirectly, in Japan or to any resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and other relevant laws and regulations of Japan. As used in this paragraph, "resident of Japan" means any person resident in Japan, including any corporation or other entity organised under the laws of Japan.

## EUROPEAN ECONOMIC AREA

### Prohibition of Sales to EEA Retail Investors

Unless the Pricing Supplement in respect of any Notes specifies the "Prohibition of Sales to EEA Retail Investors" as "Not Applicable", each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by this Offering Circular as completed by the Pricing Supplement in relation thereto to any retail investor in the EEA. For the purposes of this provision:

(a) the expression "retail investor" means a person who is one (or more) of the following:

  (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or

  (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or

(iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (as amended, the "**Prospectus Regulation**"); and

(b) the expression an "offer" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes.

**Prospectus Regulation Public Offer Selling Restriction**

If the Pricing Supplement in respect of any Notes specifies the "Prohibition of Sales to EEA Retail Investors" as "Not Applicable", in relation to each member state of the European Economic Area (each, a "**Member State**"), each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Offering Circular as completed by the Pricing Supplement in relation thereto to the public in that Member State except that it may make an offer of such Notes to the public in that Member State:

(a) if the Pricing Supplement in relation to the Notes specifies that an offer of those Notes may be made other than pursuant to Article 1(4) of the Prospectus Regulation in that Member State (a "**Non-exempt Offer**"), following the date of publication of a prospectus in relation to such Notes which has been approved by the competent authority in that Member State or, where appropriate, approved in another Member State and notified to the competent authority in that Member State, provided that any such prospectus has subsequently been completed by the Pricing Supplement contemplating such Non-exempt Offer, in accordance with the Prospectus Regulation, in the period beginning and ending on the dates specified in such prospectus or Pricing Supplement, as applicable and the relevant Issuer has consented in writing to its use for the purpose of that Non-exempt Offer;

(b) at any time to any legal entity which is a qualified investor as defined in the Prospectus Regulation;

(c) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Regulation), subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the relevant Issuer for any such offer; or

(d) at any time in any other circumstances falling within Article 1(4) of the Prospectus Regulation,

provided that no such offer of Notes referred to in (b) to (d) above shall require the relevant Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Regulation, or supplement a prospectus pursuant to Article 23 of the Prospectus Regulation.

For the purposes of this provision, the expression an "offer of Notes to the public" in relation to any Notes in any Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes and the expression "Prospectus Regulation" means Regulation (EU) 2017/1129, as amended.

**UNITED KINGDOM**

**Prohibition of Sales to UK Retail Investors**

Unless the Pricing Supplement in respect of any Notes specifies the "Prohibition of Sales to UK Retail Investors" as "Not Applicable", each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by this Offering Circular as completed by the Pricing Supplement in relation thereto to any retail investor in the United Kingdom. For the purposes of this provision,

(a) the expression "retail investor" means a person who is one (or more) of the following:

  (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the EUWA;

  (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; or

  (iii) not a qualified investor as defined in Article 2 of the Prospectus Regulation as it forms part of domestic law by virtue of the EUWA; and

(b) the expression an "offer" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes.

**UK Prospectus Regulation Public Offer Selling Restriction**

If the Pricing Supplement in respect of any Notes specifies the "Prohibition of Sales to UK Retail Investors" as "Not Applicable", each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Offering Circular as completed by the Pricing Supplement in relation thereto to the public in the United Kingdom except that it may make an offer of such Notes to the public in the United Kingdom:

(a) if the Pricing Supplement in relation to the Notes specifies that an offer of those Notes may be made other than pursuant to Section 86 of the FSMA (a "**Public Offer**"), following the date of publication of a prospectus in relation to such Notes which has been approved by the Financial Conduct Authority, provided that any such prospectus has subsequently been completed by the Pricing Supplement contemplating such Public Offer, in the period beginning and ending on the dates specified in such prospectus or the Pricing Supplement, as applicable, and the relevant Issuer has consented in writing to its use for the purpose of that Public Offer;

(b) at any time to any legal entity which is a qualified investor as defined in Article 2 of the UK Prospectus Regulation;

(c) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in Article 2 of the UK Prospectus Regulation) in the United Kingdom subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the relevant Issuer for any such offer; or

(d) at any time in any other circumstances falling within Section 86 of the FSMA,

provided that no such offer of Notes referred to in (b) to (d) above shall require the relevant Issuer or any Dealer to publish a prospectus pursuant to Section 85 of the FSMA or supplement a prospectus pursuant to Article 23 of the UK Prospectus Regulation.

For the purposes of this provision, the expression an "offer of Notes to the public" in relation to any Notes means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes and the expression "UK Prospectus Regulation" means the Prospectus Regulation as it forms part of domestic law by virtue of the EUWA.

**Other Regulatory Restrictions**

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

(a) in relation to any Notes having a maturity of less than one year, (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of Section 19 of the FSMA by the Bank or the relevant Issuer;

(b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Bank or the relevant Issuer; and

(c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

**SINGAPORE**

Each Dealer has acknowledged, and each further Dealer appointed under the Programme will be required to acknowledge, that this Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered or sold any Notes or caused the Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell any Notes or cause the Notes 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 Notes, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of 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 Notes 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 Notes pursuant to an offer made under Section 275 of the SFA except:

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

(ii) where no consideration is or will be given for the transfer;

(iii) where the transfer is by operation of law;

(iv) as specified in Section 276(7) of the SFA; or

(v) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.

***Singapore SFA Product Classification:*** *In connection with Section 309B of the SFA and the CMP Regulations 2018, unless otherwise specified before an offer of Notes, the Issuers have determined, and hereby notify all relevant persons (as defined in Section 309A(1) of the SFA), that the Notes 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).*

# FORM OF PRICING SUPPLEMENT

*The form of Pricing Supplement that will be issued in respect of each Tranche, subject only to the deletion of non-applicable provisions, is set out below:*

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

[**UK MiFIR Product Governance/Professional investors and ECPs only target market** — Solely for the purposes of [the/each] manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is only eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook, and professional clients, as defined in Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. [*Consider any negative target market.*] Any [person subsequently offering, selling or recommending the Notes (a "**distributor**")]/[distributor] should take into consideration the manufacturer['s/s'] target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer['s/s'] target market assessment) and determining appropriate distribution channels.]

[**PROHIBITION OF SALES TO EEA RETAIL INVESTORS** — The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of [Directive 2014/65/EU (as amended, "**MiFID II**")]/[MiFID II]; (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II[.]/[; or] [(iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (as amended).][1] Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the "**PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.]

[**PROHIBITION OF SALES TO UK RETAIL INVESTORS** — The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom ("**UK**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 ("**EUWA**"); (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 ("**FSMA**") and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article

1 Paragraph (iii) is not required where the Notes have a denomination of at least €100,000 or equivalent.

2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA[●]/[; or] [(iii) not a qualified investor as defined in Article 2 of Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA.][2] Consequently no key information document required by Regulation (EU) No 1286/2014 as it forms part of domestic law by virtue of the EUWA (the "**UK PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.]

[**Singapore SFA Product Classification:** In connection with Section 309B of the Securities and Futures Act 2001 of Singapore (the "**SFA**") and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the "**CMP Regulations 2018**"), the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Notes are [prescribed capital markets products]/[capital markets products other than prescribed capital markets products] (as defined in the CMP Regulations 2018) and [are] [Excluded]/[Specified] 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).][3]

[This Pricing Supplement is for distribution to professional investors (as defined in Chapter 37 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**")) ("**Professional Investors**") only.

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

**The Hong Kong Stock Exchange has not reviewed the contents of this Pricing Supplement, other than to ensure that the prescribed form disclaimer and responsibility statements, and a statement limiting distribution of this Pricing Supplement to Professional Investors only have been reproduced in this Pricing Supplement. Listing of the Programme or the Notes on the Hong Kong Stock Exchange is not to be taken as an indication of the commercial merits or credit quality of the Programme, the Notes, the Issuer, the Group (as defined in the Offering Circular) or quality of disclosure in this Pricing Supplement.** Hong Kong Exchanges and Clearing Limited and the Hong Kong Stock Exchange take no responsibility for the contents of this Pricing Supplement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Pricing Supplement.]

This Pricing Supplement, together with the Offering Circular (as defined below), include particulars given in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Issuer and its subsidiaries as a whole and the Issuer. The Issuer accepts full responsibility for the accuracy of the information contained in this Pricing Supplement and confirms, having made all reasonable enquiries, that to the best of its knowledge and belief there are no other facts the omission of which would make any statement herein misleading.][4]

2 Paragraph (iii) is not required where the Notes have a denomination of at least €100,000 or equivalent.

3 For any Notes to be offered to Singapore investors, the Issuer to consider whether it needs to re-classify the Notes pursuant to Section 309B of the SFA prior to the launch of the offer.

4 Applicable for Notes to be listed on the Hong Kong Stock Exchange only.

**Pricing Supplement dated [●]**

**China Development Bank [Hong Kong Branch]**

*([China Development Bank is] a limited liability company incorporated under the laws of the People's Republic of China)*

**Issue of [Aggregate Principal Amount of Tranche]**
**[Title of Notes] under the US$30,000,000,000 Debt Issuance Programme**

This document constitutes the Pricing Supplement relating to the issue of Notes described herein.

Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions of the Notes (the "**Conditions**") set forth in the Offering Circular dated [*current date*] [and the supplemental Offering Circular dated [*date*]]. This Pricing Supplement contains the final terms of the Notes and must be read in conjunction with the Offering Circular dated [*current date*] [and the supplemental Offering Circular dated [*date*]].

*[The following alternative language applies if the first tranche of an issue which is being increased was issued under an Offering Circular with an earlier date.*

Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions of the Notes (the "**Conditions**") set forth in the Offering Circular dated [*original date*]. This Pricing Supplement contains the final terms of the Notes and must be read in conjunction with the Offering Circular dated [*current date*] [and the supplemental Offering Circular dated [*date*]], save in respect of the Conditions which are extracted from the Offering Circular dated [*original date*] and are attached hereto.]

*[Include whichever of the following apply or specify as "Not Applicable" (N/A). Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs or sub-paragraphs. Italics denote guidance for completing the Pricing Supplement.]*

| | | | |
|---|---|---|---|
| 1 | Issuer: | | China Development Bank [Hong Kong Branch] (LEI Code: 300300C1020111000029) |
| 2 | [(i)] | Series Number: | [●] |
| | [(ii) | Tranche Number: | [●]] |
| | [(iii) | Date on which the Notes become fungible: | (*If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible.*)] |
| 3 | Specified Currency or Currencies: | | [●] |
| 4 | Aggregate Principal Amount: | | [●] |
| | [(i)] | Series: | [●] |
| | [(ii) | Tranche: | [●]] |
| 5 | [(i)] | Issue Price: | [●] per cent. of the Aggregate Principal Amount [plus accrued interest from [*insert date*] (*in the case of fungible issues only, if applicable*)] |

| | | | |
|---|---|---|---|
| | [(ii) | Net proceeds: | [●] (*Required only for listed issues*)] |
| | [(iii) | Use of proceeds: | [●] (*Required if different from the use of proceeds disclosed in the relevant offering circular*)] |
| 6 | (i) | Specified Denominations: | [●][5] |
| | (ii) | Calculation Amount: | [●] |
| 7 | (i) | Issue Date: | [●] |
| | (ii) | Interest Commencement Date: | [*Specify*/Issue Date/Not Applicable] |
| 8 | Maturity Date: | | [*Specify date (for Fixed Rate Notes) or (for Floating Rate Notes*) Interest Payment Date falling in or nearest to *the relevant month and year*][6] |
| 9 | Interest Basis: | | [[●] per cent. Fixed Rate]<br><br>[[*Specify reference rate*] +/- [●] per cent. Floating Rate]<br><br>[Zero Coupon]<br>[Other (*specify*)]<br><br>(further particulars specified below) |
| 10 | Redemption/Payment Basis: | | [Redemption at par]<br><br>[Other (*specify*)] |
| 11 | Change of Interest or Redemption/Payment Basis: | | [*Specify details of any provision for convertibility of the Notes into another interest or redemption/payment basis*]<br>[Not Applicable] |
| 12 | Put/Call Options: | | [Put Option]<br><br>[Call Option]<br><br>[(further particulars specified below)] |

5 Notes (including Notes denominated in sterling) in respect of which the issue proceeds are to be accepted by the Issuer in the United Kingdom or whose issue otherwise constitutes a contravention of Section 19 of the FSMA and which have a maturity of less than one year must have a minimum redemption value of £100,000 (or its equivalent in other currencies). If the specified denomination is expressed to be €100,000 or its equivalent and multiples of a lower principal amount (for example €1,000), insert the additional wording set out in the Guidance Note published by ICMA in November 2006 (or its replacement from time to time) as follows: "€100,000 and integral multiples of €1,000 in excess thereof up to and including €199,000. No notes in definitive form will be issued with a denomination above €199,000".

6 Note that for Renminbi or Hong Kong dollar denominated Fixed Rate Notes where the Interest Payment Dates are subject to modification it will be necessary to use the second option here.

| | | | |
|---|---|---|---|
| 13 | Listing: | | [Hong Kong Stock Exchange/*specify other*/None]<br>(*For Notes to be listed on the Hong Kong Stock Exchange, insert the expected effective listing date of the Notes*) |
| 14 | [(i) | Date of [Board] approval for the issuance of Notes obtained: | [●]]<br>(*Only relevant where Board (or similar) authorisation is required for the particular tranche of Notes*) |
| | [(ii) | Date of NDRC certificate: | [●]]<br>(*Only relevant where registration with the NDRC is required for the particular tranche of Notes*) |
| 15 | Method of distribution: | | [Syndicated/Non-syndicated] |

**PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE**

| | | | |
|---|---|---|---|
| 16 | Fixed Rate Note Provisions: | | [Applicable/Not Applicable]<br>(*If not applicable, delete the remaining sub-paragraphs of this paragraph*) |
| | (i) | Rate[(s)] of Interest: | [●] per cent. per annum [payable [annually/semi-annually/ quarterly/monthly/other (*specify*)] in arrear] |
| | (ii) | Interest Payment Date(s): | [●] in each year[7] [adjusted in accordance with (*specify Business Day Convention and any applicable Business Centre(s) for the definition of "Business Day"*)] [not adjusted] |
| | (iii) | Fixed Coupon Amount[(s)]:<br>(*Applicable to Notes in definitive form*) | [●] per Calculation Amount[8] |
| | (iv) | Broken Amount(s):<br>(*Applicable to Notes in definitive form*) | [●] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [●] |

7 Note that for certain Renminbi or Hong Kong dollar denominated Fixed Rate Notes the Interest Payment Dates are subject to modification and the following words should be added: "provided that if any Interest Payment Date falls on a day which is not a Business Day, the Interest Payment Date will be the next succeeding Business Day unless it would thereby fall in the next calendar month in which event the Interest Payment Date shall be brought forward to the immediately preceding Business Day."

8 For Renminbi or Hong Kong dollar denominated Fixed Rate Notes where the Interest Payment Dates are subject to modification the following alternative wording is appropriate: "Each Fixed Coupon Amount shall be calculated by multiplying the product of the Rate of Interest and the Calculation Amount by the Day Count Fraction and rounding the resultant figure to the nearest RMB0.01, RMB0.005 in the case of Renminbi denominated Fixed Rate Notes or to the nearest HK$0.01, HK$0.005 in the case of Hong Kong dollar denominated Fixed Rate Notes, being rounded upwards."

| | | | |
|---|---|---|---|
| | | | (*Insert particulars of any initial or final broken interest amounts which do not correspond with the Fixed Coupon Amount[(s)] and the Interest Payment Date(s) to which they relate*) |
| | (v) | Day Count Fraction (Condition 5(h)): | [30/360/Actual/Actual — ICMA/ISDA/Other (*specify*)] |
| | (vi) | Determination Date(s) (Condition 5(h)): | [●] in each year<br>(*Insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon*)[9] |
| | (vii) | Other terms relating to the method of calculating interest for Fixed Rate Notes: | [Not Applicable/*give details*] |
| 17 | Floating Rate Note Provisions: | | [Applicable/Not Applicable]<br>(*If not applicable, delete the remaining sub-paragraphs of this paragraph*) |
| | (i) | Interest Period(s): | [●] |
| | (ii) | Specified Interest Payment Dates: | [●] |
| | (iii) | Business Day Convention: | [Floating Rate Business Day Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/other (*give details*)] [Not Applicable] |
| | (iv) | Business Centre(s) (Condition 5(h)): | [●] |
| | (v) | Manner in which the Rate(s) of Interest is/are to be determined: | [Screen Rate Determination/ISDA Determination/other (*give details*)] |
| | (vi) | Interest Period Date(s): | [Not Applicable/*specify dates*]<br>(*Not applicable unless different from Interest Payment Date*) |
| | (vii) | Party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s): | [●] |
| | (viii) | Screen Rate Determination (Condition 5(b)(ii)(A)): | |
| | | • Reference Rate: | [●] |

9 Only to be completed for an issue where the Day Count Fraction is Actual/Actual — ICMA.

| | | | |
|---|---|---|---|
| | • | Interest Determination Date(s): | [[●] *[TARGET] Business Days in [specify city] for [specify currency] prior to [the first day in each Interest Accrual Period/each Interest Payment Date]*] |
| | • | Relevant Screen Page: | [●] |
| | (ix) | ISDA Determination (Condition 5(b)(ii)(B)): | *[Specify — including the ISDA Definitions]* |
| | (x) | Margin(s): | [+/-] [●] per cent. per annum |
| | (xi) | Minimum Rate of Interest: | [●] per cent. per annum |
| | (xii) | Maximum Rate of Interest: | [●] per cent. per annum |
| | (xiii) | Day Count Fraction (Condition 5(h)): | [●] |
| | (xiv) | Fallback provisions, rounding provisions, denominator and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions: | [●] |
| 18 | **Zero Coupon Note Provisions:** | | [Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*) |
| | (i) | Amortisation Yield (Condition 6(b)): | [●] per cent. per annum |
| | (ii) | Day Count Fraction (Condition 5(h)): | [●] |
| | (iii) | Any other formula/basis of determining amount payable: | [●] |

**PROVISIONS RELATING TO REDEMPTION**

| | | | |
|---|---|---|---|
| 19 | **Call Option:** | | [Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*) |
| | (i) | Optional Redemption Date(s): | [●] |
| | (ii) | Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s): | [●] per Calculation Amount |
| | (iii) | If redeemable in part: | |

| | | | |
|---|---|---|---|
| | (a) | Minimum Redemption Amount: | [●] per Calculation Amount |
| | (b) | Maximum Redemption Amount: | [●] per Calculation Amount |
| | (iv) | Notice period (if other than as set out in the Conditions): | [●] |
| 20 | **Put Option:** | | [Applicable/Not Applicable]<br>(*If not applicable, delete the remaining sub-paragraphs of this paragraph*) |
| | (i) | Optional Redemption Date(s): | [●] |
| | (ii) | Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s): | [●] per Calculation Amount |
| | (iii) | Notice period (if other than as set out in the Conditions): | [●] |
| 21 | Final Redemption Amount of each Note: | | [●] per Calculation Amount |
| 22 | Early Redemption Amount(s) per Calculation Amount payable on redemption for taxation reasons or on event of default or other early redemption and/or the method of calculating the same (if required or if different from that set out in the Conditions): | | [●] |

**GENERAL PROVISIONS APPLICABLE TO THE NOTES**

| | | |
|---|---|---|
| 23 | **Form of Notes:** | **Bearer Notes:**<br><br>[Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note]<br>[Temporary Global Note exchangeable for Definitive Notes on [●] days' notice][10]<br>[Permanent Global Note exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note]<br><br>**Registered Notes:** |

10 If the temporary Global Note is exchangeable for definitives at the option of the holder, the Notes shall be tradeable only in amounts of at least the Specified Denomination (or if more than one Specified Denomination, the lowest Specified Denomination) provided in paragraph 6 and multiples thereof.

| | | |
|---|---|---|
| | | [Global Certificate exchangeable for definitive Certificates in the limited circumstances specified in the Global Certificate] |
| 24 | Additional Financial Centre(s) (Condition 7(h)) or other special provisions relating to payment dates: | [Not Applicable/*Give details*.] (*Note that this paragraph relates to the date and place of payment, and not interest period end dates, to which items 16(ii) and 17(iv) relate*) |
| 25 | Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature): | [Yes/No. *If yes, give details*] |
| 26 | Redenomination, renominalisation and reconventioning provisions: | [Not Applicable/The provisions annexed to this Pricing Supplement apply] |
| 27 | Consolidation provisions: | [Not Applicable/The provisions annexed to this Pricing Supplement apply] |
| 28 | Other terms or special conditions: | [Not Applicable/*give details*][11] |

**DISTRIBUTION**

| | | |
|---|---|---|
| 29 | (i) If syndicated, names of Managers: | [Not Applicable/*give names*] |
| | (ii) Stabilisation Manager(s) (if any): | [Not Applicable/*give name*] |
| 30 | If non-syndicated, name of Dealer: | [Not Applicable/*give name*] |
| 31 | U.S. Selling Restrictions: | [Reg. S Category 1/2[12]; TEFRA D/TEFRA C/TEFRA Not Applicable] |
| 32 | Prohibition of Sales to EEA Retail Investors: | [Applicable/Not Applicable]<br>(*If the Notes clearly do not constitute "packaged" products, or the Notes do constitute "packaged" products and a key information document will be prepared in the EEA, "Not Applicable" should be specified. If the Notes may constitute "packaged" products and no key information document will be prepared in the EEA, "Applicable" should be specified.*) |

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11 If full terms and conditions are to be used, please add the following here: "The full text of the Conditions which apply to the Notes [and which will be endorsed on the Notes in definitive form] are set out in [the Annex hereto], which Conditions replace in their entirety those appearing in the Offering Circular for the purposes of these Notes and such Conditions will prevail over any other provision to the contrary." The first set of bracketed words is to be deleted where there is a permanent global Note instead of Notes in definitive form. The full Conditions should be attached to and form part of the Pricing Supplement.

12 Reg. S Category 1 may be available subject to the Issuer having no substantial U.S. market interest.

| | | |
|---|---|---|
| 33 | Prohibition of Sales to UK Retail Investors: | [Applicable/Not Applicable]<br>(*If the Notes clearly do not constitute "packaged" products, or the Notes do constitute "packaged" products and a key information document will be prepared in the UK, "Not Applicable" should be specified. If the Notes may constitute "packaged" products and no key information document will be prepared in the UK, "Applicable" should be specified.*) |
| 34 | Additional selling restrictions: | [Not Applicable/*give details*] *(Singapore selling restrictions may be amended if sales are made only to institutional or accredited investors.)* |

**OPERATIONAL INFORMATION**

| | | |
|---|---|---|
| 35 | ISIN: | [●] |
| 36 | Common Code: | [●] |
| 37 | CMU Instrument Number: | [●] |
| 38 | Any clearing system(s) other than Euroclear, Clearstream and the CMU and the relevant identification number(s): | [Not Applicable/*give name(s) and number(s)*] |
| 39 | Delivery: | Delivery [against/free of] payment |
| 40 | Additional Paying Agents (if any): | [None/*give name(s) and address(es)*] |

**HONG KONG SFC CODE OF CONDUCT**

| | | |
|---|---|---|
| 41 | Rebate: | [A rebate of [●] bps is being offered by the Issuer to all private banks for orders they place (other than in relation to Notes subscribed by such private banks as principal whereby it is deploying its own balance sheet for onward selling to investors), payable upon closing of this offering based on the principal amount of the Notes distributed by such private banks to investors. Private banks are deemed to be placing an order on a principal basis unless they inform the CMIs otherwise. As a result, private banks placing an order on a principal basis (including those deemed as placing an order as principal) will not be entitled to, and will not be paid, the rebate.]/[Not Applicable] |

| | | |
|---|---|---|
| 42 | Contact email addresses [of the Overall Coordinators] where underlying investor information in relation to omnibus orders should be sent: | [*Include relevant contact email addresses of the Overall Coordinators where the underlying investor information should be sent — Overall Coordinators to provide*]/[Not Applicable] |
| 43 | [Marketing and Investor Targeting Strategy:] | [*If different from the programme OC*] |

**GENERAL**

| | | |
|---|---|---|
| 44 | The aggregate principal amount of Notes issued has been translated into US$ at the rate of [●], producing a sum of (for Notes not denominated in US$): | [Not Applicable/US$[●]] |
| [45] | [Expected Ratings:] | [Moody's: A1/S&P: A+/[●]]<br>(*Only relevant if the Notes are rated*) |

**[STABILISATION**

In connection with this issue, [*insert name of Stabilisation Manager*] (the "**Stabilisation Manager**") (or persons acting on behalf of any Stabilisation Manager) may over-allot the Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, stabilisation may not necessarily occur. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Notes is made and, if begun, may cease at any time, but it must end no later than the earlier of 30 days after the Issue Date of the Notes and 60 days after the date of the allotment of the Notes. Such stabilisation shall be in compliance with all applicable laws, regulations and rules.]

**[PURPOSE OF THIS PRICING SUPPLEMENT**

This Pricing Supplement comprises the final terms required for the issue [and listing] of Notes described herein pursuant to the US$30,000,000,000 Debt Issuance Programme.]

**RESPONSIBILITY**

The Issuer accepts responsibility for the information contained in this Pricing Supplement.

Signed on behalf of the Issuer:

By:

______________________________

Duly authorised

# GENERAL INFORMATION

We may apply to have Bearer Notes or Registered Notes accepted for clearance through the CMU. The relevant CMU instrument number will be set out in the relevant Pricing Supplement. The Notes have also been accepted for clearance through the Euroclear and Clearstream systems. The appropriate Common Code and ISIN for each Series of Notes will be set out in the relevant Pricing Supplement. If the Notes are to clear through an additional or alternative clearing system, the appropriate information will be set out in the relevant Pricing Supplement.

Prior to each issue of Notes, the Bank or the Hong Kong Branch, as the case may be, will have obtained all necessary consents, approvals and authorizations in connection with the issue of such Notes. In connection with Notes issued by the Bank, the Bank will apply for all necessary registration with respect to the use of proceeds of Notes or the payment of principal and interest in accordance with applicable laws. The repayment of the principal and/or interest of the Notes by the Bank may be adversely affected in the event any required registration is not obtained. The Bank does not however expect that any registration would be refused.

Where applicable for a relevant Tranche of Notes, the Notes will be issued within the relevant annual or otherwise general foreign debt issuance quota granted to the Bank or registration will be completed by the Bank pursuant to the NDRC Administrative Measures. After the issuance of such relevant Tranche of Notes, the Bank intends to provide the requisite information and documents in respect of such Notes in accordance with the NDRC Administrative Measures to the NDRC within the relevant prescribed time periods. The Legal Entity Identifier (LEI) code of the Bank is 300300C1020111000029.

Upon prior written request made with proof of identity and holding to the satisfaction of the Fiscal Agent and the Paying Agent, you may inspect the following documents between 9:00 a.m. to 3:00 p.m. (Hong Kong time) from Monday to Friday (other than public holidays) at the specified offices of the Fiscal Agent and the Paying Agent at 3/F, CCB Tower, 3 Connaught Road Central, Central, Hong Kong SAR:

- copies of the amended and restated agency agreement or an agreed form thereof before such agreement has been executed,
- copies of the amended and restated deed of covenant or an agreed form thereof before such agreement has been executed,
- conformed copies of the Global Note or Global Certificate of each Tranche of Notes with full terms and conditions,
- copies of this Offering Circular, and

Copies of our annual consolidated financial statements as at and for the years ended 31 December 2021 and 2022 prepared by us in accordance with IFRS (in English) are available for viewing on our website (www.cdb.com.cn/english).

Application has been made to the Hong Kong Stock Exchange for the listing of the Programme during the 12-month period after the date of this Offering Circular on the Hong Kong Stock Exchange by way of debt issues to Professional Investors only. Separate application may be made for the listing of, and permission to deal in, the Notes on the Hong Kong Stock Exchange.

We publish our annual report and audited annual consolidated financial statements following the end of each of our financial years. Our financial year ends on 31 December.

Our audited consolidated financial statements as at and for the year ended 31 December 2021 and 2022 included in this Offering Circular have been audited by BDO China SHU LUN PAN Certified Public Accountants LLP as stated in its relevant reports appearing therein. Its reports were not prepared exclusively for incorporation in this Offering Circular. For the purpose of this Offering Circular, no consolidated management accounts have been prepared for the Bank in accordance with IFRS in respect of the period from 1 January 2023 to the date of this Offering Circular.

There has been no adverse change, or any development reasonably likely to involve an adverse change, in our condition (financial or otherwise), earnings, business affairs or business prospects since 31 December 2022, the date of our latest consolidated financial statements, that is material in the context of the issue of the Notes.

We are neither involved in any litigation, arbitration or administrative proceedings against or affecting us or any of our assets which are or might be material in the context of the issue of the Notes nor aware of any such litigation, arbitration or administrative proceedings, whether pending or threatened.

# INDEX TO FINANCIAL STATEMENTS

# 附录
# APPENDICES

审计报告（按照国际财务报告准则）

财务报表（按照国际财务报告准则编制）

INDEPENDENT AUDITOR'S REPORT ON IFRS CONSOLIDATED FINANCIAL STATEMENTS

IFRS CONSOLIDATED FINANCIAL STATEMENTS

# INDEPENDENT AUDITOR'S REPORT

**To the Board of Directors of China Development Bank**

*(Incorporated in the People's Republic of China with limited liability)*

**2022-ZAB022**

## OPINION

We have audited the consolidated financial statements of China Development Bank (the "Bank") and its subsidiaries (the "Group") set out on pages 134 to 190, which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2021 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB").

## BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing ("ISAs") issued by the International Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants (the "Code") issued by International Ethics Standards Board for Accountants, and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarised as follows:

- Measurement of expected credit loss for loans and advances to customers at amortized cost and loan commitments and financial guarantee contracts;
- Consolidation of structured entities.

<table>
<tr><th>Key Audit Matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td>

**Measurement of expected credit loss for loans and advances to customers at amortized cost and loan commitments and financial guarantee contracts**

As at 31 December 2021, the Group's gross loans and advances to customers at amortized cost recognized in the consolidated statement of financial position amounted to RMB13,250.49 billion with a credit loss allowance of RMB503.90 billion. The exposure of loan commitments and financial guarantee contracts was RMB3,536.75 billion, for which a provision of RMB17.19 billion was recognized. The credit impairment losses on loans and advances to customers at amortized cost, loan commitments and financial guarantee contracts recognized in the Group's consolidated income statement for the year ended 31 December 2021 amounted to RMB75.51 billion.

The credit loss allowances for loans and advances to customers at amortized cost, together with the provisions for loan commitments and financial guarantee contracts, as of 31 December 2021 represented management's best estimate of expected credit loss ("ECL") at that date under International Financial Reporting Standard 9: Financial Instruments ECL model.

Management assessed whether the credit risk of loans and advances to customers at amortized cost and loan commitments and financial guarantee contracts has increased significantly since their initial recognition, and applied a three-stage impairment model to calculate their ECL. Management assessed the credit loss allowance and provisions in light of forward-looking information and using the risk parameter model that incorporates key parameters, including probability of default, loss given default, exposure at default and discount rates.

The measurement models for ECL involved significant management judgments and assumptions, primarily including the following:

(1) Segmentation of business operations sharing similar credit risk characteristics, selection of appropriate model and determination of relevant key measurement parameters;

(2) Determination of the criteria for significant increase in credit risk ("SICR"), default or credit-impaired;

(3) Adoption of economic indicators, economic scenarios and their weights for forward-looking measurement;

(4) The estimated future cash flows for loans and advances to customers at amortized cost in Stage 3.

The Group established governance process and controls over the measurement of ECL.

The Group developed complex models, employed numerous parameters and data inputs, and applied significant management judgments and assumptions in measuring the ECL, and the amounts of ECL and provisions estimated are significant. These reasons resulted in this matter being identified as a key audit matter.

Relevant disclosures are included in Note 3(13)(f), Note 4(1), Note 14, Note 21, Note 36 and Note 49(2) to the Group's consolidated financial statements.

</td><td>

We evaluated and tested the effectiveness of the design and operation of the Group's internal controls related to the measurement of ECL for the loans and advances, loan commitments and financial guarantee contracts which comprised:

(1) Internal controls over ECL models, including the selection, approval and application of methodologies of models, and the ongoing monitoring and optimization of such models;

(2) Internal controls related to the review and approval of significant management judgments and assumptions of the Group, including portfolio segmentation, model selections, parameters determination, the criteria for SICR, the definition of default and credit-impaired, the use of forward-looking scenarios;

(3) Internal controls over the accuracy and completeness of key inputs used by the models;

(4) Internal controls relating to estimated future cash flows and calculations of present values of such cash flows for loans and advances to customers at amortized cost in Stage 3;

(5) Internal controls over the information systems for ECL measurement.

The substantive procedures we performed include:

(1) We reviewed the ECL modelling methodologies and assessed the reasonableness of the portfolio segmentation, model selection, key parameters estimation, significant judgements and assumptions in relation to the models. We examined the ECL calculation engines on a sample basis, to validate whether or not the ECL calculation engines reflect management's modelling methodologies.

(2) We performed testing on a sample basis based on financial and non-financial information, relevant external evidence and other factors of the borrowers, to assess the appropriateness of management's identification of SICR, defaults and credit-impaired loans.

(3) For forward-looking scenarios, we reviewed the basis management used for determining the economic indicators, number of scenarios and relative weightings, assessed the reasonableness of forecasted economic indicators, economic scenarios and relevant weightings.

(4) We examined major data inputs to the ECL models for selected samples, including historical data and data at the measurement date, to assess their accuracy and completeness. We also tested the major data transfers between the ECL calculation engines and relevant information systems, to verify their accuracy and completeness.

(5) For loans and advances in Stage 3, we tested on a sample basis on the credit loss allowance computed by management based on estimated future cash flows and discount rates with reference to financial information of borrowers and guarantors, the latest collateral valuations, and other information including forward-looking factors, etc.

</td></tr>
<tr><td>

**Consolidation of structured entities**

Structured entities primarily included asset-backed securities, assets management plans, funds and wealth management products that were issued, initiated, managed or invested by the Group. As at 31 December 2021, total assets of the consolidated structured entities and unconsolidated structured entities, issued, initiated and managed by the Group, amounted to RMB20.69 billion and RMB134.60 billion, respectively. In addition, as at 31 December 2021, the carrying amount of unconsolidated structured entities invested by the Group which were issued, initiated and managed by other institutions included in the consolidated statement of financial position amounted to RMB22.96 billion.

The Group evaluated the following aspects to determine whether the above structured entities need to be consolidated in the consolidated financial statements:

- its power over these structured entities;
- its exposure to variable returns from its involvement with these structured entities; and
- its ability to use its power to affect the amount of its variable returns from these structured entities.

The significant judgement exercised by management in assessing whether the Group had control of structured entities and the significant amount of such structured entities resulted in this matter being identified as a key area of audit focus.

Relevant disclosures are included in Note 3(4), Note 4(2) and Note 44 to the Group's consolidated financial statements.

</td><td>

For different types of structured entities, we performed the following tests:

(1) Evaluated and tested the effectiveness of the design and operation of the Group's internal controls related to the Group's assessment of whether it controls a structured entity;

(2) Assessed the Group's contractual rights and obligations in light of the transaction structures, and evaluated the Group's power over the structured entities through review of related contracts and agreements;

(3) Performed independent analysis and tests on the variable returns from the structured entities, including but not limited to commission income earned and asset management fees earned as the asset manager or service provider, the retention of residual income, and, if any, the liquidity and other support provided to the structured entities; and

(4) Assessed whether the Group acted as a principal or an agent, through analysis of the scope of the Group's decision-making authority over the structured entities, the remuneration to which the Group was entitled for its role as the assets manager or service provider, the Group's exposure to variability of returns from its other interests in the structured entities, and the rights held by other parties in the structured entities.

</td></tr>
</table>

## OTHER INFORMATION

Management is responsible for the other information. The other information comprises the information included in the Group's 2021 Annual Report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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

## AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated 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 ISAs 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 consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated 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.
- 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 Group'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 the consolidated 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 Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated 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 Group 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner of the audit resulting in this independent auditor's report is Zhu Jiandi.

**BDO China SHU LUN PAN Certified Public Accountants LLP**
Shanghai, the People's Republic of China

27 April 2022

## CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2021

(Amounts in millions of Renminbi, unless otherwise stated)

| | | Year ended 31 December | |
|---|---|---|---|
| | Notes | 2021 | 2020 |
| Interest income | 7 | 601,133 | 607,531 |
| Interest expense | 7 | (457,501) | (453,846) |
| **Net interest income** | 7 | 143,632 | 153,685 |
| Fee and commission income | 8 | 2,373 | 3,376 |
| Fee and commission expense | 8 | (930) | (950) |
| **Net fee and commission income** | 8 | 1,443 | 2,426 |
| Net trading and foreign exchange gain/(loss) | 9 | 23,750 | (6,390) |
| Net gain on financial instruments designated at fair value through profit or loss | | – | 171 |
| Net gain on derecognition of debt instruments at amortized cost | | 102 | 125 |
| Dividend income | 10 | 10,953 | 11,367 |
| Net (loss)/gain on investment securities | 11 | (445) | 33 |
| Other income, net | 12 | 7,880 | 3,125 |
| **Operating income** | | 187,315 | 164,542 |
| Share of profit of associates and joint ventures | | 650 | 82 |
| Operating expenses | 13 | (17,172) | (16,659) |
| Credit impairment losses | 14 | (76,642) | (4,321) |
| Other impairment losses on assets | | (1,069) | (1,597) |
| **Profit before income tax** | | 93,082 | 142,047 |
| Income tax expense | 15 | (12,288) | (23,231) |
| **Profit for the year** | | 80,794 | 118,816 |
| **Attributable to:** | | | |
| Equity holders of the Bank | | 78,960 | 117,376 |
| Non-controlling interests | | 1,834 | 1,440 |
| | | 80,794 | 118,816 |

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

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2021

(Amounts in millions of Renminbi, unless otherwise stated)

| | Year ended 31 December | |
|---|---|---|
| | **2021** | **2020** |
| **Profit for the year** | 80,794 | 118,816 |
| **Other comprehensive income:** | | |
| **Items that will not be reclassified subsequently to profit or loss:** | | |
| Remeasurement of supplemental retirement benefits obligation | 116 | 3 |
| Net gain/(loss) on investments in equity instruments through other comprehensive income | 881 | (280) |
| Subtotal | 997 | (277) |
| **Items that may be reclassified subsequently to profit or loss:** | | |
| Exchange differences on translation of foreign operations | (1,445) | (2,936) |
| Net gain/(loss) of debt instruments at fair value through other comprehensive income | 2,144 | (805) |
| Others | 879 | (497) |
| Subtotal | 1,578 | (4,238) |
| **Other comprehensive income for the year, net of tax** | 2,575 | (4,515) |
| **Total comprehensive income for the year** | 83,369 | 114,301 |
| **Total comprehensive income attributable to:** | | |
| Equity holders of the Bank | 81,384 | 113,463 |
| Non-controlling interests | 1,985 | 838 |
| | 83,369 | 114,301 |

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

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2021

(Amounts in millions of Renminbi, unless otherwise stated)

| | Notes | As at 31 December 2021 | 2020 |
|---|---|---|---|
| **Assets** | | | |
| Cash and balances with central banks | 16 | 92,565 | 131,354 |
| Deposits with banks and other financial institutions | 17 | 195,044 | 341,853 |
| Placements with banks and other financial institutions | 18 | 371,086 | 106,536 |
| Derivative financial assets | 19 | 16,978 | 37,737 |
| Financial assets held under resale agreements | 20 | 495,214 | 588,312 |
| Loans and advances to customers | 21 | 12,791,666 | 12,640,362 |
| Financial Investments | | | |
| Financial assets at fair value through profit or loss | 22 | 1,005,966 | 1,055,703 |
| Debt instruments at amortized cost | 23 | 1,146,917 | 1,273,000 |
| Financial assets at fair value through other comprehensive income | 24 | 772,622 | 664,916 |
| Investments in associates and joint ventures | 25 | 443 | 518 |
| Property and equipment | 26 | 109,531 | 94,521 |
| Deferred tax assets | 27 | 138,127 | 124,221 |
| Other assets | 28 | 31,782 | 44,542 |
| **Total assets** | | 17,167,941 | 17,103,575 |
| **Liabilities** | | | |
| Deposits from banks and other financial institutions | 29 | 2,395,514 | 2,879,272 |
| Borrowings from governments and financial institutions | 30 | 448,961 | 499,052 |
| Placements from banks | 31 | 69,680 | 92,864 |
| Financial liabilities measured at fair value through profit or loss | 32 | 2,085 | 2,051 |
| Derivative financial liabilities | 19 | 9,359 | 26,843 |
| Financial assets sold under repurchase agreements | 33 | 21,205 | 124,725 |
| Due to customers | 34 | 1,079,196 | 1,167,538 |
| Debt securities issued | 35 | 11,480,377 | 10,722,092 |
| Current tax liabilities | | 17,445 | 2,922 |
| Deferred tax liabilities | 27 | 8,274 | 4,695 |
| Other liabilities | 36 | 97,565 | 100,929 |
| **Total liabilities** | | 15,629,661 | 15,622,983 |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)
## AS AT 31 DECEMBER 2021

(Amounts in millions of Renminbi, unless otherwise stated)

| | Notes | As at 31 December 2021 | 2020 |
|---|---|---|---|
| **Equity** | | | |
| Share capital | 37 | 421,248 | 421,248 |
| Capital reserve | 38 | 182,285 | 181,677 |
| Investment revaluation reserve | 39 | (11,547) | (14,755) |
| Surplus reserve | 40 | 201,134 | 185,631 |
| General reserve | 40 | 258,519 | 248,966 |
| Currency translation reserve | | (3,076) | (1,684) |
| Retained earnings | 41 | 465,883 | 434,686 |
| Total equity attributable to equity holders of the Bank | | 1,514,446 | 1,455,769 |
| Non-controlling interests | 42 | 23,834 | 24,823 |
| **Total equity** | | 1,538,280 | 1,480,592 |
| **Total liabilities and equity** | | 17,167,941 | 17,103,575 |

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

The consolidated financial statements are signed on its behalf by:

| Chairman | President | Executive Vice President, in charge of the finance function | Head of Finance |
|---|---|---|---|

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2021

(Amounts in millions of Renminbi, unless otherwise stated)

| | | Total equity attributable to equity holders of the Bank | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Notes | Share capital | Capital reserve | Investment revaluation reserve | Surplus reserve | General reserve | Currency translation reserve | Retained earnings | Subtotal | Non-controlling interests | Total equity |
| Balance at 1 January 2021 | | 421,248 | 181,677 | (14,755) | 185,631 | 248,966 | (1,684) | 434,686 | 1,455,769 | 24,823 | 1,480,592 |
| Profit for the year | | – | – | – | – | – | – | 78,960 | 78,960 | 1,834 | 80,794 |
| Other comprehensive income | | – | 608 | 3,208 | – | – | (1,392) | – | 2,424 | 151 | 2,575 |
| Total comprehensive income | | – | 608 | 3,208 | – | – | (1,392) | 78,960 | 81,384 | 1,985 | 83,369 |
| Capital deduction by other equity instruments holders | | – | – | – | – | – | – | – | – | (2,490) | (2,490) |
| Appropriation to surplus reserve | 41 | – | – | – | 15,503 | – | – | (15,503) | – | – | – |
| Appropriation to general reserve | 41 | – | – | – | – | 9,553 | – | (9,553) | – | – | – |
| Dividends | 41 | – | – | – | – | – | – | (22,707) | (22,707) | (484) | (23,191) |
| Balance at 31 December 2021 | | 421,248 | 182,285 | (11,547) | 201,134 | 258,519 | (3,076) | 465,883 | 1,514,446 | 23,834 | 1,538,280 |
| Balance at 1 January 2020 | | 421,248 | 181,993 | (13,716) | 165,399 | 238,344 | 874 | 376,035 | 1,370,177 | 23,558 | 1,393,735 |
| Profit for the year | | – | – | – | – | – | – | 117,376 | 117,376 | 1,440 | 118,816 |
| Other comprehensive income | | – | (316) | (1,039) | – | – | (2,558) | – | (3,913) | (602) | (4,515) |
| Total comprehensive income | | – | (316) | (1,039) | – | – | (2,558) | 117,376 | 113,463 | 838 | 114,301 |
| Capital injection of non-controlling interests | | – | – | – | – | – | – | – | – | 984 | 984 |
| Appropriation to surplus reserve | 41 | – | – | – | 20,232 | – | – | (20,232) | – | – | – |
| Appropriation to general reserve | 41 | – | – | – | – | 10,622 | – | (10,622) | – | – | – |
| Dividends | 41 | – | – | – | – | – | – | (27,871) | (27,871) | (557) | (28,428) |
| Balance at 31 December 2020 | | 421,248 | 181,677 | (14,755) | 185,631 | 248,966 | (1,684) | 434,686 | 1,455,769 | 24,823 | 1,480,592 |

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

# CONSOLIDATED STATEMENT OF CASH FLOWS
# FOR THE YEAR ENDED 31 DECEMBER 2021

(Amounts in millions of Renminbi, unless otherwise stated)

| | | Year ended 31 December | |
|---|---|---|---|
| | Notes | 2021 | 2020 |
| **Cash flows from operating activities** | | | |
| Profit before income tax | | 93,082 | 142,047 |
| Adjustments: | | | |
| Impairment losses on assets | | 77,711 | 5,918 |
| Depreciation and amortization | | 6,218 | 6,008 |
| Interest expense for debt securities issued | | 365,994 | 343,151 |
| Interest expense for borrowings from governments and financial institutions | | 8,865 | 11,248 |
| Interest income for investment securities | | (57,881) | (64,973) |
| Interest income arising from impaired loans and advances to customers | | (643) | (368) |
| Net gain on financial instruments measured at fair value through profit or loss | | (18,228) | (13,529) |
| Net loss/(gain) on investment securities | | 343 | (158) |
| Net gain on disposal of property and equipment, intangible assets and other long-term assets | | (804) | (585) |
| Net foreign exchange loss | | 31,037 | 30,503 |
| Share of profit of associate and joint ventures | | (650) | (82) |
| Dividend income | | (68) | – |
| Subtotal | | 504,976 | 459,180 |
| Net change in operating assets and operating liabilities: | | | |
| Net decrease in balances with central banks and deposits with banks and other financial institutions | | 161,883 | 187,356 |
| Net increase in financial assets held under resale agreements | | (535) | (4,071) |
| Net decrease/(increase) in financial assets measured at fair value through profit or loss | | 26,301 | (46,269) |
| Net increase in loans and advances to customers | | (448,448) | (1,011,563) |
| Net (increase)/decrease in placements with banks and other financial institutions | | (55,071) | 6,269 |
| Net decrease in other operating assets | | 45,847 | 50,850 |
| Net decrease in due to customers and deposits from banks and other financial institutions | | (563,183) | (437,972) |
| Net increase in placements from banks | | 6,779 | 22,550 |
| Net (decrease)/increase in financial assets sold under repurchase agreements | | (103,435) | 12,084 |
| Net decrease in other operating liabilities | | (2,630) | (51,918) |
| Subtotal | | (932,492) | (1,272,684) |
| Income tax paid | | (8,993) | (39,629) |
| **Net cash outflows from operating activities** | | (436,509) | (853,133) |

## CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)
## FOR THE YEAR ENDED 31 DECEMBER 2021

(Amounts in millions of Renminbi, unless otherwise stated)

| | Notes | Year ended 31 December 2021 | 2020 |
|---|---|---|---|
| **Cash flows from investing activities** | | | |
| Cash received from disposal/redemption of debt instruments at amortized cost and financial assets at fair value through other comprehensive income | | 1,147,849 | 805,212 |
| Cash received from returns on investment securities | | 61,632 | 67,521 |
| Cash received from other investing activities | | 6,685 | 5,939 |
| Cash paid for purchase of property and equipment, intangible assets and other long-term assets | | (25,247) | (17,572) |
| Cash paid for purchase of debt instruments at amortized cost and financial assets at fair value through other comprehensive income | | (1,129,687) | (914,834) |
| **Net cash inflows from investing activities** | | 61,232 | (53,734) |
| **Cash flows from financing activities** | | | |
| Cash received from debt securities issued | | 2,640,976 | 2,472,703 |
| Cash received from borrowings from governments and other institutions | | 54,025 | 115,616 |
| Cash (paid for)/received from other financing activities | | (3,328) | 2,246 |
| Transactions with non-controlling interests | | 341 | 480 |
| Cash paid for repayments of debt securities issued and borrowings from governments and other institutions | | (2,023,570) | (1,588,066) |
| Cash payment for interest on debt securities issued and borrowings from governments and other institutions | | (367,453) | (337,453) |
| Dividends paid | | (22,707) | (27,871) |
| **Net cash inflows from financing activities** | | 278,284 | 637,655 |
| **Effect of exchange rate changes on cash and cash equivalents** | | (5,632) | (9,377) |
| **Net decrease in cash and cash equivalents** | | (102,625) | (278,589) |
| **Cash and cash equivalents at beginning of year** | | 859,006 | 1,137,595 |
| **Cash and cash equivalents at end of year** | 43(1) | 756,381 | 859,006 |
| Net cash flows from operating activities include: | | | |
| Interest received | | 543,442 | 542,212 |
| Interest paid | | (84,957) | (107,671) |

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

(Amounts in millions of Renminbi, unless otherwise stated)

## 1. GENERAL INFORMATION AND PRINCIPAL ACTIVITIES

China Development Bank (the "Bank") was formerly a wholly state-owned policy bank which was established on 17 March 1994. Approved by the State Council of the People's Republic of China (the "PRC"), China Development Bank was converted into a joint stock corporation on 11 December 2008, established jointly by the Ministry of Finance (the "MOF") and Central Huijin Investment Ltd. ("Huijin"), and renamed as China Development Bank Corporation.

On 19 April 2017, with the approval of the China Banking and Insurance Regulatory Commission (the former "China Banking Regulatory Commission, CBRC" and "China Insurance Regulatory Commission, CIRC", the "CBIRC") and after completing the review by and registration of corporate changes with the State Administration of Business and Commerce, China Development Bank Corporation changed its name to China Development Bank, and changed its form of organization from a joint stock corporation to a limited liability company. After these changes, the Bank operates under business license No. 911100000000184548 issued by Beijing Administration of Industry and Commerce on 19 April 2017, and financial institution license No. G0001H111000001 issued by the CBIRC on 13 June 2017. The registration of corporate changes does not affect the rights and obligations of the Bank. After the changes, the Bank assumes all the assets, creditor's rights, debts and businesses of the former China Development Bank Corporation.

Committed to strengthening national competitiveness and improving people's livelihood, the Bank and its subsidiaries (collectively, the "Group") align their business focus with China's major medium – and long-term economic development strategies by leveraging its unrivalled position as a leading bank for medium and long-term financing and comprehensive financial services, so as to raise and channel economic resources in support of the following areas:

- Economic and social development, including infrastructures, basic industries, pillar industries, public services and management;
- New urbanization, urban-rural integration, and balanced regional development;
- Programs vital for national competitiveness, including energy conservation, environmental protection, high-end manufacturing, and the transformation and upgrading of traditional industries;
- Public welfare, including affordable housing, poverty alleviation, student loans, and inclusive finance;
- National strategies, including those in science and technology, culture, and people-to-people exchange;
- International cooperation, including the Belt and Road Initiative, industrial capacity and equipment manufacturing projects, infrastructure connectivity, energy and resources, and Chinese enterprises "Going Global";
- Initiatives that support China's development needs and economic and financial reforms; and
- Other areas as mandated by and aligned with national development strategies and policies.

The head office and domestic branches of the Bank and its subsidiaries registered in the Mainland China are referred to as the "Domestic Operations". Branches and subsidiaries registered outside of the Mainland China are referred to as the "Overseas Operations".

## 2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

### 2.1 Amendments to the accounting standards effective in 2021 relevant to and adopted by the Group

The following amendments have been adopted by the Group for the first time during the financial year ended 31 December 2021:

| | | |
|---|---|---|
| (1) | Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 | Interest Rate Benchmark Reform – Phase 2 |
| (2) | Amendments to IFRS 16 | Covid-19-Related Rent Concessions beyond 30 June 2021 |

#### (1) Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: Interest Rate Benchmark Reform - Phase 2

The amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 address the accounting issues that arise when financial instruments that reference Interbank Offered Rates ("IBOR") transition to nearly risk-free rates ("RFRs"). The amendments include a practical expedient for modifications, which permits contractual changes, or changes to cash flows that are directly required by the IBOR reform, to be treated as changes to a floating interest rate. The amendments also permit changes required by IBOR reform to be made to hedge designations and hedge documentation under both IFRS 9 and IAS 39 without the hedging relationship being discontinued. In addition, while IFRS 9 and IAS 39 require that a risk component (or a designated portion) is "separately identifiable" to be eligible for hedge accounting, the amendments provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component. Disclose information about new risks arising from the reform and how it manages the transition to alternative benchmark rates is required by the amendments.

#### (2) IFRS 16 Amendments: Covid-19-Related Rent Concessions beyond 30 June 2021

Effective 1 June 2020, IFRS 16 was amended to provide a practical expedient for lessees accounting for rent concessions that arise as a direct consequence of the COVID-19 pandemic and satisfy the qualifying criteria. Rent concessions that satisfy the criteria may be accounted for in accordance with the practical expedient, which means the lessee does not assess whether the rent concession meets the definition of a lease modification. Lessees apply other requirements in IFRS 16 in accounting for the concession.

On 31 March 2021, the IASB issued another amendment to IFRS 16: Covid-19-Related Rent Concessions beyond 30 June 2021, which extended the above practical expedient to reductions in lease payments that were originally due on or before 30 June 2022. This amendment is effective for annual periods beginning on or after 1 April 2021 with earlier application permitted. The amendment is to be applied mandatorily by those entities that have elected to apply the previous amendment COVID-19-Related Rent Concessions.

The adoption of the above standards and amendments does not have any significant impact on the operating results, financial position and comprehensive income of the Group.

## 2.2 Standards and amendments relevant to the Group that are not yet effective and have not been adopted before their effective dates in 2021

The Group has not adopted the following new and amended standards IFRSs that have been issued but are not yet effective.

| | | | Effective for annual periods beginning on or after |
|---|---|---|---|
| (1) | Amendments to IAS 16 | Property, Plant and Equipment: Proceeds before Intended Use | 1 January 2022 |
| (2) | Amendments to IAS 37 | Onerous Contracts – Cost of Fulfilling a Contract | 1 January 2022 |
| (3) | Annual Improvements to IFRSs 2018-2020 Cycle (issued in May 2020) | | 1 January 2022 |
| (4) | Amendments to IAS 1 | Classification of Liabilities as Current or Non-current | 1 January 2023 |
| (5) | IAS 1 and IFRS Practice Statement 2 Amendments | Disclosure of Accounting Policies | 1 January 2023 |
| (6) | Amendments to IAS 8 | Definition of Accounting Estimates | 1 January 2023 |
| (7) | Amendments to IAS 12 | Deferred tax related to assets and liabilities arising from a single transaction | 1 January 2023 |
| (8) | IFRS 17 and Amendments | Insurance Contracts | 1 January 2023 |
| (9) | Amendments to IFRS 10 and IAS 28 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture | Effective date has been deferred indefinitely |

### (1) Amendments to IAS 16: Property, Plant and Equipment: Proceeds before Intended Use

IAS 16 Amendments prohibit entities from deducting from the cost of an item of property, plant and equipment, any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.

### (2) Amendments to IAS 37: Onerous Contracts – Cost of Fulfilling a Contract

IAS 37 Amendments specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

### (3) Annual Improvements to IFRSs 2018-2021 Cycle

The 2018-2021 cycle of annual improvements make minor amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IAS 41 Agriculture and the illustrative examples accompanying IFRS 16 Leases.

### (4) Amendments to IAS 1: Classification of Liabilities as Current or Non-current

IAS 1 Amendments specify the requirements for classifying liabilities as current or non-current. The amendments clarify what is meant by a right to defer settlement that a right to defer must exist at the end of the reporting period, classification is unaffected by the likelihood that an entity will exercise its deferral right, and only if an embedded derivative in a convertible liability is itself an equity instrument, would the terms of a liability not impact its classification.

### (5) IAS 1 and IFRS Practice Statement 2 Amendments: Disclosure of Accounting Policies

The amendments to IAS 1 and IFRS Practice Statement 2 change the disclosure requirements with respect to accounting policies from "significant accounting policies" to "material accounting policy Information". The amendments provide guidance on when accounting policy information is likely to be considered material.

### (6) Amendments to IAS 8: Definition of Accounting Estimates

IAS 8 Amendments added the definition of Accounting Estimates in IAS 8. The amendments also clarified that the effects of a change in an input or measurement technique are changes in accounting estimates, unless resulting from correction of prior period errors.

### (7) Amendments to IAS 12: Deferred tax related to assets and liabilities arising from a single transaction

The amendments clarify whether the initial recognition exemption applies to certain transactions that result in both an asset and a liability being recognized simultaneously (e.g. a lease in the scope of IFRS 16). The amendments introduce an additional criterion for the initial recognition exemption under IAS 12.15, whereby the exemption does not apply to the initial recognition of an asset or liability which at the time of the transaction, gives rise to equal taxable and deductible temporary differences.

### (8) IFRS 17 and Amendments: Insurance Contracts

IFRS 17 Insurance Contracts and IFRS 17 amendments replaced IFRS 4 Insurance Contracts. The standard provides a general model for insurance contracts and two additional approaches: the variable fee approach and the premium allocation approach. IFRS 17 and amendments cover the recognition, measurement, presentation and disclosure of insurance contracts and apply to all types of insurance contracts.

### (9) Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments to IFRS 10 and IAS 28 address an inconsistency between the requirements in IFRS 10 and in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognized in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture.

The adoption of the above standards, amendments and interpretations will have no material impact on the financial statements.

## 3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

### (1) Accounting period

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

### (2) Statement of compliance

The consolidated financial statements have been prepared in accordance with IFRSs, as issued by the International Accounting Standards Board ("IASB").

### (3) Basis of preparation

The consolidated financial statements of the Group have been prepared on the historical cost basis except for certain financial instruments that are measured at fair value. Historical cost is generally based on the fair value of the consideration given in exchange for assets and that is received (or in some circumstances the amount expected to be paid) with respect to liabilities.

The preparation of financial statements under IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

## (4) Consolidation

The consolidated financial statements include the financial statements of the Bank and entities (including structured entities) controlled by the Bank and its subsidiaries. Control is achieved when the Bank:

– has power over the investee;

– is exposed, or has rights, to variable returns from its involvement with the investee; and

– has the ability to use its power to affect its returns.

The Bank reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Bank obtains control over the subsidiary and ceases when the Bank loses control of the subsidiary. Specifically, income, expenses and cash flows of a subsidiary acquired or disposed of during the year are included in the consolidated income statement and the consolidated statement of cash flows from the date the Bank gain control until the date when the Bank ceases to control the subsidiary. The Group consolidates all entities that it controls, including those controlled through investment entity subsidiaries.

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.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Bank and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Bank and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into alignment with the Group's accounting policies.

All intragroup transactions, balances and unrealized gain on transactions are eliminated in full on consolidation. Unrealized loss is also eliminated unless the transaction provides evidence of an impairment of the transferred assets.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Bank.

When the Group loses control of a subsidiary, a gain or loss is recognized in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognized in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e., recognized in the consolidated income statement). When the Group retains an interest in the former subsidiary and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with IFRS 9.

At the acquisition date, irrespective of non-controlling interests, the identifiable assets acquired and liabilities and contingent liabilities assumed are recognized at their fair values; except that deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognized and measured in accordance with IAS 12 – Income Taxes and IAS 19 – Employee Benefits, respectively.

Goodwill is measured as the excess of the difference between (i) the consideration transferred, the fair value of any non-controlling interests in the acquiree, and the fair value of the Group's previously held equity interest in the acquiree (if any) and (ii) the net fair value of the identifiable assets acquired and the liabilities and contingent liabilities incurred or assumed.

Non-controlling interests that represent ownership interests in the acquiree, and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are accounted for at either fair value or the non-controlling interests' proportionate share in the recognized amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis.

## (5) Interest in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but does not constitute control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates and joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, an investment in an associate or a joint venture is initially recognized in the consolidated statement of financial position at cost.

On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognized as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognized immediately in the consolidated income statement in the period in which the investment is acquired.

An investment in an associate or a joint venture is adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of loss of an associate or joint venture exceeds the Group's interest in that associate or the joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or the joint venture), the Group discontinues recognizing its share of further loss. Additional loss is recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

The Group periodically assesses whether it is necessary to recognize any impairment loss with respect to the Group's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture, or when the investment is classified as held for sale. When the Group retains an interest in the former associate or former joint venture and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with IFRS 9. The difference between the carrying amount of the associate or the joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part of the interest in the associate or the joint venture is included in the determination of the gain or loss on disposal of the associate or the joint venture. In addition, the Group accounts for all amounts previously recognized in other comprehensive income in relation to that associate or the joint venture on the same basis as would be required if that associate or the joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognized in other comprehensive income by that associate or the joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued, excepted for equity instrument designated as fair value through other comprehensive.

When a group entity transacts with an associate or a joint venture of the Group (such as a sale or contribution of assets), profits and loss resulting from the transactions with the associate or joint venture are recognized in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

## (6) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided in the normal course of business, net of sales related taxes. Specific recognition criteria for different nature of revenue are disclosed below.

### (a) Interest income

Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets, except for:

- Purchased or originated credit-impaired ("POCI") financial assets, the Group calculates the credit-adjusted effective interest rate, which is calculated based on the amortized cost of the financial asset instead of its gross carrying amount and incorporates the impact of expected credit loss in estimated future cash flows.
- Financial assets that are not 'POCI' but have subsequently become credit-impaired (or 'Stage 3'), for which interest revenue is calculated by applying the effective interest rate to their amortized cost (i.e., net of the expected credit loss provision).

The effective interest rate is 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 (i.e., its amortized cost before any impairment allowance) or to the amortized cost of a financial liability. The calculation does not consider expected credit loss ("ECL") and includes transaction costs, premiums or discounts and fees and points paid or received that are integral to the effective interest rate.

### (b) Fee and commission income

Fee and commission income is recognized when the service is provided.

## (7) Interest expense

Interest expense for all interest-bearing financial liabilities, except for those designated at fair value through profit or loss or held for trading, are recognized within "Interest expense" in the consolidated income statement using the effective interest method.

## (8) Foreign currency transactions

### (a) Functional and presentation currency

The functional currency of the Domestic Operations is Renminbi ("RMB"). Items included in the financial statements of each of the Group's Overseas Operations are measured using the currency of the primary economic environment in which the entity operates. The presentation currency of the Group and the Bank is RMB.

### (b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gain and loss resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated income statement.

Changes in the fair value of monetary assets denominated in foreign currency classified as fair value through other comprehensive income ("FVTOCI") are analyzed between translation differences resulting from changes in the amortized cost of the monetary assets and other changes in the carrying amount. Translation differences related to changes in the amortized cost are recognized in the consolidated income statement, and other changes in the carrying amount are recognized in other comprehensive income.

Non-monetary assets and liabilities that are measured at historical cost in foreign currencies are translated using the foreign exchange rates at the date of the transaction. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognized in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as FVTOCI are recognized in other comprehensive income.

### (c) Translation of financial statements in foreign currency

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from RMB are translated as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position; except the retained earnings, other items in equity holders' equity are translated at the rate prevailing at the date when they occurred;
- income and expenses for each income statement and statement of comprehensive income are translated at the exchange rate prevailing on the date when the items occurred, or a rate that approximates the exchange rate at the date of the transaction; and
- all resulting exchange differences are recognized in other comprehensive income.

## (9) Taxation

Income taxes comprise current income tax and deferred income tax.

### (a) Current income tax

Current income tax is the expected tax payable on the taxable income for the year. The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before income tax as reported in the consolidated income statement because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

### (b) Deferred income tax

Deferred income tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither taxable profit nor accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control 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 recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognized in the consolidated income statement, except when they related to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity, respectively.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be utilized.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

## (10) Employee benefits

Employee benefits are all forms of consideration given and other relevant expenditures incurred by the Group in exchange for services rendered by employees or for termination of the employment contracts. These benefits include short-term employee benefits, post-employment benefits and early retirement benefits.

#### (a) Short-term employee benefits

In the reporting period in which an employee has rendered services, the Group recognizes the short-term employee benefits payable for those services as a liability with the corresponding amounts recognized as expenses in the consolidated income statement. Short-term employee benefits include salaries, bonuses, staff welfare, medical insurance, employment injury insurance, maternity insurance, housing funds as well as labor union fees and staff education expenses.

#### (b) Post-employment benefits

The Group's post-employment benefits are primarily the payments for basic pensions and unemployment insurance related to government mandated social welfare programs, as well as the annuity scheme established. The group operates various post-employment schemes, including both defined benefit and defined contribution pension plans.

*Defined contribution plans*

Contributions to the basic pensions and unemployment insurance plan are recognized in the consolidated income statement for the period in which the related payment obligation is incurred.

The employees of the Bank's head office and domestic branches ("Domestic Institutions") participate in an annuity scheme established by the Bank (the "Annuity Scheme"). The Bank pays annuity contributions with reference to employees' salaries, and such contributions are expensed in the consolidated income statement when incurred.

*Defined benefit plans*

The Group provides supplemental pension benefit and post-retirement healthcare benefit to the retirees retired on or before 31 December 2011. The entitlement to the benefits is conditional on one or more factors such as age, years of service and compensation.

The liability recognized in the consolidated statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of RMB treasury bonds that have terms to maturity approximating to the terms of the related pension obligation. Differences arising from changes in assumptions and estimates of the present value of the liabilities are recognized in the consolidated statement of comprehensive income when incurred.

#### (c) Early retirement benefits

Early retirement benefits have been paid to those employees who accept voluntary retirement before the normal retirement date, as approved by management. The related benefit payments are made from the date of early retirement to the normal retirement date.

The accounting treatment of the early retirement benefits is in accordance with termination benefits as determined in IAS 19. The liability is recognized for the early retirement benefit payments from the date of early retirement to the normal retirement date when the criteria for recognition as termination benefit is met with a corresponding charge in the consolidated income statement. Differences arising from changes in assumptions and estimates of the present value of the liabilities are recognized in the consolidated income statement when incurred.

### (11) Cash and cash equivalents

Cash and cash equivalents are short term and highly liquid assets, which are readily convertible into known amounts of cash and subject to an insignificant risk of changes in value. Cash and cash equivalents include cash on hand, deposits held at call with banks and other financial institutions and other short-term and highly liquid investments with original maturities of three months or less.

### (12) Determination of fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the principal market (or in the absence of a principal market, the most advantageous market) at the measurement date.

For financial instruments traded in active markets, the determination of fair values of financial assets and financial liabilities is based on quoted market prices. For financial instruments traded in inactive markets, fair value is determined using appropriate valuation techniques. Valuation techniques include the use of recent transaction prices, discounted cash flow analysis, option pricing model and other valuation techniques commonly used by market participants.

For financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly;
- Level 3: inputs for the asset or liability that are not based on observable market data.

### (13) Financial instruments

Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the instrument.

#### (a) Classification of financial assets

Financial assets are classified on the basis of the Group's business model for managing the asset and the cash flow characteristics of the assets:

(i) Amortized cost ("AC"). Financial assets at amortized cost primarily include balances with central banks, deposits with banks and other financial institutions, placements with banks and other financial institutions, financial assets held under resale agreements, loans and advances to customers at amortized cost, debt instruments at amortized cost and other receivables.

(ii) FVTOCI. Financial assets measured at fair value through other comprehensive income include debt securities, and equity instruments designated as fair value through other comprehensive income which are not held for trading purpose.

(iii) Fair value through profit or loss ("FVTPL"). Financial assets measured at fair value through profit or loss primarily include held-for-trading financial assets, loan and advances to customers measured at fair value through profit or loss, equity instruments other than designated at FVTOCI, debt investments that do not meet the criteria for amortized cost or FVTOCI.

The business model reflects how the Group manages the assets in order to generate cash flows. That is, whether the Group's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g., financial assets are held for trading purposes), then the financial assets are classified as part of other business model and measured at FVTPL. Factors considered by the Group in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated.

Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Group assesses whether the financial instruments' cash flows represent solely payments of principal and interest ("SPPI"). In making this assessment, the Group considers whether the contractual cash flows are consistent with a basic lending arrangement i.e., interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determine whether their cash flows are SPPI.

The classification requirements for debt instruments and equity instruments are described as below:

*Debt Instruments*

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as government and corporate bonds. Classification and subsequent measurement of debt instruments depend on the Group's business model for managing the asset and the cash flow characteristics of asset.

Based on these factors, the Group classifies its debt instruments into one of the following three measurement categories:

(i) Amortized cost: Assets that are held for collection of contractual cash flows where those cash flows represent SPPI, and that are not designated at FVTPL, are measured at amortized cost.

(ii) FVTOCI: Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent SPPI, and that are not designated at FVTPL, are measured at FVTOCI.

(iii) FVTPL: Assets that do not meet the criteria for amortized cost or FVTOCI are measured at FVTPL.

The Group may also irrevocably designate financial assets at FVTPL if doing so significantly reduces or eliminates a mismatch created by assets and liabilities being measured on different bases.

*Equity instruments*

Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets. Examples of equity instruments include basic ordinary shares.

The Group subsequently measures all equity investments at FVTPL, except where the Group's management has elected, at initial recognition, to irrevocably designate an equity investment at FVTOCI. The Group's policy is to designate equity investments as FVTOCI when those investments are held for purposes other than to generate investment returns.

### (b) Reclassification of financial assets

When the Group changes its business model for managing financial assets, it shall reclassify all affected financial assets, and apply the reclassification prospectively from the reclassification date. The Group does not restate any previously recognized gain, loss (including impairment gains or losses) or interest. Reclassification date is the first day of the first reporting period following the change in business model that results in the Group reclassifying financial assets.

### (c) Classification of financial liabilities

Financial liabilities are classified as subsequently measured at amortized cost, except for financial liabilities at FVTPL, which is applied to derivatives, financial liabilities held for trading and other financial liabilities designated as such at initial recognition.

### (d) Initial recognition and measurement

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

At initial recognition, the Group measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs directly attributable to the acquisition of financial assets and liabilities at fair value through profit or loss are recognized immediately in profit or loss.

The Group may, at initial recognition, irrevocably designate a financial liability as measured at FVTPL: (i) it eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as an accounting mismatch); (ii) a group of financial liabilities or financial assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the entity's key management personnel.

Financial liabilities arising from the transfer of financial assets which did not qualify for derecognition whereby a financial liability is recognized for the consideration received for the transfer. In subsequent periods, the Group recognizes any expense incurred on the financial liability.

### (e) Subsequent measurement

Subsequent measurement of financial instruments depends on the categories:

*Amortized cost*

The amortized cost is the amount at which the financial asset or financial liability is measured at initial recognition: (i) minus the principal repayments; (ii) plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount; (iii) for financial assets, adjusted for any credit loss allowance. Interest income and interest expense from these financial assets is included in "Interest income" and "Interest expense" using the effective interest rate method.

For floating-rate financial assets and floating-rate financial liabilities, periodic re-estimation of cash flows to reflect the movements in the market rates of interest alters the effective interest rate. If a floating-rate financial asset or a floating-rate financial liability is recognized initially at an amount equal to the principal receivable or payable on maturity, re-estimating the future interest payments normally has no significant effect on the carrying amount of the asset or the liability.

If the Group revises its estimates of payments or receipts, it shall recalculate the carrying amount of the financial asset or financial liability as the present value of the revised estimated future cash flows, and the carrying amount discounted at the original effective interest rate. The adjustment is recognized in profit or loss as income or expense.

*Fair value through other comprehensive income*

Debt instruments

Movements in the carrying amount are taken through OCI, except for the recognition of impairment gain or loss, interest revenue and foreign exchange gain and loss on the instrument's amortized cost which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified to profit or loss. Interest income from these financial assets is included in "interest income" using the effective interest rate method.

Equity instruments

The equity instrument investments that are held for purposes other than to generate investment returns are designated as FVTOCI. When this election is used, fair value gain and loss is recognized in OCI and are not subsequently reclassified to profit or loss, including on disposal. Dividends, when representing a return on such investments, continue to be recognized in profit or loss when the Group's right to receive payments is established, and it is probable that future economic benefits associated with the item will flow to the Group, and the amounts of the dividends can be measured reliably.

*Financial assets at fair value through profit or loss*

Debt instruments

A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognized in profit or loss and presented in the income statement within "Net trading and foreign exchange gain" in the period in which it arises, unless it arises from debt instruments that were designated at fair value or which are not held for trading, in which case they are presented separated in "Net gain/(loss) on financial instruments designated at fair value through profit or loss".

Equity instruments

Gain and loss on equity investments at FVTPL are included in the "Net trading and foreign exchange gain" in the income statement of.

*Financial liabilities at fair value through profit or loss*

Gain or loss on financial liabilities designated as at FVTPL are presented partially in other comprehensive income (the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability, which is determined as the amount that is not attributable to changes in market conditions that give rise to market risk) and partially profit or loss (the remaining amount of change in the fair value of the liability). This is unless such a presentation would create, or enlarge, an accounting mismatch, in which case the gain or loss attributable to changes in the credit risk of the liability are also presented in profit or loss. The gain and loss from financial liabilities including the effects of credit risk variance should be recognized in current profit and loss by the Group.

When the liabilities designated as at fair value through profit or loss is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to retained earnings.

### (f) Impairment of financial instruments

The Group assesses on a forward-looking basis the ECL associated with its debt instrument assets carried at amortized cost and FVTOCI and with exposure arising from some loan commitments and financial guarantee contracts.

The Group measures ECL of a financial instrument reflects:

(i) an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;

(ii) the time value of money; and

(iii) reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

For financial instruments whose credit loss allowance are measured using the ECL model, the Group assesses whether their credit risk has increased significantly since their initial recognition, and applies a three-stage impairment model to calculate their credit loss and recognize their ECL, as follows:

Stage 1: If the credit risk has not increased significantly since its initial recognition, the financial asset is included in Stage 1 and have its ECL measured at an amount equivalent to the ECL of the financial instrument for the next 12 months.

Stage 2: If the credit risk has increased significantly since its initial recognition but is not yet deemed to be credit-impaired, the financial instrument is included in Stage 2 and have its ECL measured at an amount equivalent to the ECL over the lifetime of the financial instrument.

Stage 3: If the financial instruments is credit-impaired, the financial instrument is included in Stage 3 and have its ECL measured at an amount equivalent to the ECL over the lifetime of the financial instrument.

The Group applies the impairment requirements for the recognition and measurement of credit loss allowance for debt instruments that are measured at FVTOCI. The credit impairment loss is recognized in profit or loss, and it should not be presented separately in the consolidated statement of financial position as a reduction of the carrying amount of the financial asset.

The Group has measured the credit loss allowance for a financial instrument other than POCI at an amount equal to lifetime expected credit loss in the previous reporting period, but determines at the current reporting date that the credit risk on the financial instruments has increased significantly since initial recognition is no longer met, the Group measures the credit loss allowance at an amount equal to 12-month expected credit loss at the current reporting date and the amount of expected credit loss reversal is recognized in profit or loss. For POCI, at the reporting date, the Group only recognize the cumulative changes in lifetime expected credit loss since initial recognition as credit loss allowance for POCI financial assets.

When a financial asset is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

#### (g) Contractual modification of loans

The Group sometimes renegotiates or otherwise modifies the contractual cash flows of loans to customers. When this happens, the Group assesses whether or not the new terms are substantially different to the original terms.

If the terms are substantially different, the Group derecognizes the original financial asset and recognizes a 'new' asset at fair value and recalculates a new effective interest rate for the asset. The date of renegotiation is consequently considered to be the date of initial recognition for credit loss allowance calculation purposes, including for the purpose of determining whether a significant increase in credit risk has occurred. However, the Group also assesses whether the new financial asset recognized is deemed to be credit-impaired at initial recognition, especially in circumstances where the renegotiation was driven by the debtor being unable to make the originally agreed payments. Differences in the carrying amount are also recognized as gain or loss on derecognition of debt instrument at amortized cost.

If the terms are not substantially different, the renegotiation or modification does not result in derecognition, and the Group recalculates the gross carrying amount based on the revised cash flows of the financial asset and recognizes a modification gain or loss in profit or loss. The new gross carrying amount is recalculated by discounting the modified cash flows at the original effective interest rate (or credit-adjusted effective interest rate for POCI financial assets).

#### (h) Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognize the asset to the extent of its continuing involvement and recognizes an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable, the cumulative gain or loss that had been recognized in other comprehensive income and accumulated in equity is recognized in profit or loss.

*Securitization*

As part of its operational activities, the Group undertakes securitization transactions through which it transfers certain financial assets to special purpose trusts which issue asset-backed securities ("ABS") to investors. The Group holds part of the senior and sub-ordinated tranche of these ABS. As the asset manager of these ABS, the Group provides services including collecting payments from loans in the assets pool, maintaining account records related to the assets pool, providing service reports and other services.

After payment of tax and related costs, the trust assets should firstly be used for principal and interest payment to holders of senior tranche ABS, and then to holders of sub-ordinated tranche ABS. The Group derecognizes or partially derecognizes the transferred financial assets according to the extent of transfer of the risks and rewards of ownership of the transferred financial assets.

#### (i) Derecognition of financial liabilities

The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in the consolidated income statement.

#### (j) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the consolidated statement of financial position when there is a current legally enforceable right to offset the recognized amounts and the Group has an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Group or the counterparty. Otherwise, financial assets and financial liabilities are reported separately.

#### (k) Financial guarantee contracts and loan commitments

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due, in accordance with the terms of a debt instrument.

Financial guarantees are initially recognized at fair value on the date the guarantee was given. Subsequent to initial recognition, the Group's liabilities under such guarantees are measured at the higher of the initial amount, less amortization of guarantee fees recognized in accordance with the revenue recognition policy, and the impairment allowance determined by the expected credit loss ("ECL") model. Any increase in the liability relating to guarantee is taken to the income statement.

The credit loss allowance of loan commitments provided by the Group is measured by ECL. The Group has not provided any commitment to provide loans at a below-market interest rate, or that can be settled net in cash or by delivering or issuing another financial instrument.

For loan commitments and financial guarantee contracts, the credit loss allowance is recognized as a provision. However, for contracts that include both a loan and an undrawn commitment and the Group cannot separately identify the expected credit loss on the undrawn commitment component from those on the loan component, the expected credit loss on the undrawn commitment are recognized together with the credit loss allowance for the loan. To the extent that the combined expected credit loss exceeds the gross carrying amount of the loan, the expected credit loss is recognized as a provision.

### (14) Financial assets held under resale agreements and financial assets sold under repurchase agreements

Financial assets held under resale agreements are transactions where the Group acquires financial assets which will be resold at a predetermined price at a future date under resale agreements. Financial assets sold under repurchase agreements are transactions where the Group sells financial assets which will be repurchased at a predetermined price at a future date under repurchase agreements.

Both financial assets held under resale agreements and financial assets sold under repurchase agreements of the Group are in the form of pledged repo. The cash advanced or received is recognized as amounts held under resale or sold under repurchase agreements in the statement of financial position. Assets held under resale agreements are not recognized. Assets sold under repurchase agreements continue to be recognized in the statement of financial position.

The difference between the purchase and resale consideration, and that between the sale and repurchase consideration, is amortized over the period of the respective transaction using the effective interest method and is included in interest income and interest expenses respectively.

## (15) Derivative financial instruments and hedge accounting

Derivatives are initially recognized at fair value at the date a derivative contract is entered into and are subsequently re-measured at their fair value at the end of the reporting period. The resulting gain or loss is recognized in profit or loss.

Derivatives embedded in hybrid contract which contains a host that is a non-financial assets, are treated as separate derivatives when their characteristics and risks are not closely related to those of the hybrid contracts and the hybrid contract is not measured at fair value with changes in fair value recognized in profit or loss. These embedded derivatives are separately accounted for at FVTPL unless the Group choose to designate the hybrid contract at fair value through profit or loss.

In order to avoid certain risk, the Group has designated certain derivative instruments as hedging instruments. The Group uses hedge accounting to account for these hedging instruments which satisfy specified criteria. The Group's hedging relationship include fair value hedges and cash flow hedges.

At the inception of the hedge relationship, the Group documents the relationship between hedging instrument and hedged item, as well as its risk management objectives and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at the inception of the hedge and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of the hedged item.

### (a) Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognized in the consolidated income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. Changes in the fair value of the derivatives, which are hedged for the risk exposure from fair value change of non-trading equity investment designated as at FVTOCI, are recognized in other comprehensive income.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortized to profit or loss over the period to maturity. If the hedged item is derecognized, the unamortized carrying value adjustment is recognized in profit or loss.

### (b) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualified as cash flow hedges is recognized in other comprehensive income. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss.

Amounts previously recognized in other comprehensive income and accumulated in equity are recognized in profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognized hedged item. When the hedged forecast transaction results in the recognition of a financial asset or a financial liability, the cumulative gain or loss previously recognized in other comprehensive income and accumulated in equity are reclassified from equity to profit or loss in the same period during which the hedged forecast transaction affect profit or loss.

Hedge accounting is discontinued under following situations:

– When the hedged cash flow affects profit or loss, the gain or loss on the hedging instrument recognized directly in other comprehensive income is recycled in the corresponding income or expense line of the income statement. When the hedging relationship ceases to meet the qualifying criteria after taking into account any rebalancing of the hedging relationship, including the hedging instrument has expired or has been sold, terminated or exercised, any cumulative gain or loss existing in other comprehensive income at that time remains in other comprehensive income until the hedged forecast transaction ultimately occurs.

– When a forecast transaction is no longer expected to occur, any cumulative gain or loss in equity is transferred immediately to profit or loss.

## (16) Equity instruments issued by the group

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 recognized at the fair value of proceeds received, net of direct issuance costs.

## (17) Property and equipment

The Group's property and equipment comprise buildings, office and machinery equipment, motor vehicles and vessels, aircrafts and construction in progress.

All property and equipment are stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent expenditures are included in the asset's carrying amount or are recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the consolidated income statement during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to write down the cost of such assets to their residual values over their estimated useful lives as follows:

| | Useful lives | Residual value rates | Annual depreciation rates |
|---|---|---|---|
| Buildings | 20-35 years | 0%-5% | 2.71%-5.00% |
| Office and machinery equipment | 3-25 years | 0%-5% | 3.80%-33.33% |
| Motor vehicles and vessels | 4-6 years | 0%-5% | 15.83%-25.00% |
| Aircrafts | 11-20 years | 15% | 4.25%-7.73% |

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Properties in the course of construction for supply of services or administrative purposes are carried at cost, less any recognized impairment loss. Such properties are classified to the appropriate category of property and equipment when completed and ready for intended use.

Gain and loss on disposal of property and equipment are determined by comparing the proceeds with the carrying amount. These are included in profit or loss.

## (18) Foreclosed assets

Foreclosed assets are initially recognized at fair value of assets not retained plus related costs, and subsequently measured at the lower of their carrying amount and fair value, less costs to sell, at the end of each reporting period. When the fair value, less costs to sell, is lower than a foreclosed asset's carrying amount, an impairment loss is recognized in the consolidated income statement.

Any gain or loss arising on the disposal of the foreclosed asset is included in the consolidated income statement in the period in which the item is disposed.

The Group disposes of foreclosed assets through various means. In principle, foreclosed assets should not be transferred for own use, but, in the event that they are needed for the Group's own business or management purposes, they are transferred at their net carrying amounts and managed as newly acquired property and equipment.

## (19) Investment property

Investment property is property held to earn rental income or for capital appreciation, or both.

Investment property is initially measured at its acquisition cost. Subsequent expenditures incurred for the investment property are included in the cost of the investment property if it is probable that economic benefits associated with the asset will flow to the Group and the subsequent expenditures can be measured reliably. Other subsequent expenditures are recognized in profit or loss in the period in which they are incurred.

Investment properties are measured using the cost model. Depreciation and amortization are recognized the same way as property and equipment and land use rights.

When an investment property is sold, transferred, retired or damaged, the Group recognizes the amount of any proceeds on disposal, net of the carrying amount and related expenses, in profit or loss.

## (20) Leases

### (a) Identification of leases

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of one or more identified assets for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the Group assesses whether, throughout the period of use, customer has both of the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset.

### (b) As Lessee

*Lease modifications*

Lease modification is a change in the scope of a lease, or the consideration for a lease, that was not part of the original terms and conditions of the lease, for example, adding or terminating the right to use one or more underlying assets, or extending or shortening the contractual lease term.

The Group accounts for a lease modification as a separate lease if both:

(i) the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

(ii) the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, at the effective date of the lease modification the Group remeasures the lease liability by discounting the revised lease payments using a revised discount rate. The revised discount rate is determined as the interest rate implicit in the lease for the remainder of the lease term, or the Group's incremental borrowing rate at the effective date of the modification, if the interest rate implicit in the lease cannot be readily determined.

For a lease modification that is not accounted for as a separate lease, the Group accounts for the remeasurement of the lease liability by:

(i) decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease for lease modifications that decrease the scope or term of the lease, and recognising the gain or loss relating to the partial or full termination of the lease in profit or loss; or

(ii) making a corresponding adjustment to the right-of-use asset for all other lease modifications.

*Short-term leases and leases of low-value assets*

The Group considers a lease that, at the commencement date of the lease, has a lease term of 12 months or less, and does not contains any purchase option as a short-term lease; and a lease for which the value of the individual underlying asset is not more than RMB50,000 when it is new as a lease of low-value assets. The Group chooses not to recognize the right-of-use assets and lease liabilities for short-term leases and leases of low-value assets, and the rental expenses are recognized as "Operating expenses" in the income statement on a straight-line basis over each period of the lease term.

### (c) As Lessor

At the inception date, a lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. Otherwise, a lease is classified as an operating lease.

At the commencement date of the lease, the Group recognizes finance lease receivable and derecognizes the assets under finance leases. The Group presents lease receivable at an amount equal to the net investment in the lease for the initial measurement. The net investment in the lease is the present value of the sum of the unguaranteed residual value and the unreceived lease payments receivable at the commencement date, which is discounted by the interest rate implicit in the lease.

The Group calculates and recognizes the interest income in each period during the lease term using the constant periodic rate of interest, and recognizes such interest income in profit or loss.

### (d) Lessee's incremental borrowing rate

The Group uses the incremental borrowing rate as the discount rate to calculate the present value of lease payment. The economic circumstance and the observable interest rate set the foundation for each institution of the Group in determining the incremental borrowing rate. On this basis, the applicable incremental borrowing rate is calculated through the adjustment of the reference interest rate, which is determined according to the situation of the institution and the underlying asset, the lease term, the amount of lease liability and other specific conditions of the lease.

### (e) Right-of-use assets

The right-of-use assets of the Group mainly include buildings, vehicles and other right-of-use assets.

At the commencement date of the lease, the Group recognizes a right-of-use asset. The cost of the right-of-use asset comprises:

(i) the amount of the initial measurement of the lease liability;

(ii) any lease payments made at or before the commencement date of the lease less any lease incentives received;

(iii) any initial direct costs incurred when the Group is a lessee; and

(iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

The right-of-use assets are depreciated on a straight-line basis subsequently by the Group. If the Group is reasonably certain that the ownership of the underlying asset will be transferred to the Group at the end of the lease term, the Group depreciates the asset from the commencement date to the end of the useful life of the asset. Otherwise, the Group depreciates the asset from the commencement date to the earlier of the end of the useful life of the asset or the end of the lease term.

The Group remeasures the lease liabilities at the present value of the changed lease payments and adjusts the carrying amounts of the right-of-use assets accordingly. When the carrying amount of the right-of-use asset is reduced to zero, and there is a further reduction in the measurement of the lease liability, the Group recognizes the remaining amount of the remeasurement in profit or loss.

### (f) Lease liabilities

At the commencement date of the lease, the Group measures the lease liabilities at the present value of the lease payments that are not paid at that date, except for short-term leases and leases of low-value assets.

In calculating the present value of the lease payments, the Group uses the incremental borrowing rate of lessee as the discount rate. The Group calculates the interest expenses of lease liabilities in each period during the lease term using the constant periodic rate of interest, and recognizes such interest expenses in profit or loss. Variable lease payments that are not included in the measurement of lease liabilities are recognized in profit or loss as incurred.

After the commencement date, the Group remeasures lease liabilities by discounting the revised lease payments if any of the following occur: (i) there is a change in the in-substance fixed payments; (ii) there is a change in the amounts expected to be payable under a residual value guarantee; (iii) there is a change in future lease payments resulting from a change in an index or a rate used to determine those payments; or (iv) there is a change in the assessments of options to purchase the underlying asset, extend or terminate the lease, or the circumstances of the actual exercise of these options.

## (21) Intangible assets

Intangible assets acquired separately and with finite useful lives are carried at costs less accumulated amortization and any accumulated impairment loss. Intangible assets include computer software and other intangible assets. Amortization for intangible assets with finite useful lives is recognized on a straight-line basis over their estimated useful lives which generally range from 1 to 10 years.

At the end of each reporting period, the Group reviews the useful lives and amortization method of intangible assets with finite useful lives. The Group has no intangible assets with indefinite useful lives.

### (22) Goodwill

Goodwill arising on an acquisition of a business is carried at cost less any accumulated impairment loss and is presented separately in the consolidated statement of financial position.

For the purposes of impairment testing, goodwill is allocated to each of the cash-generating units (or groups of cash-generating units) that are expected to benefit from the synergies of the business combination. 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.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit, and then to the other assets of the cash-generating unit on a pro-rata basis, based on the carrying amount of each asset in the cash-generating unit. Any impairment loss for goodwill is recognized directly in the consolidated income statement. An impairment loss for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill capitalized is included in the determination of the amount of gain or loss on disposal.

### (23) Impairment of tangible and intangible assets other than financial instruments and goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the assets is estimated in order to determine the extent of the impairment loss, if any.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognized in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset. A reversal of an impairment loss is recognized in profit or loss.

### (24) Dividend distribution

Dividend distribution to the Company's equity holders is recognized as a liability in the Group's financial statements in the period in which the dividends are approved by those charged with governance.

### (25) Provisions

Provisions are recognized when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

### (26) Fiduciary activities

The Group acts as a custodian, trustee and in other fiduciary capacities to safeguard assets for customers in accordance with custody agreements between the Group and securities investment funds, trust companies, other institutions and individuals. The Group receives fees in return for its services provided under the custody agreements and does not have any interest in the economic risks and rewards related to assets under custody. Therefore, assets under custody are not recognized in the Group's consolidated statement of financial position.

The Group conducts entrusted lending arrangements for its customers. Under the terms of entrusted loan arrangements, the Group grants loans to borrowers, as an intermediary, according to the instruction of its customers who are the lenders providing funds for the entrusted loans. The Group is responsible for the arrangement and collection of the entrusted loans and receives a commission for the services rendered. As the Group does not assume the economic risks and rewards of the entrusted loans and the funding for the corresponding entrusted funds, they are not recognized as assets or liabilities of the Group.

### (27) Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognized because it is not probable that an outflow of economic resources will be required or the amount of obligation cannot be measured reliably. A contingent liability is not recognized, but disclosed.

## 4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In the application of the Group's accounting policies, which are described in Note 3, management is required to make judgments, estimates and assumptions that affect the carrying amounts of assets and liabilities. The estimates and related assumptions are based on historical experience and other relevant factors including on the basis of reasonable expectations for future events.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgements and key estimation uncertainty that the management has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements in the next twelve months.

### (1) Measurement of credit impairment losses

For financial assets that are measured at amortized cost and measured at fair value through other comprehensive income, and financial guarantee contracts and loan commitments, the Group assesses the credit loss allowance and provisions in light of forward-looking information.

Expected credit losses refer to the weighted average of the credit loss of financial instruments weighted by the risk of default. Credit loss refers to the difference between all contractual cash flows receivable under the contract and all expected cash flows discounted by the Group at the original effective interest rate, that is, the present value of total cash shortage. Among them, POCI financial assets should be discounted at the credit-adjusted actual interest rate of the financial assets.

The expected credit losses ("ECL") model involves periodic review of key definitions, parameters, and assumptions, such as estimates of future macroeconomic conditions and the borrower's credit behavior (e.g., the possibility of customer default and corresponding loss). A number of significant judgements are required in applying the accounting requirements for measuring expected credit losses, such as:

- Segmentation of business operations sharing similar credit risk characteristics, selection of appropriate models and determination of relevant key measurement parameters;
- Criteria for determining whether there was a significant increase in credit risk, or a default or impairment loss was incurred as well as definition of default and credit impairment;
- Economic indicators for forward-looking measurement, and the application of economic scenarios and weightings;
- The estimated future cash flows for loans and advances to customers at amortized cost in Stage 3.

Explanations of the inputs, assumptions and estimation techniques used in measuring ECL are further detailed in Note 49 (2) Credit risk.

### (2) Consolidation of structured entities

Where the Group acts as asset manager of or investor in structured entities, the Group makes significant judgement on whether the Group controls and should consolidate these structured entities. When performing this assessment, the Group assesses the Group's contractual rights and obligations in light of the transaction structures, and evaluates the Group's power over the structured entities, performs analysis and tests on the variable returns from the structured entities, including but not limited to commission income and asset management fees earned as the asset manager or service provider, the retention of residual income, and, if any, the liquidity and other support provided to the structured entities. The Group also assesses whether it acts as a principal or an agent through analysis of the scope of its decision-making authority over the structured entities, the remuneration to which it is entitled for its role as asset manager or service provider, the Group's exposure to variability of returns from its other interests in the structured entities, and the rights held by other parties in the structured entities.

### (3) Fair value of financial instruments

The fair value of financial instruments that are not quoted in active markets is determined by using valuation techniques. These include the use of recent arm's length transactions, discounted cash flow method, net asset value, comparable companies approach, and other valuation techniques commonly adopted by market participants. To the extent practical, the Group uses only observable market data, however areas such as credit risk of the Group and the counterparties, weighted average cost of capital, perpetual growth rate, liquidity discount, prepayment rate and similarity to comparable companies and their performance indicators may not be observable and require management to make estimates and apply judgements. Changes in assumptions about these factors could affect the estimated fair value of financial instruments.

### (4) De-recognition of financial assets transferred

In the normal course of business, the Group transfers its financial assets through various types of transactions including, among others, regular way sales and transfers, securitization, financial assets sold under repurchase agreements. The Group applies significant judgement in assessing whether it has transferred these financial assets which qualify for a full or partial de-recognition.

Where the Group enters into structured transactions by which it transfers financial assets to structured entities, the Group analyzes whether the substance of the relationship between the Group and these structured entities indicates that it controls these structured entities to determine whether the Group needs to consolidate these structured entities.

The Group analyzes the contractual rights and obligations in connection with such transfers to determine:

– whether it has transferred the rights to receive contractual cash flows from the financial assets or the transfer qualifies for the "pass through" of those cash flows to independent third parties.

– the extent to which the associated risks and rewards of ownership of the financial assets are transferred.

– Where the Group has neither retained nor transferred substantially all of the risks and rewards associated with their ownership, the Group analyzes whether it has relinquished its controls over these financial assets and if the Group has continuing involvement in these transferred financial assets.

### (5) Income Tax

There are certain transactions and activities for which the ultimate tax effect is uncertain. The Group makes estimates and judgement for items of uncertainty, taking into account existing taxation legislation and past practice of relevant tax authorities. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will affect the income tax in the period in which such a determination is made.

### (6) Impairment of non-financial assets

Non-financial assets are reviewed regularly to determine whether the carrying amount exceeds the recoverable amount of the assets. If any such indication exists, an impairment loss is provided.

In assessing the present value of goodwill generated from the acquisition of subsidiaries, the Group estimates the present value of future cash flows at appropriate discount discounting rates. In assessing the present value of future cash flows of subsidiaries, significant judgements are exercised over the related income, operating expenses and discounting rate to calculate the present value.

## 5. TAXATION

The Group's main applicable taxes and tax rates are as follows:

### Corporate income tax

The corporate income tax rate applicable to the Group in Mainland China is 25%. Taxation on overseas institutions is charged at the relevant local rates. The pre-tax deduction of corporate income tax shall be implemented in accordance with relevant state regulations.

### Value added tax ("VAT")

The Group is subject to value-added taxes on its income from credit business, fee income on financial services and income from trading of financial products at 6%.

In accordance with "Circular regarding the Value-added Taxes Policies for Financial, Real Estate Development and Education Ancillary and Other Services" (Cai Shui [2016] No.140), "Supplementary Circular regarding Issues concerning Value-added Taxes Policies for Asset Management Products" (Cai Shui [2017] No.2) and "Circular on the Relevant Issues concerning Value-added Tax Levied on Asset Management Products" (Cai Shui [2017] No. 56), managers of asset management products shall pay VAT at 3% for taxable activities undertaken after 1 January 2018.

### City construction tax

City construction tax is calculated as 1% to 7% of VAT.

### Education surcharge

Education surcharge is calculated as 3% to 5% of VAT.

## 6. INVESTMENTS IN SUBSIDIARIES

Details of the principal subsidiaries held by the Bank as at 31 December 2021 were as follows:

| Name of entity | Place of incorporation | Registered capital (in millions) | Percentage of equity interest and voting rights | Principal business |
|---|---|---|---|---|
| CDB Capital Co., Ltd. | Mainland China | RMB77,475 | 100% directly held | Equity investment |
| CDB Development Fund | Mainland China | RMB50,000 | 100% directly held | Non-securities investment & investment management and advisory |
| China-Africa Development Fund | Mainland China | RMB32,548 | 84.99% indirectly held | Fund investment & management |
| CDB Leasing Co., Ltd. | Mainland China | RMB12,642 | 64.40% directly held | Leasing |
| CDB Securities Co., Ltd. | Mainland China | RMB9,500 | 80% directly held | Securities brokerage and underwriting |
| Upper Chance Group Limited | Hong Kong, China | GBP1,584 | 100% directly held | Investment holding |

During the year ended 31 December 2021 and 2020, there were no changes in the proportion of equity interests or voting rights the Bank held in its subsidiaries, and there was no restriction on the Group's ability to access or use its assets and settle its liabilities.

## 7. NET INTEREST INCOME

| | Year ended 31 December | |
|---|---|---|
| | 2021 | 2020 |
| Interest income | | |
| Loans and advances to customers | 524,409 | 525,361 |
| Debt investment securities[(a)] | 57,881 | 64,973 |
| Placements with banks and other financial institutions and financial assets held under resale agreements | 13,124 | 8,031 |
| Balances with central banks and deposits with banks and other financial institutions | 5,716 | 9,163 |
| Others | 3 | 3 |
| Subtotal | 601,133 | 607,531 |
| Interest expense | | |
| Debt securities issued | (365,994) | (343,151) |
| Deposits from banks and other financial institutions | (74,296) | (87,895) |
| Due to customers | (7,335) | (9,673) |
| Borrowings from governments and financial institutions | (8,865) | (11,248) |
| Others | (1,011) | (1,879) |
| Subtotal | (457,501) | (453,846) |
| Net interest income | 143,632 | 153,685 |
| Interest income accrued on impaired financial assets | 643 | 368 |

(a) Interest income of debt investment securities includes interest income of debt instruments at amortized cost and debt instruments at fair value through other comprehensive income.

## 8. NET FEE AND COMMISSION INCOME

| | Year ended 31 December | |
|---|---|---|
| | 2021 | 2020 |
| Fee and commission income | | |
| Fiduciary service fee | 1,225 | 1,529 |
| Loan arrangement fee | 330 | 519 |
| Credit commitment fee | 70 | 156 |
| Consultancy and advisory fee | 91 | 323 |
| Brokerage fee | 2 | 68 |
| Others | 655 | 781 |
| Subtotal | 2,373 | 3,376 |
| Fee and commission expense | (930) | (950) |
| Net fee and commission income | 1,443 | 2,426 |

## 9. NET TRADING AND FOREIGN EXCHANGE GAIN/(LOSS)

| | Year ended 31 December | |
|---|---|---|
| | 2021 | 2020 |
| Foreign exchange loss | (9,760) | (52,080) |
| Net gain on trading assets and other financial assets mandatorily classified at fair value through profit or loss | 33,881 | 28,230 |
| Net (loss)/gain on foreign exchange derivatives | (471) | 17,291 |
| Net gain on interest rate derivatives | 100 | 169 |
| Total | 23,750 | (6,390) |

## 10. DIVIDEND INCOME

| | Year ended 31 December | |
|---|---|---|
| | 2021 | 2020 |
| Trading assets and other financial assets mandatorily classified at fair value through profit or loss | 10,885 | 11,367 |
| Equity instruments at fair value through other comprehensive income (Designated) | 68 | – |
| Total | 10,953 | 11,367 |

## 11. NET (LOSS)/GAIN ON INVESTMENT SECURITIES

| | Year ended 31 December | |
|---|---|---|
| | 2021 | 2020 |
| Net (loss)/gain on disposal of debt instruments at fair value through other comprehensive income | (445) | 33 |

## 12. OTHER INCOME, NET

| | Year ended 31 December | |
|---|---|---|
| | 2021 | 2020 |
| Rental income, net | 7,349 | 4,627 |
| Others | 531 | (1,502) |
| Total | 7,880 | 3,125 |

## 13. OPERATING EXPENSES

| | Year ended 31 December | |
|---|---|---|
| | 2021 | 2020 |
| Staff costs | 7,593 | 7,109 |
| Taxes and surcharges | 4,335 | 4,384 |
| General operating and administrative expenses | 3,343 | 3,228 |
| Depreciation and amortization | 1,901 | 1,938 |
| Total | 17,172 | 16,659 |

## 14. CREDIT IMPAIRMENT LOSSES

| | Year ended 31 December | |
|---|---|---|
| | 2021 | 2020 |
| Loans and advances to customers | 74,024 | 1,442 |
| Debt instruments at amortized cost | (444) | 815 |
| Debt instruments at fair value through other comprehensive income | 351 | 558 |
| Loan commitments | 1,486 | 951 |
| Financial guarantee contracts | (3) | (691) |
| Others | 1,228 | 1,246 |
| Total | 76,642 | 4,321 |

## 15. INCOME TAX EXPENSE

| | Year ended 31 December | |
|---|---|---|
| | 2021 | 2020 |
| Current tax | 23,516 | 8,428 |
| Deferred tax (Note 27) | (11,228) | 14,803 |
| Total | 12,288 | 23,231 |

The income tax expense can be reconciled to profit before income tax presented in the consolidated income statement as follows:

| | Year ended 31 December | |
|---|---|---|
| | 2021 | 2020 |
| Profit before income tax | 93,082 | 142,047 |
| Tax calculated at the PRC statutory tax rate of 25% | 23,270 | 35,512 |
| Effect of different tax rates on subsidiaries | (550) | (293) |
| Tax effect of non-taxable income | (11,596) | (13,738) |
| Tax effect of deductible temporary differences not recognized | 17 | 330 |
| Tax effects of expenses not deductible for tax purpose and others | 1,147 | 1,420 |
| Income tax expense | 12,288 | 23,231 |

## 16. CASH AND BALANCES WITH CENTRAL BANKS

| | As at 31 December | |
|---|---|---|
| | 2021 | 2020 |
| Cash | 3 | 3 |
| Balances with central banks | 92,562 | 131,351 |
| Total | 92,565 | 131,354 |

## 17. DEPOSITS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

| | As at 31 December | |
|---|---|---|
| | 2021 | 2020 |
| Deposits with: | | |
| Domestic banks | 109,191 | 276,557 |
| Other domestic financial institutions | 12,480 | 10,075 |
| Overseas banks | 73,088 | 53,509 |
| Subtotal | 194,759 | 340,141 |
| Accrued interests | 294 | 1,719 |
| Total | 195,053 | 341,860 |
| Less: Allowance for impairment losses – Stage 1 | (9) | (7) |
| Deposits with banks and other financial institutions, net | 195,044 | 341,853 |

As at 31 December 2021, the restricted deposits with banks and other financial institutions of the Group amounted to RMB18,795 million (31 December 2020: RMB11,636 million), which were mainly security deposits pledge with clearing houses.

## 18. PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

| | As at 31 December | |
|---|---|---|
| | 2021 | 2020 |
| Placements with: | | |
| Domestic banks | 294,833 | 64,940 |
| Other domestic financial institutions | – | 1,000 |
| Overseas banks | 75,828 | 40,550 |
| Subtotal | 370,661 | 106,490 |
| Accrued interests | 585 | 60 |
| Total | 371,246 | 106,550 |
| Less: Allowance for impairment losses – Stage 1 | (131) | (14) |
| – Stage 2 | (29) | – |
| Placements with banks and other financial institutions, net | 371,086 | 106,536 |

## 19. DERIVATIVE FINANCIAL ASSETS AND LIABILITIES

### (1) Derivative financial instruments

The contractual notional amounts of derivative financial instruments provide a basis for comparison with fair values of instruments recognized on the consolidated statement of financial position, but do not necessarily indicate the amounts of future cash flows involved or the current fair values of the instruments and, therefore, do not indicate the Group's exposure to credit or market risks. The fair values of derivative instruments become favorable (assets) or unfavorable (liabilities) as a result of fluctuations in market interest rates or foreign exchange rates relative to their terms. The aggregate fair values of derivative financial assets and liabilities can fluctuate significantly.

The table below provides a detailed breakdown of the contractual or notional amounts and the fair values of the Group's derivative financial instruments outstanding at the balance sheet date.

| | 31 December 2021 | | |
|---|---|---|---|
| | Contractual/ Notional amount | Fair value | |
| | | Assets | Liabilities |
| Exchange rate derivatives | | | |
| Currency swaps (including cross-currency interest rate swaps) | 686,502 | 9,561 | (2,820) |
| Foreign exchange forwards and foreign exchange options | 3,632 | 48 | (7) |
| Subtotal | | 9,609 | (2,827) |
| Interest rate derivatives | | | |
| Interest rate swaps | 557,243 | 7,256 | (6,419) |
| Interest rate options | 6,383 | 113 | (113) |
| Subtotal | | 7,369 | (6,532) |
| Total | | 16,978 | (9,359) |

| | 31 December 2020 | | |
|---|---|---|---|
| | Contractual/ Notional amount | Fair value | |
| | | Assets | Liabilities |
| Exchange rate derivatives | | | |
| Currency swaps (including cross-currency interest rate swaps) | 981,097 | 26,726 | (16,846) |
| Foreign exchange forwards and foreign exchange options | 5,161 | 327 | (78) |
| Subtotal | | 27,053 | (16,924) |
| Interest rate derivatives | | | |
| Interest rate swaps | 831,536 | 10,446 | (9,681) |
| Interest rate options | 7,434 | 238 | (238) |
| Subtotal | | 10,684 | (9,919) |
| Total | | 37,737 | (26,843) |

## (2) Hedge accounting

### Fair value hedges

The Group uses interest rate swap contracts to hedge against changes in fair values attributable to interest rate risks of the negotiable certificates of deposits issued by the Group as presented in "Due to Customers" in the consolidated statement of financial position. As at 31 December 2021, the notional amount of the Group amounted to RMB7,523 million (31 December 2020: RMB10,831 million).

The Group's fair value changes on hedge instruments and the net gain or loss of hedged items arising from hedging risks, as well as the hedging ineffectiveness portion recognized from changes in fair value gain or loss are not material.

### Cash flow hedges

The Group uses interest rate swap to hedge against exposure to cash flow variability attributable to interest rate risks, with the hedged items being borrowings from other banks for the Group's leasing business. The Group also uses cross-currency interest rate swap to hedge against exposure to cash flow variability attributable to interest rate risks and exchange rate risks, with the hedged items being the bonds issued by the Group's subsidiary CDB Leasing Co., Ltd. As at 31 December 2021, the notional amount of two hedge business mentioned above amounted to RMB26,024 million and RMB875 million, respectively (31 December 2020: RMB29,506 million & RMB6,666 million, respectively).

As at 31 December 2021 and 2020, the Group recognized in other comprehensive income a cumulative profit or loss from fair value changes of cash flow hedging were insignificant.

# 20. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

| | As at 31 December | |
|---|---|---|
| | 2021 | 2020 |
| Analyzed by type of collateral: | | |
| Bonds | 494,383 | 586,804 |
| Others | 2,963 | 3,710 |
| Subtotal | 497,346 | 590,514 |
| Accrued interests | 174 | 171 |
| Total | 497,520 | 590,685 |
| Less: Allowance for impairment losses | | |
| Stage 1 | – | (2) |
| Stage 2 | – | – |
| Stage 3 | (2,306) | (2,371) |
| Subtotal | (2,306) | (2,373) |
| Financial assets held under resale agreements, net | 495,214 | 588,312 |

The collateral received in connection with resale agreements is disclosed in Note 48 (5) Collateral.

## 21. LOANS AND ADVANCES TO CUSTOMERS

### (1) The composition of loans and advance to customers is as follows:

| | As at 31 December 2021 | 2020 |
|---|---|---|
| At amortized cost, net (a) | 12,746,593 | 12,597,398 |
| At fair value through profit or loss (b) | 45,073 | 42,964 |
| Loans and advances to customers, net | 12,791,666 | 12,640,362 |

(a) The composition of loans and advance to customers measured at amortized cost is as follows:

| | As at 31 December 2021 | 2020 |
|---|---|---|
| Loans and advances to customers | 13,020,110 | 12,834,470 |
| Finance lease receivables and others | 199,479 | 173,991 |
| Subtotal | 13,219,589 | 13,008,461 |
| Accrued interests | 30,902 | 30,195 |
| Total | 13,250,491 | 13,038,656 |
| Stage 1 | 11,915,177 | 11,593,194 |
| Stage 2 | 1,205,460 | 1,329,834 |
| Stage 3 | 129,854 | 115,628 |
| Less: Allowance for impairment losses | | |
| Stage 1 | (192,457) | (124,211) |
| Stage 2 | (229,513) | (244,654) |
| Stage 3 | (81,928) | (72,393) |
| Subtotal | (503,898) | (441,258) |
| Loans and advance to customers measured at amortized cost, net | 12,746,593 | 12,597,398 |

(b) The composition of loans and advance to customers measured at fair value through profit or loss is as follows:

| | As at 31 December 2021 | 2020 |
|---|---|---|
| Carrying amount of loans and advances to customers | 42,909 | 41,463 |
| Fair value change | 2,164 | 1,501 |
| Total | 45,073 | 42,964 |

Finance lease receivables pledged by the Group is disclosed in Note 48 (5) Contingent Liabilities and Commitments – Collateral.

### (2) Movements of allowance for impairment losses are set out below:

| | Stage 1 | Stage 2 | Stage 3 | Total |
|---|---|---|---|---|
| | 12-month expected credit loss | Lifetime expected credit loss | | |
| As at 1 January 2021 | 124,211 | 244,654 | 72,393 | 441,258 |
| Transfers: | | | | |
| Transfers to Stage 1 | 17,706 | (17,706) | – | – |
| Transfers to Stage 2 | (20,124) | 23,255 | (3,131) | – |
| Transfers to Stage 3 | – | (8,590) | 8,590 | – |
| Originated or purchased financial assets | 28,013 | 23 | 9 | 28,045 |
| Remeasurement[(a)] | 61,204 | 14,177 | 22,981 | 98,362 |
| Repayment and transfer out | (17,761) | (22,158) | (12,464) | (52,383) |
| Write-off | – | – | (10,494) | (10,494) |
| Recovery of loans and advances previously write-off | – | – | 5,976 | 5,976 |
| Unwinding of discount on allowance | – | – | (643) | (643) |
| Foreign exchange differences | (792) | (4,142) | (1,289) | (6,223) |
| As a 31 December 2021 | 192,457 | 229,513 | 81,928 | 503,898 |

| | Stage 1 | Stage 2 | Stage 3 | Total |
|---|---|---|---|---|
| | 12-month expected credit loss | Lifetime expected credit loss | | |
| As at 1 January 2020 | 187,602 | 231,113 | 98,377 | 517,092 |
| Transfers: | | | | |
| Transfers to Stage 1 | 7,299 | (7,299) | – | – |
| Transfers to Stage 2 | (35,195) | 39,323 | (4,128) | – |
| Transfers to Stage 3 | – | (18,708) | 18,708 | – |
| Originated or purchased financial assets | 19,510 | 914 | – | 20,424 |
| Remeasurement[a] | (39,940) | 9,512 | 34,558 | 4,130 |
| Repayment and transfer out | (13,577) | (4,111) | (5,424) | (23,112) |
| Write-off | – | – | (64,554) | (64,554) |
| Unwinding of discount on allowance | – | – | (368) | (368) |
| Foreign exchange differences | (1,488) | (6,090) | (4,776) | (12,354) |
| As at 31 December 2020 | 124,211 | 244,654 | 72,393 | 441,258 |

(a) Remeasurement includes regular review of inputs to the models, e.g., reviewing of Probability of Defaults (PDs), Loss Given Defaults (LGDs) and Exposure at Defaults (EADs); transfers between Stage 1 and Stage 2 or 3 due to financial instruments experiencing significant increases (or decrease) of credit impairment in the period, and the consequent "set up" (or "set down") between 12-month and lifetime Expected Credit Loss (ECL).

(i) In 2021 major changes in the principal of loans and advances to customers that have a greater impact on the Group's credit loss allowance include:

As at 1 January 2021, the gross amount of loans and advances to customers in Stage 1 accounted for 89% of total beginning balance of loans and advances to customers. The changes of the Group's ECL of loans and advances to customers in Stage 1 were mainly driven by a net increase of nearly 3% in the corresponding gross amount;

As at 1 January 2021, the gross amount of loans and advances to customers in Stage 2 accounted for 10% of total beginning balance of loans and advances to customers. Approximately 1% of the beginning balance of Stage 1 transferred to Stage 2 in 2021;

As at 1 January 2021, the gross amount of loans and advances to customers in Stage 3 accounted for 1% of total beginning balance of loans and advances to customers. Approximately 2% of the beginning balance of Stage 2 transferred to Stage 3 in 2021. Such increase was offset by the decrease resulting from write-offs and recovery of approximately 18% of the beginning balance of Stage 3 loans and advances to customers.

(ii) For the year ended 31 December 2021, the gross carrying amount of the loans of which credit loss allowances were transferred from Stage 3 to Stage 2, and from Stage 3 or Stage 2 to Stage 1, which due to the modification of contractual cash flows but not resulting in derecognition were not significant.

## (3) Past due loans and advance to customers by collateral types are set out below:

Loans and advances to customers are classified as past-due if the principal or the interest is past due. For loans and advances to customers repayable by installment, if any installment repayment is past due, the total balance of the loans and advances is classified as past-due.

| | Past due | | | | |
|---|---|---|---|---|---|
| | Within 3 months | 3-12 months | 1-3 years | Over 3 years | Total |
| **As at 31 December 2021** | | | | | |
| Unsecured loans | 6,042 | 782 | 13,296 | 508 | 20,628 |
| Guaranteed loans | 815 | 328 | 7,028 | – | 8,171 |
| Loans secured by collateral | 11,236 | 9,742 | 35,863 | 6,362 | 63,203 |
| Pledged loans | 4,265 | 1,145 | 6,565 | 3,457 | 15,432 |
| Total | 22,358 | 11,997 | 62,752 | 10,327 | 107,434 |
| **As at 31 December 2020** | | | | | |
| Unsecured loans | 5,415 | 12,248 | 527 | 391 | 18,581 |
| Guaranteed loans | 5,504 | 1,739 | 235 | 174 | 7,652 |
| Loans secured by collateral | 16,973 | 32,162 | 26,258 | 7,215 | 82,608 |
| Pledged loans | 799 | 7,097 | 8,417 | 100 | 16,413 |
| Total | 28,691 | 53,246 | 35,437 | 7,880 | 125,254 |

## 22. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

| | As at 31 December | |
|---|---|---|
| | 2021 | 2020 |
| Trading assets and other financial assets mandatorily classified at fair value through profit or loss | | |
| Government and quasi-government bonds | 11,861 | 15,321 |
| Debt securities issued by financial institutions | 49,646 | 41,685 |
| Corporate bonds | 17,358 | 19,443 |
| Asset-backed securities | – | 16 |
| Inter-bank certificates of deposit | 171,243 | 206,146 |
| Asset management plans | 391 | 420 |
| Stock and fund investments | 16,425 | 13,806 |
| Wealth management products issued by other banks | 4,542 | 9,071 |
| Other equity investments | 733,860 | 746,809 |
| Subtotal | 1,005,326 | 1,052,717 |
| Financial assets at fair value through profit or loss (Designated)[a] | | |
| Debt securities issued by financial institutions | – | 40 |
| Corporate bonds | 573 | 2,321 |
| Asset-backed securities | 51 | – |
| Asset management plans | 16 | 625 |
| Subtotal | 640 | 2,986 |
| Total | 1,005,966 | 1,055,703 |

(a) Financial assets designated at fair value through profit or loss primarily include investments in bonds with funds from investors of wealth management products, which were issued by the Group before 2019.

## 23. DEBT INSTRUMENTS AT AMORTIZED COST

| | As at 31 December | |
|---|---|---|
| | 2021 | 2020 |
| Government and quasi-government bonds | 1,038,916 | 1,157,272 |
| Debt securities issued by financial institutions | 500 | 1,103 |
| Corporate bonds | 95,348 | 97,621 |
| Investments in trust plans and others | 3,208 | 6,428 |
| Subtotal | 1,137,972 | 1,262,424 |
| Accrued interests | 15,949 | 18,671 |
| Total | 1,153,921 | 1,281,095 |
| Stage 1 | 1,151,761 | 1,277,550 |
| Stage 2 | – | 13 |
| Stage 3 | 2,160 | 3,532 |
| Less: Allowance for impairment losses | | |
| Stage 1 | (5,214) | (5,216) |
| Stage 2 | – | (5) |
| Stage 3 | (1,790) | (2,874) |
| Subtotal | (7,004) | (8,095) |
| Debt instruments at amortized cost, net | 1,146,917 | 1,273,000 |

For the year ended 31 December 2021 and 2020, transfer among stages of the Group's debt instruments at amortized cost was not significant.

### (1) Movements of allowance for impairment losses are set out below:

| | Stage 1 | Stage 2 | Stage 3 | Total |
|---|---|---|---|---|
| | 12-month expected credit loss | Lifetime expected credit loss | | |
| As at 1 January 2021 | 5,216 | 5 | 2,874 | 8,095 |
| Transfers: | | | | |
| Stage 2 to Stage 3 | – | (5) | 5 | – |
| Originated or purchased financial assets | 86 | – | – | 86 |
| Remeasurement (a) | 71 | – | 20 | 91 |
| Repayments or transfer out | (47) | – | (1,111) | (1,158) |
| Foreign exchange differences | (112) | – | 2 | (110) |
| As at 31 December 2021 | 5,214 | – | 1,790 | 7,004 |
| As at 1 January 2020 | 5,196 | 1 | 2,391 | 7,588 |
| Transfers: | | | | |
| Stage 1 to Stage 2 | (1) | – | 1 | – |
| Stage 2 to Stage 3 | – | (1) | 1 | – |
| Originated or purchased financial assets | 5 | – | 270 | 275 |
| Remeasurement (a) | 361 | 5 | 238 | 604 |
| Repayments or transfer out | (47) | – | (17) | (64) |
| Foreign exchange differences | (298) | – | (10) | (308) |
| As at 31 December 2020 | 5,216 | 5 | 2,874 | 8,095 |

(a) Remeasurement mainly includes the impact of changes in parameters such as probability of default and loss given default, credit loss changes due to stage-transfer.

## 24. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

| | As at 31 December | |
|---|---|---|
| | 2021 | 2020 |
| Debt instruments at fair value through other comprehensive income | | |
| Government and quasi-government bonds | 223,971 | 158,269 |
| Debt securities issued by financial institutions | 9,345 | 27,520 |
| Corporate bonds | 81,474 | 109,004 |
| Asset-backed securities | 281 | 351 |
| Inter-bank certificates of deposit | 445,527 | 359,046 |
| Asset management plans | – | 1,013 |
| Subtotal | 761,598 | 655,203 |
| Accrued interests | 4,964 | 4,903 |
| Total | 766,562 | 660,106 |
| Stage 1 | 766,460 | 658,928 |
| Stage 2 | – | – |
| Stage 3 | 102 | 1,178 |
| Equity instruments at fair value through other comprehensive income (Designated) | | |
| Listed equity | 4,060 | 3,310 |
| Unlisted equity | 2,000 | 1,500 |
| Total | 6,060 | 4,810 |
| Financial Assets at fair value through other comprehensive income, total | 772,622 | 664,916 |

The Group has elected to irrevocably designate strategic investments of non-trading equity instruments at FVTOCI as permitted under IFRS 9. The changes in fair value of such instruments will no longer be reclassified to profit or loss when they are disposed of.

### (1) Movements of allowance for impairment losses are set out below:

| | Stage 1 | Stage 2 | Stage 3 | Total |
|---|---|---|---|---|
| | 12-month expected credit loss | Lifetime expected credit loss | | |
| As at 1 January 2021 | 74 | – | 726 | 800 |
| Originated or purchased financial assets | 51 | – | – | 51 |
| Remeasurement (a) | 23 | – | 323 | 346 |
| Repayment and transfer out | (31) | – | (15) | (46) |
| As at 31 December 2021 | 117 | – | 1,034 | 1,151 |

| | Stage 1 | Stage 2 | Stage 3 | Total |
|---|---|---|---|---|
| | 12-month expected credit loss | Lifetime expected credit loss | | |
| As at 1 January 2020 | 165 | 1 | 243 | 409 |
| Originated or purchased financial assets | 25 | – | – | 25 |
| Remeasurement (a) | (3) | – | 726 | 723 |
| Repayment and transfer out | (112) | (1) | (243) | (356) |
| Foreign exchange difference | (1) | – | – | (1) |
| As at 31 December 2020 | 74 | – | 726 | 800 |

(a) Remeasurement mainly includes the impact of changes in parameters such as probability of default and loss given default, credit loss changes due to stage-transfer.

## 25. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

The balance of interest in associates and joint ventures is as follows:

| | As at 31 December | |
|---|---|---|
| | 2021 | 2020 |
| Investments in associates and joint ventures | 443 | 1,046 |
| Allowance for impairment losses | – | (528) |
| Net | 443 | 518 |

Information of principal associates and joint ventures of the Group as at 31 December 2021 is as follows:

| Name of entity | Place of incorporation | Registered capital (in millions) | % of equity interest and voting rights | Principal business |
|---|---|---|---|---|
| Kaiyuan Guochuang Capital Management Co., Ltd | Mainland China | RMB100 | 45% indirectly held | Investment management and advisory |
| Weiguang Huitong Tourism Industry Development Co., Ltd | Mainland China | RMB400 | 44% indirectly held | Investment management and advisory |
| Kairong Cultural Tourism Industry Investment Fund Management (Beijing) Co. Ltd | Mainland China | RMB24 | 50% indirectly held | Investment management and advisory |
| Guangdong Kaiheng private equity investment fund Co., Ltd | Mainland China | RMB10 | 50% indirectly held | Investment management and advisory |

## 26. PROPERTY AND EQUIPMENT

| | As at 31 December | |
|---|---|---|
| | 2021 | 2020 |
| Cost | 137,984 | 119,486 |
| Accumulated depreciation | (25,987) | (22,723) |
| Allowance for impairment losses | (3,088) | (2,865) |
| Fixed asset held for disposal | 622 | 623 |
| Total | 109,531 | 94,521 |

### (a) Cost, accumulated depreciation and allowance for impairment losses of property and equipment are consisted of the following:

| | Buildings | Office and machinery equipment | Motor vehicles and vessels | Aircrafts | Construction in progress | Total |
|---|---|---|---|---|---|---|
| **Cost** | | | | | | |
| As at 31 December 2020 | 22,347 | 3,578 | 14,890 | 77,304 | 1,367 | 119,486 |
| As at 31 December 2021 | 22,323 | 3,413 | 28,401 | 82,403 | 1,444 | 137,984 |
| **Accumulated depreciation** | | | | | | |
| As at 31 December 2020 | (6,564) | (2,599) | (1,010) | (12,550) | – | (22,723) |
| As at 31 December 2021 | (7,422) | (2,736) | (1,872) | (13,957) | – | (25,987) |
| **Allowance for impairment losses** | | | | | | |
| As at 31 December 2020 | (66) | (294) | (240) | (2,227) | (38) | (2,865) |
| As at 31 December 2021 | (67) | (15) | (325) | (2,642) | (39) | (3,088) |
| **Net book value** | | | | | | |
| As at 31 December 2020 | 15,717 | 685 | 13,640 | 62,527 | 1,329 | 93,898 |
| As at 31 December 2021 | 14,834 | 662 | 26,204 | 65,804 | 1,405 | 108,909 |

## 27. DEFERRED TAX ASSETS AND LIABILITIES

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The following is the analysis of the deferred tax balances:

| | As at 31 December | |
|---|---|---|
| | 2021 | 2020 |
| Deferred tax assets | 138,127 | 124,221 |
| Deferred tax liabilities | (8,274) | (4,695) |
| Net | 129,853 | 119,526 |

### (1) Movements of deferred tax assets and liabilities:

| | Year ended 31 December | |
|---|---|---|
| | 2021 | 2020 |
| As at 1 January | 119,526 | 133,663 |
| Credited to profit or loss (Note 15) | 11,228 | (14,803) |
| Charged to other comprehensive income | (947) | 671 |
| Others | 46 | (5) |
| As at 31 December | 129,853 | 119,526 |

### (2) Deferred tax assets/(liabilities) and related temporary differences, before offsetting qualifying amounts, are attributable to the following items:

| | As at 31 December 2021 | | As at 31 December 2020 | |
|---|---|---|---|---|
| | Deductible/ (taxable) temporary difference | Deferred tax assets/(liabilities) | Deductible/ (taxable) temporary difference | Deferred tax assets/(liabilities) |
| **Deferred tax assets** | | | | |
| Impairment losses | 515,195 | 128,799 | 454,822 | 113,706 |
| Fair value changes of financial instruments | 56,078 | 13,971 | 69,236 | 17,309 |
| Provisions | 17,106 | 4,277 | 15,591 | 3,898 |
| Others | 1,580 | 358 | 1,697 | 388 |
| Subtotal | 589,959 | 147,405 | 541,346 | 135,301 |
| **Deferred tax liabilities** | | | | |
| Fair value changes of financial instruments | (61,835) | (15,458) | (59,959) | (14,990) |
| Others | (15,582) | (2,094) | (6,217) | (785) |
| Subtotal | (77,417) | (17,552) | (66,176) | (15,775) |
| Net | 512,542 | 129,853 | 475,170 | 119,526 |

## 28. OTHER ASSETS

| | As at 31 December | |
|---|---|---|
| | 2021 | 2020 |
| Prepayment to vendors | 12,263 | 2,087 |
| Interest receivable | 3,301 | 2,843 |
| Investment properties | 2,428 | 3,751 |
| Right-of-use assets | 2,019 | 2,576 |
| Goodwill (1) | 1,241 | 1,243 |
| Intangible assets | 864 | 762 |
| Long-term deferred expenses | 751 | 761 |
| Deposits with securities exchange | 261 | 939 |
| Held for sale assets | – | 1,860 |
| Others | 11,854 | 29,821 |
| Total | 34,982 | 46,643 |
| Less: Allowance for impairment losses | | |
| Interest receivable | (154) | (165) |
| Others | (3,046) | (1,936) |
| Subtotal | (3,200) | (2,101) |
| Other assets, net | 31,782 | 44,542 |

### (1) Goodwill

| | As at 31 December | |
|---|---|---|
| | 2021 | 2020 |
| Gross amount | 1,241 | 1,243 |
| Allowance for impairment losses | (534) | (534) |
| Net balances | 707 | 709 |

As at 31 December 2021 and 2020, the Group performed goodwill impairment test based on cash flow forecast of related cash-generating units. Based on the result of the impairment testing, RMB534 million impairment losses on goodwill were recognized as at 31 December 2021 (31 December 2020: RMB534 million).

## 29. DEPOSITS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

| | As at 31 December | |
|---|---|---|
| | 2021 | 2020 |
| Deposits from: | | |
| Domestic banks | 2,337,622 | 2,751,749 |
| Other domestic financial institutions | 20,719 | 82,977 |
| Overseas banks | 30,093 | 39,357 |
| Overseas other financial institutions | 4,916 | 1,237 |
| Subtotal | 2,393,350 | 2,875,320 |
| Accrued interests | 2,164 | 3,952 |
| Total | 2,395,514 | 2,879,272 |

## 30. BORROWINGS FROM GOVERNMENTS AND FINANCIAL INSTITUTIONS

| | As at 31 December | |
|---|---|---|
| | 2021 | 2020 |
| Borrowings from: | | |
| Domestic banks and other financial institutions | 370,163 | 420,198 |
| Overseas banks and other financial institutions | 56,288 | 56,879 |
| Foreign governments | 20,777 | 18,862 |
| Subtotal | 447,228 | 495,939 |
| Accrued interests | 1,733 | 3,113 |
| Total | 448,961 | 499,052 |

The collateral pledged under borrowings from governments and financial institutions is disclosed in Note 48 (5) Contingent Liabilities and Commitments – Collateral.

## 31. PLACEMENTS FROM BANKS

| | As at 31 December | |
|---|---|---|
| | 2021 | 2020 |
| Placements from: | | |
| Domestic banks | 55,426 | 74,597 |
| Overseas banks | 14,218 | 18,098 |
| Subtotal | 69,644 | 92,695 |
| Accrued interests | 36 | 169 |
| Total | 69,680 | 92,864 |

## 32. FINANCIAL LIABILITIES MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

As at 31 December 2021 and 2020, the Group's financial liabilities measured at fair value though profit or loss mainly comprise of the borrowing with conversion options from non-financial enterprises.

## 33. FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

| | As at 31 December | |
|---|---|---|
| | 2021 | 2020 |
| Analyzed by type of collateral: | | |
| Bonds | 21,188 | 124,623 |
| Subtotal | 21,188 | 124,623 |
| Accrued interests | 17 | 102 |
| Total | 21,205 | 124,725 |

The collateral pledged under repurchase agreements is disclosed in Note 48 (5) Contingent Liabilities and Commitments – Collateral.

## 34. DUE TO CUSTOMERS

| | As at 31 December | |
|---|---|---|
| | 2021 | 2020 |
| Demand deposits | 854,627 | 905,818 |
| Term deposits | 118,332 | 113,117 |
| Pledged deposits | 2,903 | 3,110 |
| Certificates of deposit | 101,401 | 143,251 |
| Subtotal | 1,077,263 | 1,165,296 |
| Accrued interests | 1,933 | 2,242 |
| Total | 1,079,196 | 1,167,538 |

## 35. DEBT SECURITIES ISSUED

| | | As at 31 December | |
|---|---|---|---|
| | | 2021 | 2020 |
| Debt securities issued by financial institutions | (1) | 11,142,456 | 10,361,137 |
| Subordinated bonds issued | (2) | 30,010 | 35,010 |
| Tier-two capital bonds issued | (3) | 84,222 | 114,389 |
| Asset-backed securities issued | (4) | – | 588 |
| Subtotal | | 11,256,688 | 10,511,124 |
| Accrued interests | | 223,689 | 210,968 |
| Total | | 11,480,377 | 10,722,092 |

As at 31 December 2021 and 2020, there was no default related to any debt securities issued by the Group.

## (1) Debt securities issued by financial institutions

| | As at 31 December 2021 | | | |
|---|---|---|---|---|
| | Year of issuance | Year of maturity | Coupon rates (%) | Outstanding balance |
| RMB financial bonds issued in domestic market | 2002-2021 | 2022-2065 | 1.86-5.90 | 9,758,861 |
| RMB special bonds issued in domestic market | 2015-2021 | 2022-2037 | 3.01-4.27 | 1,173,317 |
| Foreign currency financial bonds issued in domestic market | 2021 | 2022-2023 | 0.38-0.80 | 19,123 |
| RMB financial bonds issued in overseas market | 2012-2021 | 2023-2032 | 2.65-4.50 | 148,782 |
| Foreign currency financial bonds issued in overseas market | 2016-2021 | 2022-2037 | 0.00-4.00 | 134,090 |
| Bonds issued by the Bank | | | | 11,100,173 |
| Foreign currency bills issued by subsidiaries in overseas market | 2012-2021 | 2022-2027 | 0.80-3.75 | 40,361 |
| RMB bonds issued by subsidiaries in domestic market | 2017-2018 | 2022-2023 | 4.50-4.70 | 9,989 |
| RMB bills issued by subsidiaries in overseas market | 2019 | 2022 | 3.58 | 269 |
| Less: Debt securities issued by the Group and held by entities within the Group | | | | (8,336) |
| Debt securities issued by the Group | | | | 11,142,456 |

| | As at 31 December 2020 | | | |
|---|---|---|---|---|
| | Year of issuance | Year of maturity | Coupon rates (%) | Outstanding balance |
| RMB financial bonds issued in domestic market | 2001-2020 | 2021-2065 | 1.11-5.90 | 8,896,855 |
| RMB special bonds issued in domestic market | 2015-2020 | 2021-2037 | 2.96-4.62 | 1,231,702 |
| RMB financial bonds issued in overseas market | 2012-2020 | 2023-2032 | 3.03-4.50 | 12,300 |
| Foreign currency financial bond issued in overseas market | 2016-2020 | 2021-2037 | 0.00-4.00 | 170,100 |
| Bonds issued by the Bank | | | | 10,310,957 |
| Foreign currency bills issued by subsidiaries in overseas market | 2012-2020 | 2021-2027 | 1.21-4.25 | 44,275 |
| RMB bonds issued by subsidiaries in domestic market | 2017-2018 | 2021-2023 | 4.35-4.70 | 8,488 |
| RMB bills issued by subsidiaries in overseas market | 2019 | 2021-2022 | 2.94-3.65 | 713 |
| Less: Debt securities issued by the Group and held by entities within the Group | | | | (3,296) |
| Debt securities issued by the Group | | | | 10,361,137 |

## (2) Subordinated bonds issued

| | As at 31 December 2021 | | | |
|---|---|---|---|---|
| | Year of issuance | Year of maturity | Coupon rates (%) | Outstanding balance |
| RMB subordinated bonds issued by the Bank in domestic market | 2011-2012 | 2041-2062 | 5.50-6.05 | 30,010 |

| | As at 31 December 2020 | | | |
|---|---|---|---|---|
| | Year of issuance | Year of maturity | Coupon rates (%) | Outstanding balance |
| RMB subordinated bonds issued by the Bank in domestic market | 2011-2012 | 2041-2062 | 5.50-6.05 | 30,010 |
| RMB subordinated bonds issued by subsidiaries in domestic market | 2016 | 2021 | 3.58 | 5,000 |
| Subordinated bonds issued by the Group | | | | 35,010 |

All subordinated bonds issued by the Bank have provisions which allow the Bank to redeem them prior to maturity. If the Bank chooses not to exercise its redemption option on a specified date, it is obligated to pay higher interest rates on the bonds.

## (3) Tier-two capital bonds issued

| | As at 31 December 2021 | | | |
|---|---|---|---|---|
| | Year of issuance | Year of maturity | Coupon rates (%) | Outstanding balance |
| RMB Tier-two capital bonds issued by the Bank in domestic market | 2018-2020 | 2028-2030 | 3.88-4.45 | 79,807 |
| USD Tier-two capital bonds issued by the subsidiaries in overseas market | 2020 | 2030 | 2.88 | 4,415 |
| Tier-two capital bonds issued by the Group | | | | 84,222 |

| | As at 31 December 2020 | | | |
|---|---|---|---|---|
| | Year of issuance | Year of maturity | Coupon rates (%) | Outstanding balance |
| RMB Tier-two capital bonds issued by the Bank in domestic market | 2016-2020 | 2026-2030 | 3.65-4.45 | 109,876 |
| USD Tier-two capital bonds issued by the subsidiaries in overseas market | 2020 | 2030 | 2.88 | 4,513 |
| Tier-two capital bonds issued by the Group | | | | 114,389 |

The Group issued Tier-two capital bonds which have fixed coupon rates in year 2018 and 2020. The Group has an option to redeem part or all of the bond at face value upon the closing of the fifth year after the bonds' issuance, if specified redemption conditions as stipulated in the offering documents were met, subject to regulatory approval. If the Group did not exercise this option, the coupon rate of the bonds would remain the same as the existing rate.

These Tier-two capital bonds have the write-down feature of a Tier-two capital instrument, which allows the Bank to write down the entire principal of the bonds when regulatory triggering events as stipulated in the offering documents occur and any accumulated unpaid interest would become not payable.

## 36. OTHER LIABILITIES

| | As at 31 December | |
|---|---|---|
| | 2021 | 2020 |
| Deferred government subsidies for education loans | 27,628 | 28,969 |
| Provision for loss on loan commitments and financial guarantee contracts | 17,193 | 15,710 |
| Payables to other holders of consolidated structured entities | 13,454 | 16,368 |
| VAT and other taxes payable | 10,094 | 9,818 |
| Security deposits for leasing | 7,221 | 7,591 |
| Amounts received in advance | 6,694 | 7,468 |
| Accrued staff cost | 3,270 | 3,050 |
| Purchase payable to leasing equipment vendor | 2,584 | 586 |
| Maintenance deposits from lessees | 1,604 | 2,462 |
| Leases liabilities | 935 | 1,245 |
| Payables for security brokerage service | 45 | 78 |
| Held for sale liabilities | – | 1,157 |
| Others | 6,843 | 6,428 |
| Total | 97,565 | 100,929 |

## 37. SHARE CAPITAL

| | As at 31 December 2021 and 2020 | |
|---|---|---|
| | Amount | % |
| MOF | 153,908 | 36.54 |
| Huijin | 146,092 | 34.68 |
| Buttonwood Investment Holding Company Ltd. | 114,537 | 27.19 |
| National Council for Social Security Fund | 6,711 | 1.59 |
| Total | 421,248 | 100.00 |

As at 31 December 2021 and 2020, there was no change in the Bank's equity holders' equity amount or their holding percentage.

## 38. CAPITAL RESERVE

| | Capital premium | Others[(a)] | Total |
|---|---|---|---|
| As at 1 January 2021 | 182,650 | (973) | 181,677 |
| Additions | – | 608 | 608 |
| As at 31 December 2021 | 182,650 | (365) | 182,285 |

| | Capital premium | Others[(a)] | Total |
|---|---|---|---|
| As at 1 January 2020 | 182,650 | (657) | 181,993 |
| Additions | – | (316) | (316) |
| As at 31 December 2020 | 182,650 | (973) | 181,677 |

(a) Others include remeasurement of supplemental retirement benefits obligation and the effective portion of changes in the fair value of derivatives that are designated and qualified as cash flow hedges.

## 39. INVESTMENT REVALUATION RESERVE

| | Gross amount | Tax effect | Net effect |
|---|---|---|---|
| As at 1 January 2021 | (13,031) | (1,724) | (14,755) |
| Amount of loss of debt instruments measured at FVTOCI recognized directly in other comprehensive income | | | |
| – Fair value changes of investments in debt instruments measured at FVTOCI | 2,129 | (770) | 2,159 |
| – Net gain on investments in debt instruments measured at FVTOCI reclassified to profit or loss on disposal | 4 | (1) | 3 |
| – Impairment losses of investments in debt instruments measured at FVTOCI | 233 | (68) | 165 |
| Amount of loss of equity instruments designated as FVTOCI recognized directly in other comprehensive income | | | |
| – Fair value changes of investments in equity instruments designated as FVTOCI | 891 | (10) | 881 |
| As at 31 December 2021 | (8,974) | (2,573) | (11,547) |

| | Gross amount | Tax effect | Net effect |
|---|---|---|---|
| As at 1 January 2020 | (11,409) | (2,307) | (13,716) |
| Amount of loss of debt instruments measured at FVTOCI recognized directly in other comprehensive income | | | |
| – Fair value changes of investments in debt instruments measured at FVTOCI | (1,414) | 354 | (1,060) |
| – Net loss on investments in debt instruments measured at FVTOCI reclassified to profit or loss on disposal | 176 | (44) | 132 |
| – Impairment losses of investments in debt instruments measured at FVTOCI | 280 | (111) | 169 |
| Amount of gain of equity instruments designated as FVTOCI recognized directly in other comprehensive income | | | |
| – Fair value changes of investments in equity instruments designated as FVTOCI | (664) | 384 | (280) |
| As at 31 December 2020 | (13,031) | (1,724) | (14,755) |

## 40. SURPLUS RESERVE AND GENERAL RESERVE

### (1) Statutory and general surplus reserve

According to relevant laws and regulations, the Bank is required to appropriate 10% of its profit for the year, as determined under the PRC GAAP, to statutory surplus reserve. When statutory surplus reserve has reached 50% of the Bank's share capital, the Bank would not be required to further appropriate to statutory surplus reserve. The statutory surplus reserve appropriated by the Bank can be used to replenish accumulated loss of the Bank or to increase the Bank's share capital upon approval. The remaining balance of the statutory surplus reserve should not be lower than 25% of the Bank's share capital after such capitalization. In addition, the Bank appropriates general surplus reserve as approved by the Board of Directors.

### (2) General reserve

| | As at 31 December | |
|---|---|---|
| | 2021 | 2020 |
| The Bank[(a)] | 253,382 | 244,206 |
| Subsidiaries[(b)] | 5,137 | 4,760 |
| Total | 258,519 | 248,966 |

(a) Pursuant to Cai jin [2012] No. 20 "Requirements on Impairment Allowance for Financial Institutions" (the "Requirement") issued by the MOF in 2012, the Bank is required to establish a general reserve to address unidentified potential impairment losses. The general reserve should not be lower than 1.5% of the outstanding balance of risk-bearing assets as at the year-end date.

(b) Pursuant to relevant regulatory requirements in the PRC, subsidiaries of the Group are required to appropriate certain amounts of its profit for the year as general reserves.

## 41. RETAINED EARNINGS

| | Notes | 2021 | 2020 |
|---|---|---|---|
| As at 1 January | | 434,686 | 376,035 |
| Add: Profit for the year attributable to equity holders of the Bank | | 78,960 | 117,376 |
| Less: Appropriation to statutory surplus reserve | (a) | (6,420) | (9,084) |
| Appropriation to general surplus reserve | (b) (i) | (9,083) | (11,148) |
| Appropriation to general reserve | (b) (ii) | (9,553) | (10,622) |
| Dividends | (b) (iii) | (22,707) | (27,871) |
| As at 31 December | | 465,883 | 434,686 |

### (a) Profit appropriation for 2021

The Bank appropriated RMB6,420 million to the statutory surplus reserve based on profit for the year of 2021. Other proposal for profit appropriations of the Bank for the year ended 31 December 2021 is pending for approval by the Board of Directors.

### (b) Profit appropriation for 2020

Pursuant to the Board of Directors' Meeting held on 18 December 2021, the proposal for profit appropriations of the Bank for the year ended 31 December 2020 was approved as following:

(i) An appropriation of RMB9,083 million to the general surplus reserve by the Bank which had been included in the Group's consolidated financial statements for the year ended 31 December 2021.

(ii) An appropriation of RMB9,176 million to the general reserve by the Bank which had been included in the Group's consolidated financial statements for the year ended 31 December 2021.

(iii) A cash dividend of RMB22,707 million by the Bank for the year ended 31 December 2020 which has been included in the Group's consolidated financial statements for the year ended 31 December 2021. As ended 31 December 2021, the cash dividend has been paid.

(c) As at 31 December 2021 and 2020, retained earnings include surplus reserve appropriated by the Bank's subsidiaries that attributable to the Bank amounting RMB6,730 million and RMB4,658 million.

## 42. NON-CONTROLLING INTERESTS

Non-controlling interests of the Group are as follows:

| | As at 31 December | |
|---|---|---|
| | 2021 | 2020 |
| CDB Capital Co., Ltd. | 9,805 | 12,147 |
| CDB Leasing Co., Ltd. | 10,718 | 9,480 |
| CDB Securities Co., Ltd. | 3,311 | 3,196 |
| Total | 23,834 | 24,823 |

## 43. CASH FLOW INFORMATION

### Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise the following balances:

| | As at 31 December | |
|---|---|---|
| | 2021 | 2020 |
| Balance with central banks and deposits with banks and other financial institutions | 160,878 | 189,932 |
| Balances with an original maturity of three months or less: | | |
| Financial assets held under resale agreements | 488,162 | 581,865 |
| Placements with banks and other financial institutions | 105,391 | 87,209 |
| Investments in government bonds | 1,950 | – |
| Total | 756,381 | 859,006 |

## 44. STRUCTURED ENTITIES

### (1) Consolidated structured entities issued, initiated and managed by the Group

Structured entities consolidated by the Group include certain asset-backed securities, asset management plans and funds issued, initiated and managed by the Group. The Group has power over these structured entities, is entitled to variable returns from its involvement in related activities and is able to use its power to affect the amount of its variable returns from such structured entities. Therefore, the Group has control over these structured entities.

As at 31 December 2021, the total assets of the consolidated structured entities referred to above totaled RMB20,687 million (31 December 2020: RMB29,979 million).

### (2) Unconsolidated structured entities issued, initiated and managed by the Group

#### (a) Structured entities issued, initiated and managed by the Group

Unconsolidated structured entities issued, initiated and managed by the Group primarily include non-principal guaranteed wealth management products, asset-backed securities, assets management plans and funds. The Group has no plans to provide financial or other support to these unconsolidated structured entities.

As at 31 December 2021, the total assets of unconsolidated structured entities issued, initiated and managed by the Group amounted to RMB134,603 million (31 December 2020: RMB172,623 million). The carrying amount of the Group's share in these structured entities amounted to RMB7,533 million (31 December 2020: RMB5,325 million). These amounts represented the Group's maximum exposure to these structured entities.

#### (b) Structured entities issued, initiated and managed by the third party

The Group classifies its interest held in other structured entities issued and managed by other third-party entities into financial assets measured at fair value through profit or loss and financial assets at fair value through other comprehensive income. As at 31 December 2021, the information on the amount of total assets of these unconsolidated structured entities was not readily available from the public domain.

As at 31 December 2021, the balance of structured entities issued by other institutions held by the Group amounted to RMB22,961 million (31 December 2020: RMB26,351 million). Among them, the balance reported on trading assets and other financial assets amounted to RMB22,640 million (31 December 2020: RMB26,252 million), the balance reported on the investment on debt instruments at amortized cost amounted to RMB91 million (31 December 2020: None), and the balance reported on the investment on debt instruments at fair value through other comprehensive income amounted to RMB230 million (31 December 2020: RMB99 million). The transactions mentioned above represent the Group's maximum exposure to the risk on structured entities.

## 45. TRANSFERS OF FINANCIAL ASSETS

The Group enters into securitization transactions by which it transfers loans to structured entities which issue asset-backed securities to investors. The Group assessed among other factors, whether or not to derecognize the transferred assets by evaluating the extent to which it retains the risks and rewards of the assets and whether it has relinquished its controls over these assets based on the criteria as detailed in Note 3 (13) (h) and Note 4 (4).

As at 31 December 2021, the unexpired asset-backed securities included accumulative loans transferred by the Group before impairment of RMB511 million (31 December 2020: RMB2,057 million), among which:

– RMB511 million was in respect of loans transferred that the Group retained substantially all the risks and rewards of these special purpose trusts and therefore has not been derecognized in the consolidated financial statements (31 December 2020: RMB1,886 million).

– As at 31 December 2021 and 2020, the Group had no continuing involvement in these assets.

– As at 31 December 2021, the Group had no balance in respect of loans transferred that qualified for full derecognition. As at 31 December 2020, RMB171 million was in respect of loans transferred that qualified for full derecognition. Carrying amount/maximum exposure to loss was RMB16 million.

## 46. SEGMENT INFORMATION

The Group reviews the internal reporting in order to assess performance and allocate resources. Segment information is presented on the same basis as the Group's management and internal reporting.

All transactions between operating segments are conducted on an arm's length basis, with intra-segment revenue and costs being eliminated at head office level. Income and expenses directly associated with each segment are included in determining operating segment performance.

In accordance with IFRS 8, the Group has the following operating segments: banking, equity investment, leasing and securities. The Group's main operating segments are set out below:

### (1) Banking operations

This segment consists of corporate banking, debt issuance and treasury operations. The corporate banking operations primarily consist of lending, deposits, agency services, consulting and advisory services, cash management, remittance and settlement, custody and guarantee services. Debt issuance is the major source of funding to corporate banking operations. The treasury operations primarily include money market transactions, foreign exchange transactions, bond investments, customer-based interest rate and foreign exchange derivative transactions and asset and liability management.

### (2) Equity investment

This segment consists of equity investment activities.

### (3) Leasing operations

This segment consists of finance lease and operating lease business in which the Group acts as a lessor.

### (4) Securities operations

This segment consists of security brokerage, proprietary trading and underwriting operations.

| 2021 | Banking | Equity investment | Leasing | Securities | Consolidation and elimination | Total |
|---|---|---|---|---|---|---|
| Interest income | 591,113 | 746 | 10,131 | 1,257 | (2,114) | 601,133 |
| Interest expense | (448,833) | (2,021) | (8,088) | (715) | 2,156 | (457,501) |
| Net interest income | 142,280 | (1,275) | 2,043 | 542 | 42 | 143,632 |
| *Include: Net interest income from customers* | *141,120* | *87* | *2,123* | *302* | *–* | *143,632* |
| *Inter-segment net interest income/(expenses)* | *1,160* | *(1,362)* | *(80)* | *240* | *42* | *–* |
| Net fee and commission income | 868 | 301 | (82) | 351 | 5 | 1,443 |
| *Include: Net fee and commission from customers* | *810* | *301* | *(13)* | *345* | *–* | *1,443* |
| *Inter-segment net fee and commission* | *58* | *–* | *(69)* | *6* | *5* | *–* |
| Other income, net[(a)] | 17,678 | 17,938 | 8,075 | 243 | (1,044) | 42,890 |
| Operating expenses and credit impairment and other impairment losses on assets | (88,917) | (320) | (4,500) | (850) | (296) | (94,883) |
| Profit before income tax | 71,909 | 16,644 | 5,536 | 286 | (1,293) | 93,082 |
| **As at 31 December 2021** | | | | | | |
| Segment assets | 16,619,924 | 217,855 | 340,163 | 41,540 | (189,668) | 17,029,814 |
| Unallocated assets | | | | | | 138,127 |
| Total assets | | | | | | 17,167,941 |
| Segment liabilities | 15,458,288 | 64,002 | 309,909 | 26,082 | (236,894) | 15,621,387 |
| Unallocated liabilities | | | | | | 8,274 |
| Total liabilities | | | | | | 15,629,661 |
| **Other information:** | | | | | | |
| Depreciation and amortization | 1,692 | 231 | 4,349 | 68 | (122) | 6,218 |
| Capital expenditure | 593 | 1 | 24,551 | 16 | – | 25,161 |
| Credit Impairment losses | 74,037 | (504) | 2,443 | 270 | 396 | 76,642 |
| Other impairment losses on assets | 2 | – | 1,067 | – | – | 1,069 |
| Credit commitments | 3,555,880 | 244 | – | – | (19,376) | 3,536,748 |

| 2020 | Banking | Equity investment | Leasing | Securities | Consolidation and elimination | Total |
|---|---|---|---|---|---|---|
| Interest income | 597,630 | 864 | 9,476 | 1,250 | (1,689) | 607,531 |
| Interest expense | (446,125) | (2,285) | (6,981) | (673) | 2,218 | (453,846) |
| Net interest income | 151,505 | (1,421) | 2,495 | 577 | 529 | 153,685 |
| *Include: Net interest income from customers* | *150,605* | *(83)* | *2,652* | *511* | – | *153,685* |
| *Inter-segment net interest income/(expenses)* | *900* | *(1,338)* | *(157)* | *66* | *529* | – |
| Net fee and commission income | 1,517 | 427 | (81) | 567 | (4) | 2,426 |
| *Include: Net fee and commission from customers* | *1,458* | *428* | *(16)* | *555* | *1* | *2,426* |
| *Inter-segment net fee and commission* | *59* | *(1)* | *(65)* | *12* | *(5)* | – |
| Other income, net[a] | (13,189) | 17,631 | 5,340 | 602 | (1,871) | 8,513 |
| Operating expenses and credit impairment and other impairment losses on assets | (16,732) | (1,352) | (3,170) | (1,565) | 242 | (22,577) |
| Profit before income tax | 123,101 | 15,285 | 4,584 | 181 | (1,104) | 142,047 |
| **As at 31 December 2020** | | | | | | |
| Segment assets | 16,646,720 | 202,143 | 301,999 | 43,403 | (214,911) | 16,979,354 |
| Unallocated assets | | | | | | 124,221 |
| Total assets | | | | | | 17,103,575 |
| Segment liabilities | 15,320,537 | 71,539 | 275,943 | 28,115 | (77,846) | 15,618,288 |
| Unallocated liabilities | | | | | | 4,695 |
| Total liabilities | | | | | | 15,622,983 |
| **Other information:** | | | | | | |
| Depreciation and amortization | 1,722 | 259 | 4,134 | 78 | (185) | 6,008 |
| Capital expenditure | 602 | 15 | 16,931 | 24 | – | 17,572 |
| Credit Impairment losses | 2,174 | 516 | 708 | 1,025 | (102) | 4,321 |
| Other impairment losses on assets | 23 | – | 1,574 | – | – | 1,597 |
| Credit commitments | 3,512,038 | 244 | – | – | (23,524) | 3,488,758 |

(a) Other income includes net trading and foreign exchange gain/(loss), net gain on financial instruments designated at fair value through profit or loss, net gain on derecognition of debt instruments at amortized cost, dividend income, net gain on investment securities, other income and share of profit of associates and joint ventures.

## 47. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

### (1) Ministry of Finance

As at 31 December 2021 and 2020, the MOF owned 36.54% of the issued share capital of the Bank.

The Group enters into transactions with the MOF in its ordinary course of business, including subscription and redemption of treasury bonds. Details of transactions with the MOF are as follows:

| | As at 31 December | |
|---|---|---|
| | 2021 | 2020 |
| Treasury bonds issued by the MOF | 80,734 | 74,432 |
| Interest rate range (%) | 0.00-4.68 | 1.99-4.68 |

| | Year ended 31 December | |
|---|---|---|
| | 2021 | 2020 |
| Interest income | 2,294 | 2,429 |
| Net trading gain | 45 | 94 |

### (2) Huijin

Huijin is a wholly owned subsidiary of China Investment Corporation, with a registered capital of RMB828,209 million. Its principal activities are equity investments as authorized by the Chinese State Council and it does not engage in other commercial operations. Huijin exercises its rights and assumes the obligations as an investor of the Bank on behalf of the PRC Government. As at 31 December 2021 and 2020, Huijin owned 34.68% of the issued share capital of the Bank.

Details of the balances and transactions with Huijin were as follows:

| | As at 31 December | |
|---|---|---|
| | 2021 | 2020 |
| Trading assets and other financial assets mandatorily classified at fair value through profit or loss | 2,992 | 4,099 |
| Debt instruments at fair value through other comprehensive income | 49,833 | 42,539 |
| Interest rate range (%) | 2.15-4.38 | 2.15-5.15 |

| | Year ended at 31 December | |
|---|---|---|
| | 2021 | 2020 |
| Interest income | 1,647 | 1,106 |
| Net trading gain | 96 | 173 |

Transactions with Huijin and transactions with entities controlled or jointly controlled by Huijin are carried out in the Group's ordinary course of business under normal commercial terms.

## (3) Buttonwood Investment Holding Company Ltd. ('Buttonwood')

Buttonwood is a wholly owned subsidiary of the State Administration of Foreign Exchange of China. Its principal activities are domestic and overseas investments in project, equity, debt, loan and fund, fiduciary management and investment management.

As at 31 December 2021 and 2020, Buttonwood owned 27.19% of the issued share capital of the Bank.

Transactions with Buttonwood and transactions with entities controlled or joint controlled by Buttonwood are carried out in the Group's ordinary course of business under normal commercial terms.

## (4) Transaction with subsidiaries

Outstanding balances of transactions with subsidiaries included in the Bank's statement of financial position are as follows:

| | As at 31 December | |
|---|---|---|
| | 2021 | 2020 |
| Assets | | |
| Derivative financial assets | 19 | 46 |
| Loans and advances to customers | 42,175 | 43,232 |
| Financial assets at fair value through profit or loss | – | 40 |
| Financial assets at fair value through other comprehensive income | 126 | – |
| Property and equipment | – | 787 |
| Other assets | 4 | 1,214 |
| Liabilities | | |
| Deposits from banks and other financial institutions | 103 | 1,000 |
| Due to customers | 109,497 | 100,914 |
| Debt securities issued | 8,269 | 3,139 |
| Other liabilities | 22 | 676 |

As at 31 December 2021, the total outstanding balance of loan commitments and financial guarantee contracts issued to subsidiaries were RMB19,376 million (31 December 2020: RMB23,524 million).

Transactions with subsidiaries included in the Bank's income statement are as follows:

| | Year ended 31 December | |
|---|---|---|
| | 2021 | 2020 |
| Interest income | 1,685 | 1,657 |
| Interest expense | (693) | (915) |
| Fee and commission income | 70 | 66 |
| Fee and commission expense | (11) | (8) |
| Net trading and foreign exchange gain | – | (31) |
| Dividend income | 10,517 | 2,075 |

Transactions between the Bank and its subsidiaries are carried out on normal commercial terms in ordinary course of business.

## (5) Transactions with associates and joint ventures

Transactions between the Group and its associates and joint ventures are carried out on normal commercial terms in ordinary course of business. The Group's transactions and balances with associates and joint ventures for the years ended 31 December 2021 and 2020 were not significant.

## (6) Key management personnel

Key management personnel are those persons who have the authority and responsibility to plan, direct and control the activities of the Group. During the years ended 31 December 2021 and 2020, the Group had no material transactions with key management personnel.

## (7) The Group and the Annuity Scheme

During the years ended 31 December 2021 and 2020, the Group had no material transactions with the Annuity Scheme set up by the Bank, apart from the obligation for defined contribution to the Annuity Scheme.

## 48. CONTINGENT LIABILITIES AND COMMITMENTS

### (1) Legal proceedings

As at 31 December 2021, the Group was involved in certain lawsuits arising from its normal business operations. After consulting legal professionals, management of the Group believes that the ultimate outcome of these lawsuits will not have a material impact on the financial position or operating result of the Group.

### (2) Credit commitments

| | As at 31 December | |
|---|---|---|
| | 2021 | 2020 |
| Loan commitments | 3,515,207 | 3,454,884 |
| Letters of guarantee issued | 9,262 | 17,526 |
| Bank acceptance | 8,700 | 9,606 |
| Letters of credit issued | 3,579 | 6,742 |
| Total | 3,536,748 | 3,488,758 |

As at 31 December 2021, the amount of credit commitments with original maturities of less than one year was RMB54,294 million (31 December 2020: RMB96,099 million), with the remainder of the credit commitments were all with original maturities over one year.

### (3) Capital commitments

| | As at 31 December | |
|---|---|---|
| | 2021 | 2020 |
| Contracted but not provided for | | |
| – equity instruments | 38,440 | 38,365 |
| – property and equipment | 37,911 | 53,133 |
| Total | 76,351 | 91,498 |

The Group's capital commitments of property and equipment are mainly purchased fixed assets for lease. As at 31 December 2021, the Group's capital commitments of purchased fixed assets for lease were RMB37,262 million (31 December 2020: RMB52,333 million).

### (4) Finance lease commitments

At the end of each reporting period, the Group, as a lessor, had the following non-cancellable finance lease commitments:

| | As at 31 December | |
|---|---|---|
| | 2021 | 2020 |
| Contractual amount | 30,184 | 29,046 |

As at 31 December 2021, the Group's finance lease commitments were all within one year.

### (5) Collateral

#### (a) Assets pledged

The carrying amounts of assets pledged as collateral under repurchase agreements at the end of each reporting period are as follows:

| | As at 31 December | |
|---|---|---|
| | 2021 | 2020 |
| Bonds | 22,792 | 128,994 |

As at 31 December 2021, the principal of financial assets sold under repurchase agreements by the Group was RMB21,188 million (31 December 2020: RMB124,623 million) as set out in Note 33. All repurchase agreements were due within 5 years from the effective date of these agreements.

In addition, certain finance lease receivables and leased assets under operating lease, where the Group was a lessor, were pledged as collateral for borrowings from other banks. As at 31 December 2021, carrying amounts of these collateral amounted to RMB71,406 million (31 December 2020: RMB34,001 million).

#### (b) Collateral accepted

The Group received securities as collateral in connection with the purchase of financial assets under resale agreements (Note 20). The Group did not hold any collateral that can be resold or re-pledged as at 31 December 2021 and 31 December 2020.

## 49. FINANCIAL RISK MANAGEMENT

### (1) Strategies adopted in managing financial risks

The Group's activities expose it to a variety of financial risks. The Group analyzes, identifies, monitors and reports on these financial risks or the combinations of these financial risks during its operations. Risk-taking is a core characteristic of a financial undertaking, and business operations cannot be carried out without being exposed to operating risks. The Group's aim is, therefore, to achieve an appropriate balance between risks and returns, and minimize the potential adverse effects these risks may have on the Group's financial performance.

The Group raises funds primarily through issuing fixed-rate and floating-rate debts with different maturities, and earns spread income by investing these funds in medium – to long-term lending projects in infrastructure sectors, basic industries and pillar industries. In China, the benchmark deposit and lending interest rates are set by the People's Bank of China, the central bank. The PBOC established RMB benchmark interest rates for loans whereby financial institutions are in a position to price their loans based on credit risk, commercial and market factors. The Group seeks to increase its profitability by minimizing the funding costs as it issues different types of bonds, where feasible under market conditions, to meet its asset and liability management needs and funding needs.

The Group carries out a range of plain vanilla derivative transactions including, among others, currency forward, currency and interest rate swaps, interest rate floor options, for risk management purposes as well as to meet the needs of its customers.

The Group provides appropriate risk limits and control measures in its risk management policies, and monitors the risks and the implementation of the risk limits in reliance of reliable and timely information from its information systems, as part of its efforts to identify and analyze risks. The Group regularly reviews and continues to make improvement to its risk management policies and systems to reflect changes in markets and products, and incorporate best practices. The most important types of financial risks to which the Group is exposed are credit risk, liquidity risk and market risk.

## (2) Credit risk

The Group takes on exposure to credit risk which represents the potential loss that may arise from a customer's or counterparty's failing to discharge an obligation. Credit risk is the most important risk for the Group's business, management therefore carefully manages its exposure to credit risk. Credit exposures arise principally in lending activities that lead to loans and advances, and investment activities including debt instruments and derivatives. Off-balance sheet financial instruments, such as loan commitments and financial guarantee contracts, also expose the Group to credit risk.

In accordance with the CBIRC's regulatory guidelines on the internal credit rating approach, and in light of its unique business features, the Group has established its credit rating framework, including credit rating methodologies, procedures, control and management, data collection and IT infrastructure. It is a two-dimensional risk rating framework that incorporates both customer credit ratings for their probabilities of default and the facility credit ratings for estimated loss given default when the customers become default. To ensure the accuracy and comprehensiveness of the ratings, the Group has also established internal guidelines and criteria for country rating, sovereign rating, regional rating and industry rating.

### (a) Credit Risk Management

The Group performs standardized credit management procedures on the entire credit process, including credit due diligence and loan applications, credit review and approval, loan disbursement, post-lending monitoring and non-performing loan management. By applying strict and standardized credit operational procedures, the Group strives to strengthen its end-to-end credit management for pre-lending due diligence, credit rating, review and approval, disbursement review and approval, and post-lending monitoring, improve the mitigating effectiveness of collateral, accelerate the recovery and disposal of non-performing loans, and drive the upgrade of its credit management systems, as part of its efforts to comprehensively enhance its credit risk management capabilities across the Group.

The Group writes off a financial asset, in whole or in part, when it comes to the conclusion, after exhausting all necessary recovery procedures, that it cannot reasonably expect to recover the whole or part of the financial asset. Indicators that it has become impossible to reasonably expect to recover a financial asset, in whole or in part, include: (1) enforcement has been completed; and (2) the Group has no other recovery alternative but to foreclose and dispose of the collateral, and does not expect the value of the collateral to fully cover the principal and interest of the financial asset.

Apart from the credit risk exposures on credit assets, the Group is also exposed to credit risk arising from its treasury operations, and it manages its risk exposures on its treasury operations by carefully screening counterparties with acceptable credit quality, balancing credit risk and investment returns, adopting rating-based underwriting by comprehensively considering the internal and external credit rating information, and reviewing and adjusting credit limits in a timely manner through limit management systems. In addition, the Group also provides off-balance sheet loan commitments and financial guarantee services to customers, which may expose the Group to the risk of having to make payments on behalf of customers in case they default, where the risk approximates that of a loan. For these operations, the Group adopts risk control procedures and policies similar to those applicable to the credit business to minimize their credit risk.

### (b) Credit risk limit control and risk mitigation policy

The Group has adopted a series of credit risk mitigation policies and measures, including the requirement for collateral, the most widely used and traditional measure. The Group has developed operational guidelines for the acceptability of specific assets pledged as collateral and their capability to mitigate credit risk, and regularly reviews the assessment results of the collateral.

The primary types of collateral are rights and commercial assets such as toll collection rights, real estate, land use rights, equity securities, cash deposits and equipment, collateral held for financial assets other than loans and advances to customers are dependent on the nature of the financial instrument. Debt instruments are generally unsecured, but for asset-backed securities and other similar instruments, they are generally secured by pools of financial assets. As at 31 December 2021, the Group held no significant foreclosed assets.

### (c) Credit ratings

The Group uses internal client credit ratings to reflect the probability of default (PD) assessments of individual counterparties, and employs different internal rating models for different types of counterparties. Borrower information and specific information (e.g., the borrower's revenue and the industry/sector it operates in) is incorporated into the rating models, and also includes external data of the borrower as supplementary information. In addition, the models also fully consider the expert judgments of credit and risk management officers, thus enabling the credit ratings to capture factors that may not have been considered by other sources.

### (d) Measurement of ECL

The Group applies ECL models to calculate the credit loss allowance for its debt financial instruments carried at amortized cost and FVTOCI, as well as loan commitments and financial guarantee contracts. The method applied by the Group in assessing the expected credit loss of its financial assets is a risk parameters model.

For the financial instruments incorporated into the measurement of expected credit loss, the group uses a "3-Stage" model to measure the credit loss allowance and ECL:

Stage 1: A financial instrument whose credit risk has not increased significantly since its initial recognition.

Stage 2: Credit risk has increased significantly since the initial recognition, but it is not considered as a financial instrument with credit impairment.

Stage 3: A financial instrument in which credit impairment has occurred.

A Stage 1 financial instrument credit loss allowance is measured at an amount equivalent to the expected credit loss of the financial instrument in the next 12 months. Stage 2 and Stage 3 financial instruments shall have their credit loss allowances measured at an amount equivalent to the expected credit loss of the financial instrument expected to arise over its remaining duration.

Purchased or originated credit-impaired financial assets are those financial assets that are credit-impaired on initial recognition. Their ECL is always measured on a lifetime basis.

The Group assesses ECL in light of forward-looking information and uses complex models and assumptions in calculating the expected credit loss. These models and assumptions relate to the future macroeconomic conditions and the borrowers' creditworthiness (e.g., the likelihood of default by customers and the corresponding loss). In assessing the expected credit risks in accordance with accounting standards, the Group uses judgments, assumptions and estimates where appropriate, including:

- Segmentation of business operations sharing similar credit risk characteristics;
- Selection of appropriate models and determination of relevant key measurement parameters;
- Determination of the criteria for SICR;
- Definition of default and credit impairment;
- Establishment of the number and relative weightings of forward-looking scenarios;
- The estimated future cash flows for loans and advances to customers at amortized cost in Stage 3.

***Segmentation of business operations sharing similar credit risk characteristics***

For expected credit loss allowances modelled on a collective basis, a grouping of exposures is performed on the basis of shared risk characteristics, such that risk exposures within a group are homogeneous. In performing this grouping, the Group uses information such as the type of borrower, industry, usage, and type of collateral to ensure the reasonableness of its credit risk grouping.

***Selection of appropriate models and determination of relevant key measurement parameters***

According to whether there is a significant increase in credit risk and whether a financial asset has become credit-impaired, the Group recognizes an impairment allowance based on the expected credit loss for the next 12 months or the entire lifetime of the financial asset. The key parameters of ECL measurement include possibility of default (PD), loss given default (LGD) and exposure at default (EAD). The Group establishes its PD, LGD and EAD based on the internal rating system currently used for risk management purposes. In accordance with the requirements of IFRS 9, the Group performs quantitative analyses of historical statistics (such as counterparty ratings, guarantee methods and collateral types, repayment methods, etc.) and forward-looking information.

The parameters are defined as follows:

PD represents the likelihood of a borrower defaulting on its financial obligation, either over the next 12 months (12m PD) or over the remaining lifetime (Lifetime PD) of the obligation. The definition of default refers to the failure to pay the debt as agreed in the contract or other violations of the debt contract that have a significant impact on the normal debt repayment.

LGD represents the Group's expectation of the extent of loss on defaulted exposure. LGD is expressed as a percentage loss per unit of exposure at the time of default (EAD).

EAD is based on the amounts the Group expects to be owed at the time of default.

The group uses an internal credit rating to track the default probability assessment results of a single counterparty and adopts different internal rating models for different types of counterparties. Borrowers and specific loan information collected at the time of a loan application are incorporated into the rating model. The group regularly monitors and reviews the assumptions associated with the calculation of expected credit loss, including the probability of default and changes in value of the collateral over each period.

In 2021, no significant changes were made to the estimated methodology or key assumptions.

***Determination of the criteria for SICR***

The Group assesses whether the credit risk of the relevant financial instruments has increased significantly since the initial recognition at each balance sheet date. For the purpose of staging an assessment of its financial assets, the Group thoroughly considers various reasonable and supportable criteria that may reflect whether or not there has been a significant change in their credit risk. Key factors considered include regulatory and operating environments, internal and external credit ratings, solvency, viability as a going concern, terms of loan contracts, repayment behaviors, among others. The Group compares the risk of default of financial instruments on the reporting date against that on the initial recognition date in order to determine the changes of default risk.

The Group sets quantitative and qualitative criteria to help determine whether the credit risk of a financial instrument has increased significantly since its initial recognition. The criteria include changes in the borrower's PD, changes in its credit risk rating and other factors. The Group decided that credit risk has significantly increased if contractual payments are more than 30 days past due. The Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. As of the report date, low credit risk financial instruments with a high credit rating (internal rating above admittance threshold) are deemed to have a low credit risk and no assessment is performed as to whether the credit risk on the report date has significantly increased compared with the initial recognition.

Since the outbreak of the COVID-19 pandemic, the Group has provided credit facilities for temporary deferral in principal repayment and interest payment to some of the borrowers affected by the epidemic in accordance with the government's regulations. For above credit facilities, the Group insists on substantial risk judgment, and comprehensively considers the changes of the borrower's operating ability, solvency and epidemic situation, so as to assess whether the credit risk of related financial instruments has increased significantly since initial recognition.

***Definition of default and credit impairment***

The criteria used by the Group to determine whether a credit impairment occurs under IFRS 9 is consistent with the internal credit risk management objectives. In assessing whether a borrower has become credit-impaired, the Group mainly considers the following quantitative and qualitative factors:

- Significant financial difficulty of the issuer or the borrower;
- A breach of contract, such as a default or past due event in relation to interest or principal payment, or the borrower is overdue for more than 90 days in any principal, advances, interest or investment in corporate bonds due to the Group;
- The lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganization;
- The disappearance of an active market for that financial asset because of financial difficulties;
- The purchase or origination of a financial asset at a deep discount that reflects the incurred credit loss.

The credit impairment of a financial asset may be caused by the combined effect of multiple events rather than any single discrete event.

***Establishment of the number and relative weightings of forward-looking scenarios***

The assessment of whether there has been a significant increase in credit risk and the calculation of ECL both involve forward-looking information. Through the analysis of historical data, the Group identifies the key economic indicators that affect the credit risk and ECL of various business types, including macroeconomic index, Enterprise prospect index and Real estate index, etc. The impact of these economic indicators on the PDs and the LGDs varies from one type of business to another. The Group comprehensively considers internal and external data, expert forecasts and statistical analyses to determine the relationships between these economic indicators and the PDs and LGDs. The Group assesses and forecasts these economic indicators at least on an annual basis, calculates the best estimates for the future, and regularly reviews the assessment results.

Based on statistical analyses and expert judgements, the Group determines the weightings of the optimistic scenario, base scenario and pessimistic scenario and the corresponding macro-economic forecast under each scenario. The group's multi-scenario economic forecasts include the most likely base scenario and a number of possible scenarios that reflect positive or negative trends in the economy. The group assesses and determines the weighting of each scenario. The weighting of base scenario is greater than the aggregated weightings of the rest scenarios. The Group uses the weighted 12-month ECL (Stage 1) or weighted lifetime ECL (Stage 2 and Stage 3) to measure relevant impairment allowances. These weighted credit losses are calculated by multiplying the expected credit loss under each scenario by the corresponding scenario weighting.

ECL impairment allowances recognized in the financial statements reflect the effect of a range of possible economic outcomes, and the weighted amount of the expected credit loss recognized in the financial statements is generally higher than that calculated by using only the benchmark scenario. In 2021, the Group has taken into account different macroeconomic scenarios, combined with the impact of factors such as the Covid-19 epidemic on economic development trends, and made forward-looking forecasts of macroeconomic indicators. Including: quarter-on-quarter GDP growth, used to estimate ECL, ranges from 4.6% to 5.9% in the neutral scenario for 2022.

At 31 December 2021, the Group concluded that three scenarios are appropriate, being the optimistic scenario, base scenario and pessimistic scenario. As at 31 December 2021, the incremental impact to the credit loss allowance of using the probability-weighted ECL against the base scenario was less than 5%.

***Scenario weightings***

Scenario weighting is one of the important methods of sensitivity analysis. The decremental impact would be less than 5%, assuming a 10% increase of probability-weighting of the optimistic scenario and a 10% decrease of the probability-weighting of the base case scenario when measuring the ECL derived from using aforesaid three scenarios. The incremental impact would be less than 5%, assuming a 10% increase on probability-weighting of the pessimistic scenario and a 10% decrease on probability-weighted of the base case scenario when measuring the ECL derived from using aforesaid three scenarios.

***The estimated future cash flows for loans and advances to customers at amortized cost in Stage 3***

At each measurement date, the Group projects the future cash inflows of each future period related to credit-impaired financial assets. The cash flows are discounted and aggregated to determine the present value of the assets' future cash flows.

### (e) Maximum exposure to credit risk before taking into account any collateral held or other credit enhancements

| | As at 31 December 2021 | As at 31 December 2020 |
|---|---|---|
| Credit risk exposures relating to financial assets | | |
| Balances with central banks | 92,562 | 131,351 |
| Deposits with banks and other financial institutions | 195,044 | 341,853 |
| Placements with banks and other financial institutions | 371,086 | 106,536 |
| Derivative financial assets | 16,978 | 37,737 |
| Financial assets held under resale agreements | 495,214 | 588,312 |
| Loans and advances to customers | 12,791,666 | 12,640,362 |
| Financial investments | | |
| Trading assets and other financial assets mandatorily classified at fair value through profit or loss | 829,248 | 912,140 |
| Financial assets at fair value through profit or loss (Designated) | 640 | 2,353 |
| Debt instruments at amortized cost | 1,146,917 | 1,273,000 |
| Debt instruments at fair value through other comprehensive income | 766,562 | 660,106 |
| Others | 6,097 | 10,100 |
| Subtotal | 16,712,014 | 16,703,850 |
| Credit risk exposures relating to credit commitments | | |
| Loan commitments | 3,515,207 | 3,454,884 |
| Letters of guarantee issued | 9,262 | 17,526 |
| Bank acceptance | 8,700 | 9,606 |
| Letters of credit issued | 3,579 | 6,742 |
| Subtotal | 3,536,748 | 3,488,758 |
| Total | 20,248,762 | 20,192,608 |

The above table represents a worst-case scenario of credit risk exposures to the Group as at 31 December 2021 and 2020, without taking into account any collateral held or other credit enhancements attached. For financial assets on the consolidated statement of financial position, the exposures set out above are based on carrying amounts of these assets.

### (f) Credit commitments and provision

Change in provision for loan commitments and financial guarantee contracts

| | Stage 1 | Stage 2 | Stage 3 | Total |
|---|---|---|---|---|
| | 12-month expected credit loss | Lifetime expected credit loss | | |
| As at 1 January 2021 | 2,596 | 12,564 | 550 | 15,710 |
| Transfers: | | | | |
| Transfers to Stage 2 | (168) | 168 | – | – |
| Remeasurement[(a)] | 354 | (1) | 2 | 355 |
| Charge for the year | 1,943 | 2,085 | – | 4,028 |
| Reverse | (694) | (1,753) | (304) | (2,751) |
| Foreign exchange differences | (12) | (133) | (4) | (149) |
| As at 31 December 2021 | 4,019 | 12,930 | 244 | 17,193 |

| | Stage 1 | Stage 2 | Stage 3 | Total |
|---|---|---|---|---|
| | 12-month expected credit loss | Lifetime expected credit loss | | |
| As at 1 January 2020 | 6,862 | 7,202 | 1,386 | 15,450 |
| Transfers: | | | | |
| Transfers to Stage 1 | 4,407 | (4,407) | – | – |
| Transfers to Stage 2 | (441) | 441 | – | – |
| Transfers to Stage 3 | – | (97) | 97 | – |
| Remeasurement[(a)] | (7,440) | 8,849 | (832) | 577 |
| Charge for the year | 1,123 | 3,947 | – | 5,070 |
| Reverse | (1,862) | (2,997) | (101) | (4,960) |
| Foreign exchange differences | (53) | (374) | – | (427) |
| As at 31 December 2020 | 2,596 | 12,564 | 550 | 15,710 |

(a) Remeasurement includes regular review of inputs to the models, e.g., reviewing of PDs, LGDs and EADs; transfer between Stage 1 and Stage 2 or 3 due to loan commitments and financial guarantee contracts experiencing significant increases (or decrease) of credit impairment in the period, and the consequent "set up" (or "set down") between 12-month and lifetime Expected Credit Loss (ECL).

### (g) The following financial instruments subject to impairment are analyzed for the different expected credit loss

The Group classified the credit grades of loans and advances to customers into "Low Risk", "Medium Risk", "High Risk".

– "Low Risk" exposures demonstrate a strong capacity to meet financial commitments, with negligible or low probability of default and/or low levels of expected loss.

– "Medium Risk" exposures require closer monitoring and demonstrate a good capacity to meet financial commitments, with low default risk.

– "High Risk" exposures require varying degrees of special attention and default risk is of greater concern.

The following financial instruments subject to impairment are analyzed for the different expected credit loss, unless otherwise stated, Stage 1 represents a 12-month expected credit loss, and Stages 2 and 3 represent lifetime expected credit loss.

*Loans and advances to customers at amortized cost*

| As at 31 December 2021 | Stage 1 | Stage 2 | Stage 3 | Total |
|---|---|---|---|---|
| Credit Grade | | | | |
| Low Risk | 11,892,965 | – | – | 11,892,965 |
| Medium Risk | – | 1,197,129 | – | 1,197,129 |
| High Risk | – | – | 129,495 | 129,495 |
| Total | 11,892,965 | 1,197,129 | 129,495 | 13,219,589 |
| Less: Credit impairment losses on assets | (192,457) | (229,513) | (81,928) | (503,898) |
| Net | 11,700,508 | 967,616 | 47,567 | 12,715,691 |
| **As at 31 December 2020** | **Stage 1** | **Stage 2** | **Stage 3** | **Total** |
| Credit Grade | | | | |
| Low Risk | 11,570,166 | – | – | 11,570,166 |
| Medium Risk | – | 1,322,929 | – | 1,322,929 |
| High Risk | – | – | 115,366 | 115,366 |
| Total | 11,570,166 | 1,322,929 | 115,366 | 13,008,461 |
| Less: Credit impairment losses on assets | (124,211) | (244,654) | (72,393) | (441,258) |
| Net | 11,445,955 | 1,078,275 | 42,973 | 12,567,203 |

*Debt instruments at amortized cost*

| As at 31 December 2021 | Stage 1 | Stage 2 | Stage 3 | Total |
|---|---|---|---|---|
| Credit Grade | | | | |
| Low Risk | 1,151,761 | – | – | 1,151,761 |
| Medium Risk | – | – | – | – |
| High Risk | – | – | 2,160 | 2,160 |
| Total | 1,151,761 | – | 2,160 | 1,153,921 |
| Less: Credit impairment losses on assets | (5,214) | – | (1,790) | (7,004) |
| Net | 1,146,547 | – | 370 | 1,146,917 |
| **As at 31 December 2020** | **Stage 1** | **Stage 2** | **Stage 3** | **Total** |
| Credit Grade | | | | |
| Low Risk | 1,277,550 | – | – | 1,277,550 |
| Medium Risk | – | 13 | – | 13 |
| High Risk | – | – | 3,532 | 3,532 |
| Total | 1,277,550 | 13 | 3,532 | 1,281,095 |
| Less: Credit impairment losses on assets | (5,216) | (5) | (2,874) | (8,095) |
| Net | 1,272,334 | 8 | 658 | 1,273,000 |

*Debt instruments at fair value through other comprehensive income*

| As at 31 December 2021 | Stage 1 | Stage 2 | Stage 3 | Total |
|---|---|---|---|---|
| Credit Grade | | | | |
| Low Risk | 766,460 | – | – | 766,460 |
| Medium Risk | – | – | – | – |
| High Risk | – | – | 102 | 102 |
| Total | 766,460 | – | 102 | 766,562 |
| Expected credit loss on assets | (117) | – | (1,034) | (1,151) |

| As at 31 December 2020 | Stage 1 | Stage 2 | Stage 3 | Total |
|---|---|---|---|---|
| Credit Grade | | | | |
| Low Risk | 658,928 | – | – | 658,928 |
| Medium Risk | – | – | – | – |
| High Risk | – | – | 1,178 | 1,178 |
| Total | 658,928 | – | 1,178 | 660,106 |
| Expected credit loss on assets | (74) | – | (726) | (800) |

*Loan commitments and financial guarantee contracts*

| As at 31 December 2021 | Stage 1 | Stage 2 | Stage 3 | Total |
|---|---|---|---|---|
| Credit Grade | | | | |
| Low Risk | 3,414,777 | – | – | 3,414,777 |
| Medium Risk | – | 121,727 | – | 121,727 |
| High Risk | – | – | 244 | 244 |
| Total | 3,414,777 | 121,727 | 244 | 3,536,748 |

| As at 31 December 2020 | Stage 1 | Stage 2 | Stage 3 | Total |
|---|---|---|---|---|
| Credit Grade | | | | |
| Low Risk | 3,376,927 | – | – | 3,376,927 |
| Medium Risk | – | 109,564 | – | 109,564 |
| High Risk | – | – | 2,267 | 2,267 |
| Total | 3,376,927 | 109,564 | 2,267 | 3,488,758 |

*Provision*

| As at 31 December 2021 | Stage 1 | Stage 2 | Stage 3 | Total |
|---|---|---|---|---|
| Credit Grade | | | | |
| Low Risk | 4,807 | – | – | 4,807 |
| Medium Risk | – | 12,930 | – | 12,930 |
| High Risk | – | – | 244 | 244 |
| Total | 4,807 | 12,930 | 244 | 17,981 |

| As at 31 December 2020 | Stage 1 | Stage 2 | Stage 3 | Total |
|---|---|---|---|---|
| Credit Grade | | | | |
| Low Risk | 3,486 | – | – | 3,486 |
| Medium Risk | – | 12,564 | – | 12,564 |
| High Risk | – | – | 550 | 550 |
| Total | 3,486 | 12,564 | 550 | 16,600 |

*Collateral and Other Credit Enhancements*

The Group closely monitors collateral held for financial assets considered to be credit-impaired, as it becomes more likely that the Group will take possession of collateral to mitigate potential credit loss. Financial assets that are credit-impaired and related collateral held in order to mitigate potential loss are shown below:

| As at 31 December 2021 | Gross exposure | Impairment allowance | Carrying amount | Fair value of collateral |
|---|---|---|---|---|
| Credit impaired assets | | | | |
| Loans and advances to customers | 129,854 | (81,928) | 47,926 | 60,253 |
| Debt instruments at amortized cost | 2,160 | (1,790) | 370 | – |
| Debt instruments at fair value through other comprehensive income | 102 | (1,034) | 102 | – |
| Total | 132,116 | (84,752) | 48,398 | 60,253 |

| As at 31 December 2020 | Gross exposure | Impairment allowance | Carrying amount | Fair value of collateral |
|---|---|---|---|---|
| Credit impaired assets | | | | |
| Loans and advances to customers | 115,628 | (72,393) | 43,235 | 65,638 |
| Debt instruments at amortized cost | 3,532 | (2,874) | 658 | – |
| Debt instruments at fair value through other comprehensive income | 1,178 | (726) | 1,178 | – |
| Total | 120,338 | (75,993) | 45,071 | 65,638 |

The fair value of collateral presented in the table above is up to the book value of the credit risk exposure. As at 31 December 2021, the quality of the Group's collateral or credit enhancement did not change significantly compared to prior year.

### (h) Loans and advances to customers

The gross amounts of loans and advances to customers by types of collateral and maturity are as follows:

| | 31 December 2021 | | | |
|---|---|---|---|---|
| | Within 1 year | 1 to 5 years | Over 5 years | Total |
| Unsecured loans | 411,358 | 1,002,629 | 1,904,140 | 3,318,127 |
| Guaranteed loans | 102,432 | 222,029 | 664,318 | 988,779 |
| Loans secured by collateral | 77,593 | 157,008 | 1,482,030 | 1,716,631 |
| Pledged loans | 15,142 | 53,730 | 7,170,089 | 7,238,961 |
| Total | 606,525 | 1,435,396 | 11,220,577 | 13,262,498 |

| | 31 December 2020 | | | |
|---|---|---|---|---|
| | Within 1 year | 1 to 5 years | Over 5 years | Total |
| Unsecured loans | 696,201 | 850,506 | 1,843,022 | 3,389,729 |
| Guaranteed loans | 117,532 | 221,455 | 590,933 | 929,920 |
| Loans secured by collateral | 69,370 | 134,830 | 1,379,521 | 1,583,721 |
| Pledged loans | 20,188 | 44,281 | 7,082,085 | 7,146,554 |
| Total | 903,291 | 1,251,072 | 10,895,561 | 13,049,924 |

*Loans and advances to customers by industry of counterparties:*

| | 31 December 2021 | | 31 December 2020 | |
|---|---|---|---|---|
| | Amount | % | Amount | % |
| **Loans and advances to customers** | | | | |
| Urban renewal | 2,924,303 | 22 | 3,092,802 | 24 |
| Road transportation | 2,451,616 | 18 | 2,695,315 | 21 |
| Electric power, heating and water production and supply | 1,289,544 | 10 | 1,086,599 | 8 |
| Water conservation, environmental protection and public utilities | 1,236,152 | 9 | 1,034,051 | 8 |
| Urban public transportation | 956,820 | 7 | 737,599 | 6 |
| Railway transportation | 945,765 | 7 | 901,978 | 7 |
| Manufacturing industry | 833,559 | 6 | 781,640 | 6 |
| Petroleum, petrochemical and chemical industry | 566,233 | 4 | 692,729 | 5 |
| Other transportation | 392,847 | 3 | 329,675 | 3 |
| Mining industry | 310,443 | 2 | 304,316 | 2 |
| Education | 253,652 | 2 | 189,082 | 1 |
| Financial industry | 212,995 | 2 | 429,914 | 3 |
| Telecommunication and other information transmission services | 83,118 | 1 | 70,094 | 1 |
| Others | 805,451 | 7 | 704,130 | 5 |
| | 13,262,498 | 100 | 13,049,924 | 100 |

*Contractual modification of loans*

The Group sometimes renegotiates or otherwise modifies the terms of loans and advances provided to customers due to deterioration in the borrower's financial position which resulted in the borrower's inability to meet its repayment obligations, with a view to maximising recovery. Such restructuring activities include extended payment term arrangements, payment holidays and payment forgiveness, etc. Restructuring measures are based on indicators or criteria which, in the judgment of management, indicate that payment will most likely continue. These measures are kept under continuous review. As at 31 December 2021, the Group's total restructured loans amounted to RMB47,870 million (31 December 2020: RMB23,789 million).

### (i) Investment in debt instruments

Carrying amount of investment in debt instruments analyzed by credit rating from independent rating agencies is as follows:

| | As at 31 December 2021 | | | | | | |
|---|---|---|---|---|---|---|---|
| | AAA | AA | A | Below A | PRC government and quasi governments[b] | Other[c] | Total |
| Debt securities issued by: | | | | | | | |
| Governments and quasi governments | 98,097 | 817 | 10 | – | 1,194,808 | – | 1,293,732 |
| Financial institutions | 64,408 | 987 | 4,846 | 3,885 | – | – | 74,126 |
| Corporates | 182,518 | 4,269 | – | 2,759 | – | 2,757 | 192,303 |
| Asset-backed securities | 247 | 128 | – | – | – | – | 375 |
| Inter-bank certificates of deposit[a] | 592,210 | – | 13,891 | 10,715 | – | – | 616,816 |
| Wealth management products issued by other banks | – | – | – | – | – | 4,542 | 4,542 |
| Investments in trust plans and others | – | – | – | – | – | 960 | 960 |
| Asset management plans | – | – | – | – | – | 407 | 407 |
| Total | 937,480 | 6,201 | 18,747 | 17,359 | 1,194,808 | 8,666 | 2,183,261 |

| | As at 31 December 2020 | | | | | | |
|---|---|---|---|---|---|---|---|
| | AAA | AA | A | Below A | PRC government and quasi-governments[b] | Other[c] | Total |
| Debt securities issued by: | | | | | | | |
| Governments and quasi-governments | 42,468 | – | 2,104 | – | 1,307,063 | – | 1,351,635 |
| Financial institutions | 52,457 | 966 | 21,529 | 2,514 | – | – | 77,466 |
| Corporates | 213,954 | 5,064 | – | 4,759 | – | 2,821 | 226,598 |
| Asset-backed securities | 217 | 229 | – | – | – | 16 | 462 |
| Inter-bank certificates of deposit[a] | 521,222 | 9,498 | 34,394 | – | – | 148 | 565,262 |
| Wealth management products issued by other banks | – | – | – | – | – | 9,071 | 9,071 |
| Investments in trust plans and others | – | – | – | – | – | 2,426 | 2,426 |
| Asset management plans | – | – | – | – | – | 1,466 | 1,466 |
| Total | 830,318 | 15,757 | 58,027 | 7,273 | 1,307,063 | 15,948 | 2,234,386 |

(a) Analyzed by ratings of issuers of inter-bank certificates of deposit.
(b) Unrated debt securities issued by PRC government and quasi-governments are from issuers including the MOF, the PBOC, Huijin and policy banks of China.
(c) Other unrated debt instruments mainly include subordinated bonds issued by insurance companies, super short-term commercial papers, asset management plans, and wealth management products issued by other banks and investments in trust plans.

(j) Financial assets other than loans and advances to customers by nature of counterparties:

| | Governments and quasi-governments | Financial institutions | Corporate and others | Total |
|---|---|---|---|---|
| **31 December 2021** | | | | |
| Balances with central banks | 92,562 | – | – | 92,562 |
| Deposits with banks and other financial institutions | – | 195,044 | – | 195,044 |
| Placements with banks and other financial institutions | – | 371,086 | – | 371,086 |
| Derivative financial assets | 5,417 | 9,377 | 2,184 | 16,978 |
| Financial assets held under resale agreements | – | 494,557 | 657 | 495,214 |
| Financial assets measured at fair value through profit or loss | 177,260 | 239,334 | 413,294 | 829,888 |
| Debt instruments at amortized cost | 1,054,245 | 513 | 92,159 | 1,146,917 |
| Debt instruments at fair value through other comprehensive income | 227,122 | 455,944 | 83,496 | 766,562 |
| Other financial assets | 2,102 | 1,495 | 2,500 | 6,097 |
| Total | 1,558,708 | 1,767,350 | 594,290 | 3,920,348 |
| **31 December 2020** | | | | |
| Balances with central banks | 131,351 | – | – | 131,351 |
| Deposits with banks and other financial institutions | – | 341,853 | – | 341,853 |
| Placements with banks and other financial institutions | – | 106,536 | – | 106,536 |
| Derivative financial assets | 15,774 | 18,136 | 3,827 | 37,737 |
| Financial assets held under resale agreements | – | 586,273 | 2,039 | 588,312 |
| Financial assets measured at fair value through profit or loss | 199,313 | 263,847 | 451,333 | 914,493 |
| Debt instruments at amortized cost | 1,175,433 | 636 | 96,931 | 1,273,000 |
| Debt instruments at fair value through other comprehensive income | 127,302 | 386,651 | 146,153 | 660,106 |
| Other financial assets | 1,937 | 2,007 | 6,156 | 10,100 |
| Total | 1,651,110 | 1,705,939 | 706,439 | 4,063,488 |

## (3) Market risk

Market risk is the risk of loss, in respect of the Group's on and off-balance sheet activities, arising from movements in market rates including interest rates, foreign exchange rates, and stock and commodity prices. The Group's major market risks are interest rate risk and foreign exchange risk in it trading book and banking book.

The objective of the Group's market risk management is to establish an effective market risk management system, which can fully identify, accurately measure, continuously monitor and effectively control market risks in trading and non-trading businesses, and ensure that market risk exposures are controlled within an acceptable range of the Group, and achieve a balance between risks and benefits.

Market risk is managed using risk limits approved by the Board of Directors and its affiliated committees. The Governors on Risk Management supervise overall market risk, meetings and review risk management reports periodically to ensure that all market risks are effectively managed.

### Segregation of trading book and banking book

The Group's exposures to market risk mainly exist in its trading book and banking book.

Trading book consists of financial instruments and commodity positions held for trading or for economic hedging purposes. Banking book consists of on and off-balance sheet financial instruments not held in the trading book.

Market risks arising from trading and banking books are managed by the Risk Management Department and the Business Development Department within the scope of their respective roles and responsibilities. The Risk Management Department is responsible for managing the market risk of the whole bank, and specifically manages the market risk of the treasury transaction business. The Business Development Department assumes the responsibility for the overall asset and liability management as well as management of interest rate risk and foreign exchange risk in the banking book, and the periodical preparation of interest rate risk and foreign exchange risk reports related to banking book.

### Market risk measurement and management approaches

Market risk is monitored and managed through established limits, market value revaluation, duration analysis, gap analysis and sensitivity analysis indicators.

### Trading book

The Group monitors and manages its various risk exposures in trading book through exposure limit control, stop-loss limit control and sensitivity limit control.

The Group establishes appropriate risk limits considering various risk factors of market risk, business complexity and other factors. The Risk Management Department is responsible for the identification, measurement, monitoring and reporting of risk exposures from all trading portfolios.

### Banking book

The Bank monitors market risks for banking mainly through sensitivity analysis for foreign exchange risk and interest rate risk. The Risk Management Department is responsible for reporting risk measurement results to Risk Management Committee by means of market value revaluation, duration analysis, etc. The Business Development Department is responsible for the accurate and timely identification and measurement of interest rate risk and foreign exchange risk using gap analysis, sensitivity analysis, exposure analysis and other methods.

For sensitivity analysis of interest rate risk and foreign exchange risk, please refer to Note 49 (3) (a) interest rate risk and Note 49 (3) (b) foreign exchange rate risk (including trading book and banking book).

### (a) Interest rate risk

Interest rate risk of the banking book is the risk of loss arising from unfavorable movements in interest rate, duration and other elements of the risk.

The Group's pricing strategy in China mainland is impacted by the macro-economic environment and the monetary policies of the PBOC. The PBOC established RMB benchmark interest rates for loans whereby financial institutions are in a position to price their loans based on credit risk, commercial and market factors. In general, the interest rates of interest-bearing assets and liabilities with the same currency and maturity terms will move in the same direction.

Interest rate risk of the Bank's banking book is principally managed based on assessing impact of interest rate change on both the income and economic value, by using gap analysis, duration analysis and net interest income simulation model. The Group adjusts its asset and liability structure and uses hedging instruments to mitigate the interest rate risk of banking book. Interest rate risk of trading book is mainly managed and monitored by using interest rate limits, sensitivity analysis, exposure analysis by currency, mark-to-market and breakeven analysis.

In terms of measuring and managing interest rate risk, the Group regularly measures interest rate repricing gaps, portfolio duration and monitors the sensitivity of projected net interest income and fair value changes to interest net moves under varying interest rate scenarios (simulation modeling).

***Repricing gap analysis***

The table below summarizes the Group's financial assets and liabilities at carrying amounts, categorized by the earlier of contractual repricing or maturity dates.

| | At 31 December 2021 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Within 3 months | 3-12 months | 1-5 years | 5-10 years | Over 10 years | Non-interest bearing | Total |
| **Financial assets:** | | | | | | | |
| Cash and balances with the central banks | 85,786 | – | – | – | – | 6,779 | 92,565 |
| Deposits with banks and other financial institutions | 132,486 | 43,223 | – | – | – | 19,335 | 195,044 |
| Placements with banks and other financial institutions | 162,345 | 169,818 | 38,338 | – | – | 585 | 371,086 |
| Derivative financial assets | – | – | – | – | – | 16,978 | 16,978 |
| Financial assets held under resale agreements | 494,383 | – | – | – | – | 831 | 495,214 |
| Loans and advances to customers | 4,435,990 | 7,265,345 | 239,544 | 125,226 | 670,945 | 54,616 | 12,791,666 |
| Financial assets measured at fair value through profit or loss | 279,338 | 4,461 | 14,949 | 1,829 | 81 | 705,308 | 1,005,966 |
| *Include: Trading assets and other financial assets mandatorily classified at fair value through profit or loss* | *279,093* | *4,461* | *14,571* | *1,829* | *81* | *705,291* | *1,005,326* |
| *Financial assets at fair value through profit or loss (Designated)* | *245* | – | *378* | – | – | *16* | *640* |
| Debt instruments at amortized cost | 7,868 | 205,071 | 630,649 | 196,861 | 90,210 | 16,258 | 1,146,917 |
| Financial assets at fair value through other comprehensive income | 349,273 | 157,785 | 199,062 | 41,344 | 14,009 | 11,149 | 772,622 |
| Other financial assets | 385 | 44 | 19 | – | – | 5,649 | 6,097 |
| Total financial assets | 5,947,854 | 7,845,747 | 1,122,561 | 365,260 | 775,245 | 837,488 | 16,894,155 |
| **Financial liabilities:** | | | | | | | |
| Deposits from banks and other financial institutions | 524,248 | 1,859,955 | – | – | – | 11,311 | 2,395,514 |
| Borrowings from governments and financial institutions | 185,569 | 211,831 | 2,291 | 40,283 | 7,304 | 1,683 | 448,961 |
| Placements from banks | 65,070 | 1,739 | 1,839 | 403 | 593 | 36 | 69,680 |
| Financial liabilities measured at fair value through profit or loss | – | – | – | – | – | 2,085 | 2,085 |
| Derivative financial liabilities | – | – | – | – | – | 9,359 | 9,359 |
| Financial assets sold under repurchase agreements | 20,940 | 248 | – | – | – | 17 | 21,205 |
| Due to customers | 978,000 | 81,422 | 8,216 | 2,837 | 2,951 | 5,770 | 1,079,196 |
| Debt securities issued | 804,750 | 1,408,085 | 4,578,240 | 3,823,058 | 642,555 | 223,689 | 11,480,377 |
| Other financial liabilities | 124 | 501 | 726 | – | – | 5,306 | 6,657 |
| Total financial liabilities | 2,578,701 | 3,563,781 | 4,591,312 | 3,866,581 | 653,403 | 259,256 | 15,513,034 |
| **Net interest repricing gap** | 3,369,153 | 4,281,966 | (3,468,751) | (3,501,321) | 121,842 | 578,232 | 1,381,121 |

| | 31 December 2020 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Within 3 months | 3-12 months | 1-5 years | 5-10 years | Over 10 years | Non-interest bearing | Total |
| **Financial assets:** | | | | | | | |
| Cash and balances with the central banks | 127,762 | – | – | – | – | 3,592 | 131,354 |
| Deposits with banks and other financial institutions | 156,761 | 158,772 | 126 | – | – | 26,194 | 341,853 |
| Placements with banks and other financial institutions | 99,684 | 6,792 | – | – | – | 60 | 106,536 |
| Derivative financial assets | – | – | – | – | – | 37,737 | 37,737 |
| Financial assets held under resale agreements | 587,394 | 265 | – | – | – | 653 | 588,312 |
| Loans and advances to customers | 5,225,663 | 4,564,712 | 375,742 | 450,321 | 1,980,561 | 43,363 | 12,640,362 |
| Financial assets measured at fair value through profit or loss | 145,342 | 81,660 | 57,403 | 12,540 | 81 | 758,677 | 1,055,703 |
| *Include: Trading assets and other financial assets mandatorily classified at fair value through profit or loss* | *144,441* | *81,339* | *55,965* | *12,365* | *81* | *758,565* | *1,052,756* |
| *Financial assets at fair value through profit or loss (Designated)* | *901* | *321* | *1,438* | *175* | – | *112* | *2,947* |
| Debt instruments at amortized cost | 24,230 | 139,180 | 705,620 | 292,535 | 92,321 | 19,114 | 1,273,000 |
| Financial assets at fair value through other comprehensive income | 279,971 | 157,869 | 141,264 | 73,511 | 2,462 | 9,839 | 664,916 |
| Other financial assets | 1,069 | 33 | – | – | – | 8,998 | 10,100 |
| Total financial assets | 6,647,876 | 5,109,283 | 1,280,155 | 828,907 | 2,075,425 | 908,227 | 16,849,873 |
| **Financial liabilities:** | | | | | | | |
| Deposits from banks and other financial institutions | 715,714 | 2,142,346 | 100 | – | – | 21,112 | 2,879,272 |
| Borrowings from governments and financial institutions | 196,180 | 295,126 | 3,720 | 913 | – | 3,113 | 499,052 |
| Placements from banks | 85,861 | 6,834 | – | – | – | 169 | 92,864 |
| Financial liabilities measured at fair value through profit or loss | – | – | – | – | – | 2,051 | 2,051 |
| Derivative financial liabilities | – | – | – | – | – | 26,843 | 26,843 |
| Financial assets sold under repurchase agreements | 124,615 | 8 | – | – | – | 102 | 124,725 |
| Due to customers | 1,063,736 | 80,886 | 12,850 | 1,169 | 5,793 | 3,104 | 1,167,538 |
| Debt securities issued | 1,009,402 | 1,219,377 | 4,137,682 | 3,510,988 | 633,675 | 210,968 | 10,722,092 |
| Other financial liabilities | 177 | 67 | 77 | 21 | – | 22,398 | 22,740 |
| Total financial liabilities | 3,195,685 | 3,744,644 | 4,154,429 | 3,513,091 | 639,468 | 289,860 | 15,537,177 |
| **Net interest repricing gap** | 3,452,191 | 1,364,639 | (2,874,274) | (2,684,184) | 1,435,957 | 618,367 | 1,312,696 |

***Sensitivity analysis of net interest income and other comprehensive income***

The following table illustrates the potential pre-tax impact of a parallel upward or downward shift of 100 basis points in all financial instruments' yield curves on the Group's net interest income and other comprehensive income for the next twelve months from the reporting date, based on the Group's net positions of interest-bearing assets and liabilities at the end of each reporting period. This analysis assumes that interest rates of all maturities move by the same amount, and does not reflect the potential impact of unparalleled yield curve movements.

| | 31 December 2021 | | 31 December 2020 | |
|---|---|---|---|---|
| | Net interest income | Other comprehensive income | Net interest income | Other comprehensive income |
| Increase 100 basis points | 45,537 | (11,605) | 35,324 | (9,274) |
| Decrease 100 basis points | (45,537) | 12,342 | (35,324) | 10,230 |

The sensitivity analysis above is based on reasonably possible changes in interest rates with the assumption that the structure of financial assets and financial liabilities held at the period end remains unchanged and does not take changes in customer behavior, basis risk or any prepayment options on debt securities into consideration.

The sensitivity analysis on other comprehensive income reflects only the effect of changes in interest rates on fair value changes on financial assets at FVTOCI held at the period end.

The assumptions do not consider the Group's capital and interest rate risk management policy. Therefore, the above analysis may differ from the actual situation. In addition, the impact of interest rate fluctuation is only for illustrative purpose, showing the potential impact on net interest income and other comprehensive income of the Group under different yield curve movements and current interest rate risk situation. The impact did not take into account the risk management activities to mitigate the interest rate risk.

### (b) Foreign exchange rate risk

The Group takes on foreign currency exposure arising from moves of foreign currency exchange rates on its financial position and cash flows.

The Group's primary business is conducted in RMB, with certain foreign currency transactions in USD, Euro ("EUR"), Japanese Yen ("JPY") and, to a much lesser extent, other currencies. The Group's foreign currency exposures are mainly concentrated on USD. RMB appreciated by 0.1492RMB/1 USD during the year ended 31 December 2021 (2020: appreciated by 0.4513 RMB/1 USD).

The Group measures the impact from exchange rate risk primarily by using foreign currency exposure management, sensitivity analysis of foreign currency exchange rates, and Earnings at Risk ("EaR"). The Group adjusts its asset and liability structure and uses hedging instruments to mitigate the foreign exchange risk to the extent possible.

The table below summarizes the Group's exposure to foreign currency exchange rate risk at the end of the reporting period, with the Group's assets and liabilities presented at carrying amounts in RMB or RMB equivalents categorized by the original currency.

| | As at 31 December 2021 | | | | |
|---|---|---|---|---|---|
| | RMB | USD (RMB equivalent) | Others (RMB equivalent) | Foreign currency (RMB equivalent) | Total |
| **Financial assets:** | | | | | |
| Cash and balances with central banks | 85,719 | 6,560 | 286 | 6,846 | 92,565 |
| Deposits with banks and other financial institutions | 82,279 | 87,799 | 24,966 | 112,765 | 195,044 |
| Placements with banks and other financial institutions | 289,645 | 80,719 | 722 | 81,441 | 371,086 |
| Derivative financial assets | 13,342 | 2,196 | 1,440 | 3,636 | 16,978 |
| Financial assets held under resale agreements | 495,214 | – | – | – | 495,214 |
| Loans and advances to customers | 11,658,348 | 961,579 | 171,739 | 1,133,318 | 12,791,666 |
| Financial assets measured at fair value through profit or loss | 974,499 | 30,785 | 682 | 31,467 | 1,005,966 |
| *Include: Trading assets and other financial assets mandatorily classified at fair value through profit or loss* | *973,859* | *30,785* | *682* | *31,467* | *1,005,326* |
| *Financial assets at fair value through profit or loss (Designated)* | *640* | – | – | – | *640* |
| Debt instruments at amortized cost | 1,056,299 | 90,618 | – | 90,618 | 1,146,917 |
| Financial assets measured at fair value through other comprehensive income | 706,511 | 60,737 | 5,374 | 66,111 | 772,622 |
| Others | 4,002 | 1,805 | 290 | 2,095 | 6,097 |
| Total financial assets | 15,365,858 | 1,322,798 | 205,499 | 1,528,297 | 16,894,155 |
| **Financial liabilities:** | | | | | |
| Deposits from banks and other financial institutions | 2,343,074 | 43,896 | 8,544 | 52,440 | 2,395,514 |
| Borrowings from governments and financial institutions | 225,508 | 221,297 | 2,156 | 223,453 | 448,961 |
| Placements from banks | 8,503 | 53,537 | 7,640 | 61,177 | 69,680 |
| Financial liabilities measured at fair value through profit or loss | 2,084 | 1 | – | 1 | 2,085 |
| Derivative financial liabilities | 6,427 | 2,665 | 267 | 2,932 | 9,359 |
| Financial assets sold under repurchase agreements | 21,205 | – | – | – | 21,205 |
| Due to customers | 907,856 | 126,314 | 45,026 | 171,340 | 1,079,196 |
| Debt securities issued | 11,281,871 | 142,958 | 55,548 | 198,506 | 11,480,377 |
| Others | 4,153 | 2,030 | 474 | 2,504 | 6,657 |
| Total financial liabilities | 14,800,681 | 592,698 | 119,655 | 712,353 | 15,513,034 |
| **Net on-balance sheet position** | 565,177 | 730,100 | 85,844 | 815,944 | 1,381,121 |
| Currency forwards and swaps (Contractual/Notional amount) | 299,286 | (204,259) | (57,906) | (262,165) | 37,121 |
| Credit commitments | 3,314,874 | 199,879 | 21,995 | 221,874 | 3,536,748 |

| | As at 31 December 2020 | | | | |
|---|---|---|---|---|---|
| | RMB | USD (RMB equivalent) | Others (RMB equivalent) | Foreign currency (RMB equivalent) | Total |
| **Financial assets:** | | | | | |
| Cash and balances with central banks | 127,728 | 3,626 | – | 3,626 | 131,354 |
| Deposits with banks and other financial institutions | 237,505 | 79,859 | 24,489 | 104,348 | 341,853 |
| Placements with banks and other financial institutions | 62,087 | 36,262 | 8,187 | 44,449 | 106,536 |
| Derivative financial assets | 31,570 | 3,827 | 2,340 | 6,167 | 37,737 |
| Financial assets held under resale agreements | 588,312 | – | – | – | 588,312 |
| Loans and advances to customers | 11,350,895 | 1,104,430 | 185,037 | 1,289,467 | 12,640,362 |
| Financial assets measured at fair value through profit or loss | 1,040,834 | 13,852 | 1,017 | 14,869 | 1,055,703 |
| *Include: Trading assets and other financial assets mandatorily classified at fair value through profit or loss* | *1,037,887* | *13,852* | *1,017* | *14,869* | *1,052,756* |
| *Financial assets at fair value through profit or loss (Designated)* | *2,947* | – | – | – | *2,947* |
| Debt instruments at amortized cost | 1,179,534 | 93,466 | – | 93,466 | 1,273,000 |
| Financial assets measured at fair value through other comprehensive income | 558,123 | 90,620 | 16,173 | 106,793 | 664,916 |
| Others | 7,618 | 2,214 | 268 | 2,482 | 10,100 |
| Total financial assets | 15,184,206 | 1,428,156 | 237,511 | 1,665,667 | 16,849,873 |
| **Financial liabilities:** | | | | | |
| Deposits from banks and other financial institutions | 2,666,954 | 196,208 | 16,110 | 212,318 | 2,879,272 |
| Borrowings from governments and financial institutions | 185,773 | 304,794 | 8,485 | 313,279 | 499,052 |
| Placements from banks | 64,889 | 13,973 | 14,002 | 27,975 | 92,864 |
| Financial liabilities measured at fair value through profit or loss | 2,050 | 1 | – | 1 | 2,051 |
| Derivative financial liabilities | 21,598 | 4,926 | 319 | 5,245 | 26,843 |
| Financial assets sold under repurchase agreements | 124,725 | – | – | – | 124,725 |
| Due to customers | 957,551 | 145,061 | 64,926 | 209,987 | 1,167,538 |
| Debt securities issued | 10,502,630 | 132,048 | 87,414 | 219,462 | 10,722,092 |
| Others | 22,210 | 169 | 361 | 530 | 22,740 |
| Total financial liabilities | 14,548,380 | 797,180 | 191,617 | 988,797 | 15,537,177 |
| **Net on-balance sheet position** | 635,826 | 630,976 | 45,894 | 676,870 | 1,312,696 |
| Currency forwards and swaps (Contractual/Notional amount) | 162,399 | (79,380) | (32,862) | (112,242) | 50,157 |
| Credit commitments | 3,231,391 | 222,557 | 34,810 | 257,367 | 3,488,758 |

The table below indicates the potential effect on profit before tax arising from 1% possible movement of RMB spot and forward foreign exchange rates against a basket of all other currencies on the net positions of foreign currency monetary assets and liabilities and derivative instruments in the statement of financial position. There is no significant impact on the Group's other comprehensive income.

| | As at 31 December 2021 | As at 31 December 2020 |
|---|---|---|
| USD against RMB | Profit before tax | Profit before tax |
| 1% appreciation | 5,263 | 5,527 |
| 1% depreciation | (5,263) | (5,527) |

In analyzing the impact on profit before tax exchange gain or loss due possible exchange rate movements, simplified assumptions and scenarios are adopted and do not take into account the following:

– changes in the Group's net position in USD subsequent to the balance sheet date;

– the impact on the customers' behavior due to the movement of the exchange rate; and

– the impact on market prices as a result of the movement of exchange rate.

## (4) Liquidity risk

Liquidity risk is the risk that although the Group has the payment capacity, however is unable to raise sufficient funds at a reasonable cost to increase its assets as needed or to replace matured debt. The consequence may be the failure to meet obligations to repay debtors and depositors and fulfill commitments to lend.

The Group has established a set of liquidity management policies and to mitigate the liquidity risk effectively. These policy and approaches include the forecasting and monitoring of future cash flows, stress testing scenarios, plans for emergency, etc.

In 2021, the Bank continued to obtain funds from markets through issuance of debt securities. In accordance with the approval from the CBIRC, all RMB bonds issued by the Bank enjoys sovereign debt credit rating, which enables the Bank to continuously raise funds in the domestic markets through issuance of sovereign debt.

### Objectives of liquidity risk management and processes

The Group is exposed to daily calls on its available cash resources from current customer deposit, matured customer term deposits, repayment of debt securities issued, loan drawdown, fulfil obligations under guarantees and other calls on cash settled derivatives.

To maintain the mismatching of the cash flows and maturities of assets and liabilities within a reasonable range is an important mission of the Group. It is impracticable for the Group to be completely matched in such positions since business transactions are often of uncertain terms and of different types. A mismatched position might enhance profitability, but at the same time carries the risk of loss. The Group takes effect to manage its mismatched positions within a reasonable range.

The Business Development Department and Treasury Department are the execution departments for detailed daily management. The Group's liquidity management processes include:

– Projecting cash flows by major currencies with consideration of the level of liquid assets necessary in relation thereto;

– Monitoring the liquidity gaps on the balance sheet;

– Managing the concentration risk of debt maturities; and

– Maintaining debt financing plans.

The Group does not need to maintain cash resources to meet all of its liquidity needs for demand payment as the Group has the ability to finance of new debts in the market. In addition, experience shows that a certain level of matured liabilities such as term deposit from customers will be renewed and not to be withdrawn. Management maintains an appropriate level of highly liquid assets to address unexpected cash demands.

In general, the Group does not generally expect third-parties to draw all of the committed funds under letters of guarantees or letters of credit issued. The total outstanding contractual amount of commitment to extend credit does not necessarily represent future cash requirements, since some of these commitments will either expire, be terminated or not meeting requirements for drawdown due to customers' inability to fulfill the related conditions.

### Liquidity analysis of financial instruments

Sources of liquidity are regularly reviewed by the Group to maintain a wide diversification in terms of liquidity provider, product, term, currency and geographical area.

The Group's funding policy is to seek a long-term healthy balance between its funding requirements and demands from investors by maintaining a presence and participation in, and constantly making returns to, the debt capital markets, and to raise funds under its different funding programs. The Group issues fixed rate and floating rate debt securities each year. These debt instruments might be with embedded options that allow the Group or the bond holders to redeem them prior to the bonds' respective maturity. However, bonds with redemption options only comprise a small portion of all bonds issued. As at 31 December 2021, long-term (with a maturity of one year or longer) debt securities issued of the Group amounted to RMB9.37 trillion, and other long-term debts (include deposits from banks and other financial institutions, borrowings from governments and financial institutions, financial assets sold under repurchase agreements and due to customers) amounted to RMB104.08 billion.

The table below presents the cash flows payable by the Group under non-derivative financial instruments and derivatives, whether settled in net or gross by their contractual maturities. The amounts disclosed in the table are the contractually undiscounted cash flows. The expected cash flows of these financial instruments by the Group may have different with the table as below:

| | As at 31 December 2021 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Past due/ undated | On demand | Within 1 month | 1 – 3 months | 3 – 12 months | 1 – 5 years | 5 – 10 years | Over 10 years | Total |
| **Non-derivative financial assets** | | | | | | | | | |
| Cash and balances with central banks | – | 92,419 | 147 | – | – | – | – | – | 92,566 |
| Deposits with banks and other financial institutions | 12,566 | 121,984 | 8,669 | 15,260 | 38,054 | – | – | – | 196,553 |
| Placements with banks and other financial institutions | – | – | 115,336 | 49,113 | 173,265 | 39,470 | – | – | 377,184 |
| Financial assets held under resale agreements | 659 | – | 494,685 | – | – | – | – | – | 495,344 |
| Loans and advances to customers | 95,781 | – | 168,865 | 281,897 | 1,500,075 | 5,566,693 | 4,544,671 | 6,475,459 | 18,633,441 |
| Financial assets measured at fair value through profit or loss | 161,598 | 3,990 | 52,143 | 89,861 | 54,438 | 123,452 | 138,607 | 397,639 | 1,021,728 |
| Debt instruments at amortized cost | 854 | – | 831 | 15,322 | 240,131 | 735,315 | 220,422 | 97,268 | 1,310,143 |
| Financial assets measured at fair value through other comprehensive income | 6,060 | – | 117,243 | 222,850 | 176,051 | 229,190 | 46,974 | 21,478 | 819,846 |
| Other financial assets | 75 | 3,447 | 47 | 453 | 48 | 1,873 | 124 | 30 | 6,097 |
| **Total non-derivative financial assets** | 277,593 | 221,840 | 957,966 | 674,756 | 2,182,062 | 6,695,993 | 4,950,798 | 6,991,874 | 22,952,882 |
| **Non-derivative financial liabilities** | | | | | | | | | |
| Deposits from banks and other financial institutions | – | 51,337 | 1,703 | 483,734 | 1,883,788 | 114 | – | – | 2,420,676 |
| Borrowings from governments and financial institutions | – | – | 31,051 | 139,425 | 201,035 | 72,229 | 11,579 | – | 455,319 |
| Placements from banks | – | – | 35,062 | 30,074 | 1,855 | 2,204 | 439 | 650 | 70,284 |
| Financial liabilities measured at fair value through profit or loss | 2,085 | – | – | – | – | – | – | – | 2,085 |
| Financial assets sold under repurchase agreements | – | – | 18,084 | 2,887 | 250 | – | – | – | 21,221 |
| Due to customers | – | 919,891 | 18,345 | 37,828 | 83,531 | 12,122 | 4,315 | 3,719 | 1,079,751 |
| Debt securities issued | – | – | 365,879 | 191,168 | 1,697,860 | 5,878,325 | 4,511,951 | 1,050,538 | 13,695,721 |
| Other financial liabilities | 243 | 2,694 | 64 | 978 | 1,348 | 1,314 | 6 | 10 | 6,657 |
| **Total non-derivative financial liabilities** | 2,328 | 973,922 | 470,188 | 886,094 | 3,869,667 | 5,966,308 | 4,528,290 | 1,054,917 | 17,751,714 |
| **Net position** | 275,265 | (752,082) | 487,778 | (211,338) | (1,687,605) | (729,685) | 422,508 | 5,936,957 | 5,201,168 |
| **Derivative cash flows** | | | | | | | | | |
| Derivatives settled on a net basis: | | | | | | | | | |
| Net inflow | – | – | 102 | 8 | (50) | 475 | 526 | 320 | 1,381 |
| Derivatives settled on a gross basis: | | | | | | | | | |
| Total inflow | – | – | 140,191 | 121,749 | 452,310 | 2,938 | – | – | 717,188 |
| Total outflow | – | – | (139,998) | (120,493) | (444,063) | (2,890) | – | – | (707,444) |
| **Total derivative cash flows** | – | – | 295 | 1,264 | 8,197 | 523 | 526 | 320 | 11,125 |

| | As at 31 December 2020 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Past due/ undated | On demand | Within 1 month | 1 – 3 months | 3 – 12 months | 1 – 5 years | 5 – 10 years | Over 10 years | Total |
| **Non-derivative financial assets** | | | | | | | | | |
| Cash and balances with central banks | – | 131,280 | 74 | – | – | – | – | – | 131,354 |
| Deposits with banks and other financial institutions | 19,531 | 112,324 | 4,700 | 46,095 | 162,616 | 107 | – | – | 345,373 |
| Placements with banks and other financial institutions | – | – | 88,849 | 10,927 | 6,817 | – | – | – | 106,593 |
| Financial assets held under resale agreements | – | 28 | 587,095 | – | 1,357 | – | – | – | 588,480 |
| Loans and advances to customers | 108,577 | – | 48,622 | 241,040 | 1,937,245 | 5,223,086 | 4,355,824 | 6,339,519 | 18,253,913 |
| Financial assets measured at fair value through profit or loss | 119,655 | 1,729 | 22,765 | 124,329 | 89,089 | 98,282 | 140,257 | 465,253 | 1,061,359 |
| Debt instruments at amortized cost | 513 | – | – | 30,722 | 177,634 | 821,837 | 321,563 | 101,849 | 1,454,118 |
| Financial assets measured at fair value through other comprehensive income | 4,810 | – | 210,317 | 56,655 | 167,260 | 186,799 | 86,006 | 2,560 | 714,407 |
| Other financial assets | 1,469 | 4,172 | 21 | 514 | 324 | 3,561 | – | 39 | 10,100 |
| **Total non-derivative financial assets** | 254,555 | 249,533 | 962,443 | 510,282 | 2,542,342 | 6,333,672 | 4,903,650 | 6,909,220 | 22,665,697 |
| **Non-derivative financial liabilities** | | | | | | | | | |
| Deposits from banks and other financial institutions | – | 64,174 | 119,813 | 553,160 | 2,171,115 | 103 | – | – | 2,908,365 |
| Borrowings from governments and financial institutions | – | – | 28,571 | 133,341 | 263,294 | 70,935 | 12,130 | 13,361 | 521,632 |
| Placements from banks | – | – | 5,440 | 80,015 | 4,172 | 124 | 3,487 | 762 | 94,000 |
| Financial liabilities measured at fair value through profit or loss | 2,051 | – | – | – | – | – | – | – | 2,051 |
| Financial assets sold under repurchase agreements | – | – | 119,765 | 5,027 | 8 | – | – | – | 124,800 |
| Due to customers | – | 975,631 | 25,084 | 56,560 | 106,430 | 22,311 | 2,709 | 6,880 | 1,195,605 |
| Debt securities issued | – | – | 227,486 | 505,963 | 1,382,932 | 5,503,307 | 4,202,351 | 1,074,640 | 12,896,679 |
| Other financial liabilities | 2 | 20,806 | 167 | 243 | 1,086 | 1,309 | 740 | 10 | 24,363 |
| **Total non-derivative financial liabilities** | 2,053 | 1,060,611 | 526,326 | 1,334,309 | 3,929,037 | 5,598,089 | 4,221,417 | 1,095,653 | 17,767,495 |
| **Net position** | 252,502 | (811,078) | 436,117 | (824,027) | (1,386,695) | 735,583 | 682,233 | 5,813,567 | 4,898,202 |
| **Derivative cash flows** | | | | | | | | | |
| Derivatives settled on a net basis: | | | | | | | | | |
| Net inflow | – | – | 219 | 111 | (276) | 320 | 596 | 468 | 1,438 |
| Derivatives settled on a gross basis: | | | | | | | | | |
| Total inflow | – | – | 193,503 | 326,440 | 625,961 | 19,079 | 88 | – | 1,165,071 |
| Total outflow | – | – | (194,106) | (329,500) | (609,906) | (17,060) | (85) | – | (1,150,657) |
| **Total derivative cash flows** | – | – | (384) | (2,949) | 15,779 | 2,339 | 599 | 468 | 15,852 |

### Off-balance sheet items

Letters of guarantee issued, letters of credit issued, bank acceptance and loan commitments are included below based on the earliest contractual maturity date.

| | Within 1 month | 1 – 3 months | 3 – 12 months | 1 – 5 years | 5 – 10 years | Over 10 years | Total |
|---|---|---|---|---|---|---|---|
| **As at 31 December 2021** | | | | | | | |
| Loan commitments | 3,015 | 6,873 | 87,411 | 254,943 | 234,365 | 2,928,600 | 3,515,207 |
| Letters of guarantee issued | 1,441 | 114 | 2,141 | 3,566 | 2,000 | – | 9,262 |
| Bank acceptance | 507 | 1,640 | 6,553 | – | – | – | 8,700 |
| Letters of credit issued | 270 | 767 | 2,533 | 9 | – | – | 3,579 |
| Total | 5,233 | 9,394 | 98,638 | 258,518 | 236,365 | 2,928,600 | 3,536,748 |

| | Within 1 month | 1 – 3 months | 3 – 12 months | 1 – 5 years | 5 – 10 years | Over 10 years | Total |
|---|---|---|---|---|---|---|---|
| **As at 31 December 2020** | | | | | | | |
| Loan commitments | 8,612 | 35,461 | 186,918 | 223,425 | 212,993 | 2,787,475 | 3,454,884 |
| Letters of guarantee issued | 232 | 398 | 2,275 | 14,621 | – | – | 17,526 |
| Bank acceptance | 2,125 | 1,194 | 6,287 | – | – | – | 9,606 |
| Letters of credit issued | 467 | 2,317 | 3,892 | 66 | – | – | 6,742 |
| Total | 11,436 | 39,370 | 199,372 | 238,112 | 212,993 | 2,787,475 | 3,488,758 |

## (5) Fair value of financial assets and liabilities

The best evidence of fair value for a financial instrument is the quoted prices (unadjusted) in active markets for identical assets or liabilities. If the market for a financial instrument is not active, fair value is determined using valuation techniques. The valuation technique makes maximum use of observable market data and relies as little as possible on the unobservable inputs. The valuation techniques adopted by the Group incorporate all factors that market participants could consider in setting a price, and are consistent with accepted economic methodologies for pricing financial instruments.

Substantially all financial instruments classified within Level 1 of the fair value hierarchy are securities and funds listed on exchange. The fair values are quoted prices (unadjusted) in active markets for identical assets or liabilities.

Substantially all financial instruments classified within Level 2 of the fair value hierarchy are securities investments, derivatives, underlying assets of principal-guaranteed wealth management products and the associated liabilities to investors in relation to the principal-guaranteed wealth management products. Fair value of securities investments denominated in RMB is determined based upon the valuation published by the China Central Depository & Clearing Co., Ltd. Fair value of debt investments denominated in foreign currencies is determined based upon the valuation results published by the Bloomberg. Fair value of derivatives is calculated by applying discounted cash flow method or the Black Scholes Pricing Model. All significant inputs for the fair valuation of these financial assets and liabilities are observable in the market.

Level 3 financial assets of the Group are primarily unlisted equity investments and equity investments with embedded derivatives. Management uses valuation techniques to determine the fair value, which mainly include discounted cash flow method, net asset value, and comparable companies' approach. The fair value of these financial instruments based on unobservable inputs which may have significant impact on the valuation of these financial instruments, including credit risk of the counterparties, weighted average cost of capital, perpetual growth rate, liquidity discount, prepayment rate and similarity to comparable companies and their performance indicators, etc.

### (a) Financial instruments measured at fair value

Fair value hierarchy of financial instruments measured at fair value are as follows:

| | As at 31 December 2021 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| **Financial assets** | | | | |
| Derivative financial assets | | | | |
| – Exchange rate derivatives | – | 9,609 | – | 9,609 |
| – Interest rate derivatives | – | 7,369 | – | 7,369 |
| Loans and advances to customers | – | – | 45,073 | 45,073 |
| Financial investment | | | | |
| Financial assets measured at fair value through profit or loss | | | | |
| Trading assets and other financial assets mandatorily classified at fair value through profit or loss | | | | |
| – Bonds | 4,249 | 73,748 | 868 | 78,865 |
| – Inter-bank certificates of deposit | – | 171,243 | – | 171,243 |
| – Stock and fund | 5,489 | 867 | 10,069 | 16,425 |
| – Wealth management products issued by other banks | 72 | – | 4,470 | 4,542 |
| – Equity investments | 17,527 | 14,102 | 702,231 | 733,860 |
| – Asset management plans | – | 376 | 15 | 391 |
| Financial assets at fair value through profit or loss (Designated) | | | | |
| – Bonds | – | 624 | – | 624 |
| – Asset management plans | – | 16 | – | 16 |
| Financial assets measured at fair value through other comprehensive income | | | | |
| – Bonds | 19,399 | 300,517 | 103 | 320,019 |
| – Inter-bank certificates of deposit | – | 446,543 | – | 446,543 |
| – Asset management plans | – | – | – | – |
| – Equity investments | 4,060 | – | 2,000 | 6,060 |
| **Total** | 50,796 | 1,025,014 | 764,829 | 1,840,639 |
| **Financial liabilities** | | | | |
| Financial liabilities at fair value through profit or loss | (1) | – | (2,084) | (2,085) |
| Derivative financial liabilities | | | | |
| – Exchange rate derivatives | – | (2,827) | – | (2,827) |
| – Interest rate derivatives | – | (6,532) | – | (6,532) |
| **Total** | (1) | (9,359) | (2,084) | (11,444) |

| | As at 31 December 2020 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| **Financial assets** | | | | |
| Derivative financial assets | | | | |
| – Exchange rate derivatives | – | 27,053 | – | 27,053 |
| – Interest rate derivatives | – | 10,684 | – | 10,684 |
| Loans and advances to customers | – | – | 42,964 | 42,964 |
| Financial investment | | | | |
| Financial assets measured at fair value through profit or loss | | | | |
| Trading assets and other financial assets mandatorily classified at fair value through profit or loss | | | | |
| – Bonds | 173 | 71,903 | 4,389 | 76,465 |
| – Inter-bank certificates of deposit | 50 | 206,096 | – | 206,146 |
| – Stock and fund | 2,834 | 234 | 10,738 | 13,806 |
| – Wealth management products issued by other banks | 50 | 1,614 | 7,407 | 9,071 |
| – Equity investments | 8 | 7,011 | 739,790 | 746,809 |
| – Asset management plans | – | 420 | – | 420 |
| Financial assets at fair value through profit or loss (Designated) | | | | |
| – Bonds | – | 2,361 | – | 2,361 |
| – Asset management plans | – | 625 | – | 625 |
| Financial assets measured at fair value through other comprehensive income | | | | |
| – Bonds | 11,152 | 288,388 | 436 | 299,976 |
| – Inter-bank certificates of deposit | – | 359,115 | – | 359,115 |
| – Asset management plans | – | – | 1,015 | 1,015 |
| – Equity investments | 3,294 | – | 1,516 | 4,810 |
| **Total** | 17,561 | 975,504 | 808,255 | 1,801,320 |
| **Financial liabilities** | | | | |
| Financial liabilities at fair value through profit or loss | (38) | (2,013) | – | (2,051) |
| Derivative financial liabilities | | | | |
| – Exchange rate derivatives | – | (16,924) | – | (16,924) |
| – Interest rate derivatives | – | (9,919) | – | (9,919) |
| **Total** | (38) | (28,856) | – | (28,894) |

There were no significant transfers between Level 1 and Level 2 during the years ended 31 December 2021 and 31 December 2020.

The reconciliation of Level 3 financial assets and financial liabilities presented at fair value in the consolidated statement of financial position is as follows:

| | Financial assets | | | |
|---|---|---|---|---|
| | Loans and advances to customers | Financial assets at fair value through profit or loss | Financial assets at fair value through other comprehensive income (Designated) | Total financial assets |
| As at 1 January 2021 | 42,964 | 792,324 | 2,967 | 808,255 |
| Disposals | – | (16,396) | – | (16,396) |
| Additions | 6,186 | 27,212 | 500 | 33,898 |
| Settlements | (4,740) | (71,049) | (1,527) | (77,316) |
| Transfer out from Level 3 | – | (7,285) | (16) | (7,301) |
| Total loss recognized in | | | | |
| – Profit or loss | 663 | 22,838 | 24 | 23,525 |
| – Other comprehensive income | – | 9 | 155 | 164 |
| As at 31 December 2021 | 45,073 | 717,653 | 2,103 | 764,829 |
| Change in unrealized loss for the year recognized in | | | | |
| – Profit or loss | 663 | 18,003 | – | 18,666 |
| – Other comprehensive income | – | 9 | 179 | 188 |

| | Financial assets | | | |
|---|---|---|---|---|
| | Loans and advances to customers | Financial assets at fair value through profit or loss | Financial assets at fair value through other comprehensive income (Designated) | Total financial assets |
| As at 1 January 2020 | 38,291 | 791,853 | 2,907 | 833,051 |
| Disposals | – | (22,111) | – | (22,111) |
| Additions | 3,988 | 25,228 | 500 | 29,716 |
| Settlements | – | (49,741) | (879) | (50,620) |
| Transfer out from Level 3 | – | (1,224) | 1,145 | (79) |
| Total loss recognized in | | | | |
| – Profit or loss | 685 | 19,059 | (13) | 19,731 |
| – Other comprehensive income | – | (740) | (693) | (1,433) |
| As at 31 December 2020 | 42,964 | 762,324 | 2,967 | 808,255 |
| Change in unrealized loss for the year recognized in | | | | |
| – Profit or loss | 685 | 17,679 | (13) | 18,351 |
| – Other comprehensive income | – | (740) | (693) | (1,433) |

### (b) Financial instruments not measured at fair value

In respect of financial assets and financial liabilities carried at other than fair value, the following methods and assumptions were used to estimate the fair value of each type of financial instruments for which it is practicable. The fair value hierarchy is primarily categorized as Level 2.

(i) Cash and balances with central banks, deposits with banks and other financial institutions, placements with banks and other financial institutions, financial assets held under resale agreements, demand deposits from banks and other financial institutions, demand deposits from customers, placements from banks, financial assets sold under repurchase agreements, current receivables or payables due in one year within other assets and other liabilities.

Given that these financial assets and liabilities are short-term in nature and reprice to current market rates frequently, the carrying amounts approximate the fair value.

(ii) Debt investments

Fair value of listed securities is estimated using quoted market price. Fair value of unlisted securities is estimated using valuation techniques that take into consideration future cash flows and market price of similar quoted securities.

(iii) Loans and advances to customers

The carrying amounts of variable rate loans and advances to customers are reasonable approximate of fair values because interest rates reflect market rates which are based on PBOC's established rates and are adjusted when applicable. Fair value of fixed rate loans and advances to customers is estimated using a discounted cash flow analysis utilizing the rates currently offered for loans of similar remaining maturities.

(iv) Fixed interest-bearing customer deposits, deposits from banks and other financial institutions and borrowings

Fair value of fixed rate customer deposits, deposits from banks and other financial institutions and borrowings is estimated using a discounted cash flow analysis utilizing the rates currently offered for deposits and borrowings with similar remaining maturities.

The carrying amount of financial instruments referred to in (i) to (iv) are approximate fair value.

(v) Debt securities issued

Fair value of debt securities issued is determined using quoted market prices where available or by reference to quoted market prices for similar instruments. For those securities where quoted market prices or quoted market prices for similar instruments are not available, a discounted cash flow analysis is used based on a current yield curve appropriate for the remaining maturity of the instruments.

The tables below summarize the carrying amounts and fair values of debt securities issued:

| | As at 31 December 2021 | |
|---|---|---|
| | Amortized cost | Fair value |
| Debt securities issued | 11,480,377 | 11,572,243 |

| | As at 31 December 2020 | |
|---|---|---|
| | Amortized cost | Fair value |
| Debt securities issued | 10,722,092 | 10,854,183 |

## (6) Capital management

Capital of the Group uses for capital management, which is a broader concept than the "equity" as presented on the consolidated statement of financial position. The purpose of the Group's capital management is:

- to comply with the capital requirements set by the regulators of the banking markets where the Group entities operate;
- to safeguard the Group's ability to continue as a going concern so that it can continue to generate returns for equity holders; and
- to maintain a strong capital base to support the development of its business.

Capital adequacy of the Group and the utilization of regulatory capital are closely monitored by management in accordance with the guidelines established by the Basel Committee and relevant regulations promulgated by the CBIRC. Required information related to capital levels and utilization is filed quarterly with the CBIRC. As of 31 December 2021, the Group had a total capital of RMB1,718,252 million, total Tier 1 capital RMB1,451,521 million, total Core Tier 1 capital RMB1,450,291 million, capital adequacy ratio 11.66%, Tier 1 capital adequacy ratio 9.85%, Core Tier 1 capital adequacy ratio 9.84%.

# 附录
# APPENDICES

审计报告（按照国际审计准则）

财务报表（按照国际财务报告准则编制）

INDEPENDENT AUDITOR’S REPORT IN ACCORDANCE WITH ISAs

IFRS CONSOLIDATED FINANCIAL STATEMENTS

# INDEPENDENT AUDITOR'S REPORT

**To the Board of Directors of China Development Bank**

*(Incorporated in the People's Republic of China with limited liability)*

**2023-ZAB009**

## OPINION

We have audited the consolidated financial statements of China Development Bank (the "Bank") and its subsidiaries (the "Group") set out on pages 134 to 191, which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2022 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB").

## BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing ("ISAs") issued by the International Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants (the "Code") issued by International Ethics Standards Board for Accountants, and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarised as follows:

- Measurement of expected credit loss for loans and advances to customers at amortized cost, loan commitments and financial guarantee contracts;
- Consolidation of structured entities.

| Key Audit Matter | How our audit addressed the key audit matter |
|---|---|
| **Measurement of expected credit loss for loans and advances to customers at amortized cost, loan commitments and financial guarantee contracts**<br><br>As at 31 December 2022, the Group's gross carrying amount of loans and advances to customers at amortized cost recognized in the consolidated statement of financial position amounted to RMB14,470.21 billion with a credit loss allowance of RMB619.20 billion. The total exposure of loan commitments and financial guarantee contracts was RMB3,728.85 billion, for which a provision of RMB23.36 billion was recognized. The credit impairment losses on loans and advances to customers at amortized cost, loan commitments and financial guarantee contracts recognized in the Group's consolidated income statement for the year ended 31 December 2022 amounted to RMB110.45 billion.<br><br>The credit loss allowances for loans and advances to customers at amortized cost, together with the provisions for loan commitments and financial guarantee contracts, as of 31 December 2022 represented management's best estimate of expected credit losses ("ECL") at that date under International Financial Reporting Standard 9: Financial Instruments.<br><br>Management assessed whether the credit risk of loans and advances to customers at amortized cost, loan commitments and financial guarantee contracts has increased significantly since their initial recognition, and applied a three-stage impairment model to calculate their ECL. Management assessed the credit loss allowance and provisions in light of forward-looking information and using the risk parameter model that incorporates key parameters, including probability of default, loss given default, exposure at default and discount rates.<br><br>The measurement models for ECL involved significant management judgments and assumptions, primarily including the following:<br><br>(1) Segmentation of business operations sharing similar credit risk characteristics, selection of appropriate model and determination of relevant key measurement parameters;<br>(2) Determination of the criteria for significant increase in credit risk ("SICR"), default or credit-impaired;<br>(3) Adoption of economic indicators, economic scenarios and their weights for forward-looking measurement;<br>(4) The estimated future cash flows for loans and advances to customers at amortized cost in Stage 3.<br><br>The Group established governance process and controls over the measurement of ECL.<br><br>The Group developed complex models, employed numerous parameters and data inputs, and applied significant management judgments and assumptions in measuring the ECL, and the amounts of ECL and provisions estimated are significant. These reasons resulted in this matter being identified as a key audit matter.<br><br>Relevant disclosures are included in Note 3(13)(f), Note 4(1), Note 14, Note 21, Note 36 and Note 50(2) to the Group's consolidated financial statements. | We evaluated and tested the effectiveness of the design and operation of the Group's internal controls related to the measurement of ECL for the loans and advances, loan commitments and financial guarantee contracts which comprised:<br><br>(1) Internal controls over ECL models, including the selection, approval and application of methodologies of models, and the ongoing monitoring and optimization of such models;<br>(2) Internal controls related to the review and approval of the portfolio segmentation, model selections, parameters determination, the criteria for SICR, the definition of default and credit-impaired, the use of forward-looking scenarios and the judgement of risks from major uncertainties;<br>(3) Internal controls over the accuracy and completeness of key inputs used by the models;<br>(4) Internal controls relating to estimated future cash flows and calculations of present values of such cash flows for loans and advances to customers at amortized cost in Stage 3;<br>(5) Internal controls over the information systems for ECL measurement.<br><br>The substantive procedures we performed include:<br><br>(1) We reviewed the ECL modelling methodologies and assessed the reasonableness of the portfolio segmentation, model selection, key parameters estimation, significant judgements and assumptions in relation to the models. We examined the ECL calculation on a sample basis, to validate whether or not the ECL calculation reflect management's modelling methodologies.<br>(2) We performed testing on a sample basis based on financial and non-financial information, relevant external evidence and other factors of the borrowers, to assess the appropriateness of management's identification of SICR, defaults and credit-impaired loans.<br>(3) For forward-looking measurement, we reviewed the basis management used for determining the economic indicators, number of scenarios and relative weightings, assessed the reasonableness of forecasted economic indicators, economic scenarios and relevant weightings.<br>(4) We examined key data inputs to the ECL models for selected samples, including historical data and data at the measurement date, to assess their accuracy and completeness. We also tested the major data transfers between the ECL calculation engines and relevant information systems, to verify their accuracy and completeness.<br>(5) For loans and advances to customers in Stage 3, we tested on a sample basis on the credit loss allowance computed by management based on estimated future cash flows and discount rates with reference to financial information of borrowers and guarantors, the latest collateral valuations, and other information including forward-looking factors, etc. |
| **Consolidation of structured entities**<br><br>Structured entities primarily included asset-backed securities, assets management plans and funds, etc., that were issued, initiated, managed and invested by the Group. As at 31 December 2022, total assets of the consolidated structured entities and unconsolidated structured entities, issued, initiated and managed by the Group, amounted to RMB14.60 billion and RMB162.67 billion, respectively. In addition, as at 31 December 2022, the carrying amount of unconsolidated structured entities invested by the Group which were issued, initiated and managed by other institutions included in the consolidated statement of financial position amounted to RMB20.04 billion.<br><br>The Group evaluated the following aspects to determine whether the above structured entities need to be consolidated in the consolidated financial statements:<br><br>• its power over these structured entities;<br>• its exposure to variable returns from its involvement with these structured entities;<br>• its ability to use its power to affect the amount of its variable returns from these structured entities.<br><br>The significant judgement exercised by management in assessing whether the Group had control of structured entities and the significant amount of such structured entities resulted in this matter being identified as a key audit matter.<br><br>Relevant disclosures are included in Note 3(4), Note 4(2) and Note 45 to the Group's consolidated financial statements. | For different types of structured entities, we performed the following tests:<br><br>(1) Evaluated and tested the effectiveness of the design and operation of the Group's internal controls related to the Group's assessment on whether it controls a structured entity;<br>(2) Assessed the Group's contractual rights and obligations in light of the transaction structures, and evaluated the Group's power over the structured entities through review of related contracts and agreements;<br>(3) Performed independent analysis and tests on the variable returns from the structured entities, including but not limited to commission income earned and asset management fees earned as the asset manager or service provider, the retention of residual income, and, if any, the liquidity and other support provided to the structured entities;<br>(4) Assessed whether the Group acted as a principal or an agent, through analysis of the scope of decision-making authority of the structured entities, the remuneration to which the Group was entitled for its role as the assets manager or service provider, the Group's exposure to variability of returns from its other interests in the structured entities, and the rights held by other parties in the structured entities. |

## OTHER INFORMATION

Management is responsible for the other information. The other information comprises the information included in the Group's 2022 Annual Report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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

## AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated 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 ISAs 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 consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated 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.
- 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 Group'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 the consolidated 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 Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated 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 Group 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner of the audit resulting in this independent auditor's report is Zhu Jiandi.

**BDO China SHU LUN PAN Certified Public Accountants LLP**
Shanghai, the People's Republic of China

27 April 2023

# CONSOLIDATED INCOME STATEMENT
# FOR THE YEAR ENDED 31 DECEMBER 2022

(Amounts in millions of Renminbi, unless otherwise stated)

| | | Year ended 31 December | |
|---|---|---|---|
| | Notes | 2022 | 2021 |
| Interest income | 7 | 633,280 | 601,133 |
| Interest expense | 7 | (462,970) | (457,501) |
| **Net interest income** | 7 | 170,310 | 143,632 |
| Fee and commission income | 8 | 2,410 | 2,373 |
| Fee and commission expense | 8 | (906) | (930) |
| **Net fee and commission income** | 8 | 1,504 | 1,443 |
| Net trading and foreign exchange gain | 9 | 40,920 | 23,750 |
| Net gain on derecognition of debt instruments at amortized cost | | 32 | 102 |
| Dividend income | 10 | 11,382 | 10,953 |
| Net gain/(loss) on investment securities | 11 | 159 | (445) |
| Other income, net | 12 | 8,437 | 7,880 |
| **Operating income** | | 232,744 | 187,315 |
| Share of profit of associates and joint ventures | | 345 | 650 |
| Operating expenses | 13 | (17,485) | (17,172) |
| Credit impairment losses | 14 | (115,426) | (76,642) |
| Other impairment losses on assets | | (3,031) | (1,069) |
| **Profit before income tax** | | 97,147 | 93,082 |
| Income tax expense | 15 | (12,807) | (12,288) |
| **Profit for the year** | | 84,340 | 80,794 |
| **Attributable to:** | | | |
| Equity holders of the Bank | | 82,728 | 78,960 |
| Non-controlling interests | | 1,612 | 1,834 |
| | | 84,340 | 80,794 |

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

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2022

(Amounts in millions of Renminbi, unless otherwise stated)

| | Year ended 31 December | |
|---|---|---|
| | 2022 | 2021 |
| **Profit for the year** | 84,340 | 80,794 |
| **Other comprehensive income:** | | |
| **Items that will not be reclassified subsequently to profit or loss:** | | |
| Remeasurement of supplemental retirement benefits obligation | 22 | 116 |
| Net (loss)/gain on investments in equity instruments through other comprehensive income | (116) | 881 |
| Subtotal | (94) | 997 |
| **Items that may be reclassified subsequently to profit or loss:** | | |
| Exchange differences on translation of foreign operations | 4,509 | (1,445) |
| Net (loss)/gain of debt instruments at fair value through other comprehensive income | (2,492) | 2,144 |
| Others | 1,384 | 879 |
| Subtotal | 3,401 | 1,578 |
| **Other comprehensive income for the year, net of tax** | 3,307 | 2,575 |
| **Total comprehensive income for the year** | 87,647 | 83,369 |
| **Total comprehensive income attributable to:** | | |
| Equity holders of the Bank | 85,120 | 81,384 |
| Non-controlling interests | 2,527 | 1,985 |
| **Total** | 87,647 | 83,369 |

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

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION
# AS AT 31 DECEMBER 2022

(Amounts in millions of Renminbi, unless otherwise stated)

| | | As at 31 December | |
|---|---|---|---|
| | Notes | 2022 | 2021 |
| **Assets** | | | |
| Cash and balances with central banks | 16 | 113,860 | 92,565 |
| Deposits with banks and other financial institutions | 17 | 113,326 | 195,044 |
| Placements with banks and other financial institutions | 18 | 471,537 | 371,086 |
| Derivative financial assets | 19 | 11,093 | 16,978 |
| Financial assets held under resale agreements | 20 | 404,823 | 495,214 |
| Loans and advances to customers | 21 | 13,899,107 | 12,791,666 |
| Financial Investments | | | |
| Financial assets at fair value through profit or loss | 22 | 931,128 | 1,005,966 |
| Debt instruments at amortized cost | 23 | 935,357 | 1,146,917 |
| Financial assets at fair value through other comprehensive income | 24 | 1,027,853 | 772,622 |
| Investments in associates and joint ventures | 25 | 458 | 443 |
| Property and equipment | 26 | 123,008 | 109,531 |
| Deferred tax assets | 27 | 174,366 | 138,127 |
| Other assets | 28 | 37,167 | 31,782 |
| **Total assets** | | 18,243,083 | 17,167,941 |
| **Liabilities** | | | |
| Deposits from banks and other financial institutions | 29 | 2,536,074 | 2,395,514 |
| Borrowings from governments and financial institutions | 30 | 572,862 | 448,961 |
| Placements from banks | 31 | 38,869 | 69,680 |
| Financial liabilities measured at fair value through profit or loss | 32 | 2,495 | 2,085 |
| Derivative financial liabilities | 19 | 18,351 | 9,359 |
| Financial assets sold under repurchase agreements | 33 | 15,392 | 21,205 |
| Due to customers | 34 | 1,167,724 | 1,079,196 |
| Debt securities issued | 35 | 12,125,956 | 11,480,377 |
| Current tax liabilities | | 43,434 | 17,445 |
| Deferred tax liabilities | 27 | 8,136 | 8,274 |
| Other liabilities | 36 | 108,209 | 97,565 |
| **Total liabilities** | | 16,637,502 | 15,629,661 |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)
## AS AT 31 DECEMBER 2022

(Amounts in millions of Renminbi, unless otherwise stated)

| | Notes | As at 31 December 2022 | As at 31 December 2021 |
|---|---|---|---|
| **Equity** | | | |
| Share capital | 37 | 421,248 | 421,248 |
| Capital reserve | 38 | 182,650 | 182,650 |
| Investment revaluation reserve | 39 | (14,624) | (11,547) |
| Surplus reserve | 40 | 214,825 | 201,134 |
| General reserve | 40 | 260,425 | 258,519 |
| Currency translation reserve | | 1,128 | (3,076) |
| Other reserve | 41 | 398 | (365) |
| Retained earnings | 42 | 513,776 | 465,883 |
| Total equity attributable to equity holders of the Bank | | 1,579,826 | 1,514,446 |
| Non-controlling interests | 43 | 25,755 | 23,834 |
| **Total equity** | | 1,605,581 | 1,538,280 |
| **Total liabilities and equity** | | 18,243,083 | 17,167,941 |

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

The consolidated financial statements are signed on its behalf by:

| Chairman | President | Executive Vice President, in charge of the finance function | Head of Finance |
|---|---|---|---|

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2022

(Amounts in millions of Renminbi, unless otherwise stated)

| | | Total equity attributable to equity holders of the Bank | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Notes | Share capital | Capital reserve | Investment Revaluation reserve | Surplus reserve | General reserve | Currency Translation reserve | Other reserve | Retained earnings | Subtotal | Non-controlling interests | Total equity |
| Balance at 1 January 2022 | | 421,248 | 182,650 | (11,547) | 201,134 | 258,519 | (3,076) | (365) | 465,883 | 1,514,446 | 23,834 | 1,538,280 |
| Profit for the year | | – | – | – | – | – | – | – | 82,728 | 82,728 | 1,612 | 84,340 |
| Other comprehensive income | | – | – | (2,575) | – | – | 4,204 | 763 | – | 2,392 | 915 | 3,307 |
| Total comprehensive income | | – | – | (2,575) | – | – | 4,204 | 763 | 82,728 | 85,120 | 2,527 | 87,647 |
| Disposal of subsidiaries | | – | – | – | – | (8) | – | – | 8 | | (73) | (73) |
| Appropriation to surplus reserve | 42 | – | – | – | 13,691 | – | – | – | (13,691) | – | – | – |
| Appropriation to general reserve | 42 | – | – | – | – | 1,914 | – | – | (1,914) | – | – | – |
| Dividends | 42 | – | – | – | – | – | – | – | (19,740) | (19,740) | (533) | (20,273) |
| Others | | – | – | (502) | – | – | – | – | 502 | – | – | – |
| Balance at 31 December 2022 | | 421,248 | 182,650 | (14,624) | 214,825 | 260,425 | 1,128 | 398 | 513,776 | 1,579,826 | 25,755 | 1,605,581 |
| Balance at 1 January 2021 | | 421,248 | 182,650 | (14,755) | 185,631 | 248,966 | (1,684) | (973) | 434,686 | 1,455,769 | 24,823 | 1,480,592 |
| Profit for the year | | – | – | – | – | – | – | – | 78,960 | 78,960 | 1,834 | 80,794 |
| Other comprehensive income | | – | – | 3,208 | – | – | (1,392) | 608 | – | 2,424 | 151 | 2,575 |
| Total comprehensive income | | – | – | 3,208 | – | – | (1,392) | 608 | 78,960 | 81,384 | 1,985 | 83,369 |
| Disposal of subsidiaries | | – | – | – | – | – | – | – | – | – | (2,490) | (2,490) |
| Appropriation to surplus reserve | 42 | – | – | – | 15,503 | – | – | – | (15,503) | – | – | – |
| Appropriation to general reserve | 42 | – | – | – | – | 9,553 | – | – | (9,553) | – | – | – |
| Dividends | 42 | – | – | – | – | – | – | – | (22,707) | (22,707) | (484) | (23,191) |
| Balance at 31 December 2021 | | 421,248 | 182,650 | (11,547) | 201,134 | 258,519 | (3,076) | (365) | 465,883 | 1,514,446 | 23,834 | 1,538,280 |

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

## CONSOLIDATED STATEMENT OF CASH FLOWS
## FOR THE YEAR ENDED 31 DECEMBER 2022

(Amounts in millions of Renminbi, unless otherwise stated)

| | Notes | Year ended 31 December 2022 | 2021 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Profit before income tax | | 97,147 | 93,082 |
| Adjustments: | | | |
| Impairment losses on assets | | 118,457 | 77,711 |
| Depreciation and amortization | | 7,432 | 6,218 |
| Interest expense for debt securities issued | | 376,594 | 365,994 |
| Interest expense for borrowings from governments and financial institutions | | 11,915 | 8,865 |
| Interest income for investment securities | | (60,841) | (57,881) |
| Interest income arising from impaired loans and advances to customers | | (848) | (643) |
| Net gain/(loss) on financial instruments measured at fair value through profit or loss | | 14,184 | (18,228) |
| Net (loss)/gain on investment securities | | (1,204) | 343 |
| Net loss on disposal of property and equipment, intangible assets and other long-term assets | | (595) | (804) |
| Net foreign exchange loss | | (50,158) | 31,037 |
| Share of profit of associate and joint ventures | | (345) | (650) |
| Dividend income | | (129) | (68) |
| Subtotal | | 511,609 | 504,976 |
| Net change in operating assets and operating liabilities: | | | |
| Net decrease in balances with central banks and deposits with banks and other financial institutions | | 39,773 | 161,883 |
| Net decrease/(increase) in financial assets held under resale agreements | | 6,879 | (535) |
| Net decrease in financial assets measured at fair value through profit or loss | | 65,998 | 26,301 |
| Net increase in loans and advances to customers | | (1,118,929) | (448,448) |
| Net increase in placements with banks and other financial institutions | | (86,772) | (55,071) |
| Net decrease in other operating assets | | 136,176 | 45,847 |
| Net increase/(decrease) in due to customers and deposits from banks and other financial institutions | | 212,623 | (563,183) |
| Net (decrease)/increase in placements from banks | | (27,393) | 6,779 |
| Net decrease in financial assets sold under repurchase agreements | | (5,821) | (103,435) |
| Net decrease in other operating liabilities | | (44,888) | (2,630) |
| Subtotal | | (822,354) | (932,492) |
| Income tax paid | | (23,749) | (8,993) |
| **Net cash outflows from operating activities** | | (334,494) | (436,509) |

## CONSOLIDATED STATEMENT OF CASH FLOWS (Continued) FOR THE YEAR ENDED 31 DECEMBER 2022

(Amounts in millions of Renminbi, unless otherwise stated)

| | Notes | Year ended 31 December 2022 | 2021 |
|---|---|---|---|
| **Cash flows from investing activities** | | | |
| Cash received from disposal/redemption of debt instruments at amortized cost and financial assets at fair value through other comprehensive income | | 1,005,027 | 1,147,849 |
| Cash received from returns on investment securities | | 65,374 | 61,632 |
| Cash received from other investing activities | | 6,416 | 6,685 |
| Cash received from disposal of investment in subsidiaries and associates | | 280 | – |
| Cash paid for purchase of property and equipment, intangible assets and other long-term assets | | (14,974) | (25,247) |
| Cash paid for purchase of debt instruments at amortized cost and financial assets at fair value through other comprehensive income | | (1,042,373) | (1,129,687) |
| **Net cash inflows from investing activities** | | 19,750 | 61,232 |
| **Cash flows from financing activities** | | | |
| Cash received from debt securities issued | | 2,631,402 | 2,640,976 |
| Cash received from borrowings from governments and other institutions | | 72,297 | 54,025 |
| Cash received/(paid for) from other financing activities | | 533 | (3,328) |
| Transactions with non-controlling interests | | (437) | 341 |
| Cash paid for repayments of debt securities issued and borrowings from governments and other institutions | | (2,098,725) | (2,023,570) |
| Cash payment for interest on debt securities issued and borrowings from governments and other institutions | | (373,420) | (367,453) |
| Dividends paid | | (19,740) | (22,707) |
| Other cash received related to financing activities | | (1,998) | – |
| **Net cash inflows from financing activities** | | 209,912 | 278,284 |
| **Effect of exchange rate changes on cash and cash equivalents** | | 14,834 | (5,632) |
| **Net decrease in cash and cash equivalents** | | (89,998) | (102,625) |
| **Cash and cash equivalents at beginning of year** | | 756,381 | 859,006 |
| **Cash and cash equivalents at end of year** | 44 | 666,383 | 756,381 |
| Net cash flows from operating activities include: | | | |
| Interest received | | 560,348 | 543,442 |
| Interest paid | | (74,163) | (84,957) |

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

(Amounts in millions of Renminbi, unless otherwise stated)

## 1. GENERAL INFORMATION AND PRINCIPAL ACTIVITIES

China Development Bank (the "Bank") was formerly a wholly state-owned policy bank which was established on 17 March 1994. Approved by the State Council of the People's Republic of China (the "PRC"), China Development Bank was converted into a joint stock corporation on 11 December 2008, established jointly by the Ministry of Finance (the "MOF") and Central Huijin Investment Ltd. ("Huijin"), and renamed as China Development Bank Corporation.

On 19 April 2017, with the approval of the China Banking and Insurance Regulatory Commission (the former "China Banking Regulatory Commission, CBRC" and "China Insurance Regulatory Commission, CIRC", the "CBIRC") and after completing the review by and registration of corporate changes with the State Administration of Business and Commerce, China Development Bank Corporation changed its name to China Development Bank, and changed its form of organization from a joint stock corporation to a limited liability company. After these changes, the Bank operates under business license No. 911100000000184548 issued by Beijing Administration of Industry and Commerce on 19 April 2017, and financial institution license No. G0001H111000001 issued by the CBIRC on 13 June 2017. The registration of corporate changes does not affect the rights and obligations of the Bank. After the changes, the Bank assumes all the assets, creditor's rights, debts and businesses of the former China Development Bank Corporation.

Committed to strengthening national competitiveness and improving people's livelihood, the Bank and its subsidiaries (collectively, the "Group") align their business focus with China's major medium- and long-term economic development strategies by leveraging its unrivalled position as a leading bank for medium and long-term financing and comprehensive financial services, so as to raise and channel economic resources in support of the following areas:

- Economic and social development, including infrastructures, basic industries, pillar industries, public services and management;
- New urbanization, urban-rural integration, and balanced regional development;
- Programs vital for national competitiveness, including energy conservation, environmental protection, high-end manufacturing, and the transformation and upgrading of traditional industries;
- Public welfare, including affordable housing, poverty alleviation, student loans, and inclusive finance;
- National strategies, including those in science and technology, culture, and people-to-people exchange;
- International cooperation, including the Belt and Road Initiative, industrial capacity and equipment manufacturing projects, infrastructure connectivity, energy and resources, and Chinese enterprises "Going Global";
- Initiatives that support China's development needs and economic and financial reforms; and
- Other areas as mandated by and aligned with national development strategies and policies.

The head office and domestic branches of the Bank and its subsidiaries registered in the Mainland China are referred to as the "Domestic Operations". Branches and subsidiaries registered outside of the Mainland China are referred to as the "Overseas Operations".

## 2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

### 2.1 Amendments to the accounting standards effective in 2022 relevant to and adopted by the Group

The following amendments have been adopted by the Group for the first time during the financial year ended 31 December 2022:

| | | |
|---|---|---|
| (1) | Amendments to IAS 16 | Property, Plant and Equipment: Proceeds before Intended Use |
| (2) | Amendments to IAS 37 | Onerous Contracts – Cost of Fulfilling a Contract |
| (3) | Amendments to IFRS 3 | Business Combination |
| (4) | Annual Improvements to IFRSs 2018-2020 Cycle (issued in May 2020) | |

#### (1) Amendments to IAS 16: Property, Plant and Equipment: Proceeds before Intended Use

IAS 16 Amendments prohibit entities from deducting from the cost of an item of property, plant and equipment, any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.

#### (2) Amendments to IAS 37: Onerous Contracts – Cost of Fulfilling a Contract

IAS 37 Amendments specify which costs an entity needs to include when assessing whether a contract is onerous. The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

#### (3) Amendments to IFRS 3: Business Combination

The amendments have updated IFRS 3 Business combinations to refer to the Conceptual Framework for Financial Reporting, in order to determine what constitutes an asset or a liability in a business combination. In addition, the Board added a new exception in IFRS 3 for liabilities and contingent liabilities. The amendments also confirm that contingent assets should not be recognized at the acquisition date.

#### (4) Annual Improvements to IFRSs 2018-2021 Cycle

The 2018-2021 cycle of annual improvements make minor amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IAS 41 Agriculture and the illustrative examples accompanying IFRS 16 Leases.

The adoption of the above amendments does not have any significant impact on the operating results, financial position and comprehensive income of the Group.

### 2.2 Standards and amendments relevant to the Group that are not yet effective and have not been adopted before their effective dates in 2022

The Group has not adopted the following new and amended standards IFRSs that have been issued but are not yet effective.

| | | | Effective for annual periods beginning on or after |
|---|---|---|---|
| (1) | Amendments to IAS 1 | Classification of Liabilities as Current or Non-current | 1 January 2023 |
| (2) | Amendments to IAS 1 and IFRS Practice Statement 2 | Disclosure of Accounting Policies | 1 January 2023 |
| (3) | Amendments to IAS 8 | Definition of Accounting Estimates | 1 January 2023 |
| (4) | Amendments to IAS 12 | Deferred tax related to assets and liabilities arising from a single transaction | 1 January 2023 |
| (5) | IFRS 17 and Amendments | Insurance Contracts | 1 January 2023 |
| (6) | Amendments to IFRS 10 and IAS 28 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture | Effective date has been deferred indefinitely |

#### (1) Amendments to IAS 1: Classification of Liabilities as Current or Non-current

IAS 1 Amendments specify the requirements for classifying liabilities as current or non-current. The amendments clarify what is meant by a right to defer settlement that a right to defer must exist at the end of the reporting period, classification is unaffected by the likelihood that an entity will exercise its deferral right, and only if an embedded derivative in a convertible liability is separately an equity instrument, would the terms of a liability not impact its classification.

#### (2) Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting Policies

The amendments to IAS 1 and IFRS Practice Statement 2 change the disclosure requirements with respect to accounting policies from "significant accounting policies" to "material accounting policy Information". The amendments provide guidance on when accounting policy information is likely to be considered material.

#### (3) Amendments to IAS 8: Definition of Accounting Estimates

IAS 8 Amendments added the definition of accounting estimates in IAS 8. The amendments also clarified that the effects of a change in an input or measurement technique are changes in accounting estimates, unless resulting from correction of prior period errors.

#### (4) Amendments to IAS 12: Deferred tax related to assets and liabilities arising from a single transaction

The amendments clarify whether the initial recognition exemption applies to certain transactions that result in both an asset and a liability being recognized simultaneously (e.g. a lease in the scope of IFRS 16 Lease). The amendments introduce an additional criterion for the initial recognition exemption under IAS 12.15, whereby the exemption does not apply to the initial recognition of an asset or liability which at the time of the transaction, gives rise to equal taxable and deductible temporary differences.

#### (5) IFRS 17 and Amendments: Insurance Contracts

IFRS 17 Insurance Contracts and IFRS 17 amendments replaced IFRS 4 Insurance Contracts. The standard provides a general model for insurance contracts and two additional approaches: the variable fee approach and the premium allocation approach. IFRS 17 and amendments cover the recognition, measurement, presentation and disclosure of insurance contracts and apply to all types of insurance contracts.

#### (6) Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments to IFRS 10 and IAS 28 address an inconsistency between the requirements in IFRS 10 and in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognized in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture.

The adoption of the above standards, amendments and interpretations will have no material impact on the financial statements.

## 3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

### (1) Accounting period

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

### (2) Statement of compliance

The consolidated financial statements have been prepared in accordance with IFRSs, as issued by the International Accounting Standards Board ("IASB").

### (3) Basis of preparation

The consolidated financial statements of the Group have been prepared on the historical cost basis except for certain financial instruments that are measured at fair value. Historical cost is generally based on the fair value of the consideration given in exchange for assets and that is received (or in some circumstances the amount expected to be paid) with respect to liabilities.

The preparation of financial statements under IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

### (4) Consolidation

The consolidated financial statements include the financial statements of the Bank and entities (including subsidiaries and structured entities) controlled by the Bank and its subsidiaries. Control is achieved when the Bank:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Bank obtains control over the subsidiary and ceases when the Bank loses control of the subsidiary. Specifically, income, expenses and cash flows of a subsidiary acquired or disposed of during the year are included in the consolidated income statement and the consolidated statement of cash flows from the date the Bank gain control until the date when the Bank ceases to control the subsidiary. The Group consolidates all entities that it controls, including those controlled through investment entity subsidiaries.

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.

Profit or loss and each component of other comprehensive income are attributed to the equity holders of the Bank and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the equity holders of the Bank and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into alignment with the Group's accounting policies.

All intragroup transactions, balances and unrealized gain on transactions are eliminated in full on consolidation. Unrealized loss is also eliminated unless the transaction provides evidence of an impairment of the transferred assets.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the equity holders of the Bank.

When the Group loses control of a subsidiary, a gain or loss is recognized in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognized in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e., recognized in the consolidated income statement). When the Group retains an interest in the former subsidiary and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with IFRS 9.

### (5) Interest in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but does not constitute control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates and joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, an investment in an associate or a joint venture is initially recognized in the consolidated statement of financial position at cost.

On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognized as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognized immediately in the consolidated income statement in the period in which the investment is acquired.

An investment in an associate or a joint venture is adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of loss of an associate or joint venture exceeds the Group's interest in that associate or the joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or the joint venture), the Group discontinues recognizing its share of further loss. Additional loss is recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture, or when the investment is classified as held for sale. When the Group retains an interest in the former associate or former joint venture and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with IFRS 9. The difference between the carrying amount of the associate or the joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part of the interest in the associate or the joint venture is included in the determination of the gain or loss on disposal of the associate or the joint venture. In addition, the Group accounts for all amounts previously recognized in other comprehensive income in relation to that associate or the joint venture on the same basis as would be required if that associate or the joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognized in other comprehensive income by that associate or the joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued, excepted for equity instrument designated as fair value through other comprehensive.

When a group entity transacts with an associate or a joint venture of the Group (such as a sale or contribution of assets), profits and loss resulting from the transactions with the associate or joint venture are recognized in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

## (6) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided in the normal course of business, net of sales related taxes. Specific recognition criteria for different nature of revenue are disclosed below.

### (a) Interest income

Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets, except for:

- Purchased or originated credit-impaired ("POCI") financial assets, the Group calculates the credit-adjusted effective interest rate, which is calculated based on the amortized cost of the financial asset instead of its gross carrying amount and incorporates the impact of expected credit loss in estimated future cash flows.
- Financial assets that are not 'POCI' but have subsequently become credit-impaired (or 'Stage 3'), for which interest revenue is calculated by applying the effective interest rate to their amortized cost (i.e., net of the expected credit loss provision).

The effective interest rate is 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 (i.e., its amortized cost before any impairment allowance) or to the amortized cost of a financial liability. The calculation does not consider ECL and includes transaction costs, premiums or discounts and fees and points paid or received that are integral to the effective interest rate.

### (b) Fee and commission income

Fee and commission income is recognized when the service is provided.

## (7) Interest expense

Interest expense for all interest-bearing financial liabilities, except for those designated at fair value through profit or loss or held for trading, are recognized within "Interest expense" in the consolidated income statement using the effective interest method.

## (8) Foreign currency transactions

### (a) Functional and presentation currency

The functional currency of the Domestic Operations is Renminbi ("RMB"). Items included in the financial statements of each of the Group's Overseas Operations are measured using the currency of the primary economic environment in which the entity operates. The presentation currency of the Group and the Bank is RMB.

### (b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gain and loss resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated income statement.

Changes in the fair value of monetary assets denominated in foreign currency classified as fair value through other comprehensive income ("FVTOCI") are analyzed between translation differences resulting from changes in the amortized cost of the monetary assets and other changes in the carrying amount. Translation differences related to changes in the amortized cost are recognized in the consolidated income statement, and other changes in the carrying amount are recognized in other comprehensive income.

Non-monetary assets and liabilities that are measured at historical cost in foreign currencies are translated using the foreign exchange rates at the date of the transaction. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognized in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as FVTOCI are recognized in other comprehensive income.

### (c) Translation of financial statements in foreign currency

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from RMB are translated as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position; except the retained earnings, other items in equity holders' equity are translated at the rate prevailing at the date when they occurred;
- income and expenses for each income statement and statement of comprehensive income are translated at the exchange rate prevailing on the date when the items occurred; and
- all resulting exchange differences are recognized in other comprehensive income.

## (9) Taxation

Income taxes comprise current income tax and deferred income tax.

### (a) Current income tax

Current income tax is the expected tax payable on the taxable income for the year. The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before income tax as reported in the consolidated income statement because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

### (b) Deferred income tax

Deferred income tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither taxable profit nor accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control 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 recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be utilized.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

## (10) Employee benefits

Employee benefits are all forms of consideration given and other relevant expenditures incurred by the Group in exchange for services rendered by employees or for termination of the employment contracts. These benefits include short-term employee benefits, post-employment benefits and early retirement benefits.

#### (a) Short-term employee benefits

In the reporting period in which an employee has rendered services, the Group recognizes the short-term employee benefits payable for those services as a liability with the corresponding amounts recognized as expenses in the consolidated income statement. Short-term employee benefits include salaries, bonuses, staff welfare, medical insurance, employment injury insurance, maternity insurance, housing funds as well as labor union fees and staff education expenses.

#### (b) Post-employment benefits

The Group's post-employment benefits are primarily the payments for basic pensions and unemployment insurance related to government mandated social welfare programs, as well as the annuity scheme established. The group operates various post-employment schemes, including both defined benefit and defined contribution pension plans.

*Defined contribution plans*

Contributions to the basic pensions and unemployment insurance plan are recognized in the consolidated income statement for the period in which the related payment obligation is incurred.

The employees of the Bank's head office and domestic branches ("Domestic Institutions") participate in an annuity scheme established by the Bank (the "Annuity Scheme"). The Bank pays annuity contributions with reference to employees' salaries, and such contributions are expensed in the consolidated income statement when incurred.

*Defined benefit plans*

The Group provides supplemental pension benefit and post-retirement healthcare benefit to the retirees retired on or before 31 December 2011. The entitlement to the benefits is conditional on one or more factors such as age, years of service and compensation.

The liability recognized in the consolidated statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of RMB treasury bonds that have terms to maturity approximating to the terms of the related pension obligation. Differences arising from changes in assumptions and estimates of the present value of the liabilities are recognized in the consolidated statement of comprehensive income when incurred.

#### (c) Early retirement benefits

Early retirement benefits have been paid to those employees who accept voluntary retirement before the normal retirement date, as approved by management. The related benefit payments are made from the date of early retirement to the normal retirement date.

The accounting treatment of the early retirement benefits is in accordance with termination benefits as determined in IAS 19. The liability is recognized for the early retirement benefit payments from the date of early retirement to the normal retirement date when the criteria for recognition as termination benefit is met with a corresponding charge in the consolidated income statement. Differences arising from changes in assumptions and estimates of the present value of the liabilities are recognized in the consolidated income statement when incurred.

### (11) Cash and cash equivalents

Cash and cash equivalents are short term and highly liquid assets, which are readily convertible into known amounts of cash and subject to an insignificant risk of changes in value. Cash and cash equivalents include cash on hand, deposits held at call with banks and other financial institutions and other short-term and highly liquid investments with original maturities of three months or less.

### (12) Determination of fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the principal market (or in the absence of a principal market, the most advantageous market) at the measurement date.

For financial instruments traded in active markets, the determination of fair values of financial assets and financial liabilities is based on quoted market prices. For financial instruments traded in inactive markets, fair value is determined using appropriate valuation techniques. Valuation techniques include the use of recent transaction prices, discounted cash flow analysis, option pricing model and other valuation techniques commonly used by market participants.

For financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly;
- Level 3: inputs for the asset or liability that are not based on observable market data.

### (13) Financial instruments

Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the instrument.

#### (a) Classification of financial assets

Financial assets are classified on the basis of the Group's business model for managing the asset and the cash flow characteristics of the assets:

(i) Amortized cost ("AC"). Financial assets at amortized cost primarily include balances with central banks, deposits with banks and other financial institutions, placements with banks and other financial institutions, financial assets held under resale agreements, loans and advances to customers at amortized cost, debt instruments at amortized cost and other receivables.

(ii) FVTOCI. Financial assets measured at fair value through other comprehensive income include debt securities, and equity instruments designated as fair value through other comprehensive income which are not held for trading purpose.

(iii) Fair value through profit or loss ("FVTPL"). Financial assets measured at fair value through profit or loss primarily include held-for-trading financial assets, derivative financial assets, loan and advances to customers measured at fair value through profit or loss, equity instruments other than designated at FVTOCI, debt investments that do not meet the criteria for amortized cost or FVTOCI.

The business model reflects how the Group manages the assets in order to generate cash flows. That is, whether the Group's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g., financial assets are held for trading purposes), then the financial assets are classified as part of other business model and measured at FVTPL. Factors considered by the Group in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated.

Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Group assesses whether the financial instruments' cash flows represent solely payments of principal and interest ("SPPI"). In making this assessment, the Group will assess the contractual terms of the financial assets which may lead to changes in the timing distribution or amount of the contract cash flows and determine if the requirements of the above contract cash flow characteristics are met. If the contract terms do not meet the requirements of the above contract cash flow characteristics, the related financial assets are classified and measured at fair value through profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determine whether their cash flows are SPPI.

The classification requirements for debt instruments and equity instruments are described as below:

***Debt Instruments***

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective (including special financial instruments that meet the definition of a financial liability but are classified as equity instruments), such as government and corporate bonds. Classification and subsequent measurement of debt instruments depend on the Group's business model for managing the asset and the cash flow characteristics of asset.

Based on these factors, the Group classifies its debt instruments into one of the following three measurement categories:

(i) Amortized cost: Assets that are held for collection of contractual cash flows where those cash flows represent SPPI, and that are not designated at FVTPL, are measured at amortized cost.

(ii) FVTOCI: Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent SPPI, and that are not designated at FVTPL, are measured at FVTOCI.

(iii) FVTPL: Assets that do not meet the criteria for amortized cost or FVTOCI are measured at FVTPL.

The Group may also irrevocably designate financial assets at FVTPL if doing so significantly reduces or eliminates a mismatch created by assets and liabilities being measured on different bases.

*Equity instruments*

Equity instruments are instruments that meet the definition of equity from the issuer's Perspective (excluding special financial instruments that meet the definition of a financial liability but are classified as equity instruments); that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets. Examples of equity instruments include basic ordinary shares.

The Group subsequently measures all equity investments at FVTPL, except where the Group's management has elected, at initial recognition, to irrevocably designate an equity investment at FVTOCI. The Group designates the non-trading equity instruments that are expected to be held for a long time for the purpose of long-term strategic corporation as FVTOCI.

### (b) Reclassification of financial assets

When the Group changes its business model for managing financial assets, it shall reclassify all affected financial assets, and apply the reclassification prospectively from the reclassification date. The Group does not restate any previously recognized gain, loss (including impairment gains or losses) or interest. Reclassification date is the first day of the first reporting period following the change in business model that results in the Group reclassifying financial assets.

### (c) Classification of financial liabilities

Financial liabilities are classified as subsequently measured at amortized cost, and measured at FVTPL. The FVTPL is applied to derivatives, financial liabilities held for trading and other financial liabilities designated as such at initial recognition.

### (d) Initial recognition and measurement

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

At initial recognition, the Group measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs directly attributable to the acquisition or issue of financial assets and liabilities at fair value through profit or loss are recognized immediately in profit or loss.

The Group may, at initial recognition, irrevocably designate a financial liability as measured at FVTPL: (i) it eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as an accounting mismatch); (ii) a group of financial liabilities or financial assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the entity's key management personnel.

For the financial liabilities recognized due to the transfer of financial assets does not meet the conditions for termination of recognition, the Group retains to recognize the transferred financial assets and recognizes the received consideration as a financial liability. If the Group neither transfers nor retains substantially all the risks and rewards of the ownership and the Group retains the control over the transferred financial asset, the financial assets and relevant liabilities shall be recognized to the extent of the its continuing involvement in the financial asset.

### (e) Subsequent measurement

Subsequent measurement of financial instruments depends on the categories:

*Amortized cost*

The amortized cost is the amount at which the financial asset or financial liability is measured at initial recognition: (i) minus the principal repayments; (ii) plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount; (iii) for financial assets, adjusted for any credit loss allowance. Interest income and interest expense from these financial assets is included in "Interest income" and "Interest expense" using the effective interest rate method.

For floating-rate financial assets and floating-rate financial liabilities, periodic re-estimation of cash flows to reflect the movements in the market rates of interest alters the effective interest rate. If a floating-rate financial asset or a floating-rate financial liability is recognized initially at an amount equal to the principal receivable or payable on maturity, re-estimating the future interest payments normally has no significant effect on the carrying amount of the asset or the liability.

If the Group revises its estimates of payments or receipts, it shall recalculate the carrying amount of the financial asset or financial liability as the present value of the revised estimated future cash flows, and the carrying amount discounted at the original effective interest rate. The adjustment is recognized in profit or loss as income or expense.

*Fair value through other comprehensive income*

Debt instruments

Movements in the carrying amount are taken through OCI, except for the recognition of impairment gain or loss, interest revenue and foreign exchange gain and loss on the instrument's amortized cost which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified to profit or loss. Interest income from these financial assets is included in "interest income" using the effective interest rate method.

Equity instruments

The equity instrument investments that are held for purposes other than to generate investment returns are designated as FVTOCI. When this election is used, fair value gain and loss is recognized in OCI and are not subsequently reclassified to profit or loss, including on disposal. Dividends, when representing a return on such investments, continue to be recognized in profit or loss when the Group's right to receive payments is established, and it is probable that future economic benefits associated with the item will flow to the Group, and the amounts of the dividends can be measured reliably.

*Financial assets at fair value through profit or loss*

Debt instruments

A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognized in profit or loss and presented in the income statement within "Net trading and foreign exchange gain" in the period in which it arises, unless it arises from debt instruments that were designated at fair value or which are not held for trading, in which case they are presented separated in "Net gain/(loss) on financial instruments designated at fair value through profit or loss".

Equity instruments

Gain and loss on equity investments at FVTPL are included in the "Net trading and foreign exchange gain" in the income statement of.

*Financial liabilities at fair value through profit or loss*

Gain or loss on financial liabilities designated as at FVTPL are presented partially in other comprehensive income (the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability, which is determined as the amount that is not attributable to changes in market conditions that give rise to market risk) and partially profit or loss (the remaining amount of change in the fair value of the liability). This is unless such a presentation would create, or enlarge, an accounting mismatch, in which case the gain or loss attributable to changes in the credit risk of the liability are also presented in profit or loss. The gain and loss from financial liabilities including the effects of credit risk variance should be recognized in current profit and loss by the Group.

When the liabilities designated as at fair value through profit or loss is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to retained earnings.

### (f) Impairment of financial instruments

The Group assesses on a forward-looking basis the ECL associated with its debt instrument assets carried at amortized cost and FVTOCI and with exposure arising from some loan commitments and financial guarantee contracts.

The Group measures ECL of a financial instrument reflects:

(i) an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;

(ii) the time value of money; and

(iii) reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

For financial instruments whose credit loss allowance are measured using the ECL model, the Group assesses whether their credit risk has increased significantly since their initial recognition, and applies a three-stage impairment model to calculate their credit loss and recognize their ECL, as follows:

Stage 1: If the credit risk has not increased significantly since its initial recognition, the financial asset is included in Stage 1 and have its ECL measured at an amount equivalent to the ECL of the financial instrument for the next 12 months.

Stage 2: If the credit risk has increased significantly since its initial recognition but is not yet deemed to be credit-impaired, the financial instrument is included in Stage 2 and have its ECL measured at an amount equivalent to the ECL over the lifetime of the financial instrument.

Stage 3: If the financial instruments is credit-impaired, the financial instrument is included in Stage 3 and have its ECL measured at an amount equivalent to the ECL over the lifetime of the financial instrument.

The Group applies the impairment requirements for the recognition and measurement of credit loss allowance for debt instruments that are measured at FVTOCI. The credit impairment loss is recognized in profit or loss, and it should not be presented separately in the consolidated statement of financial position as a reduction of the carrying amount of the financial asset.

The Group has measured the credit loss allowance for a financial instrument other than POCI at an amount equal to lifetime expected credit loss in the previous reporting period, but determines at the current reporting date that the credit risk on the financial instruments has increased significantly since initial recognition is no longer met, the Group measures the credit loss allowance at an amount equal to 12-month expected credit loss at the current reporting date and the amount of expected credit loss reversal is recognized in profit or loss. For POCI, at the reporting date, the Group only recognize the cumulative changes in lifetime expected credit loss since initial recognition as credit loss allowance for POCI financial assets.

The Group will write off a financial asset when reasonably expects that there is no realistic prospect of recovery of the financial assets after the Group has completed all necessary measures and legal procedures. If in a subsequent period the loan written off is recovered, the amount recovered will be recognized in profit or loss through impairment losses.

### (g) Contractual modification

The Group sometimes renegotiates or otherwise modifies the contractual cash flows of loans to customers. When this happens, the Group assesses whether or not the new terms are substantially different to the original terms.

If the terms are substantially different, the Group derecognizes the original financial asset and recognizes a 'new' asset at fair value and recalculates a new effective interest rate for the asset. The date of renegotiation is consequently considered to be the date of initial recognition for credit loss allowance calculation purposes, including for the purpose of determining whether a significant increase in credit risk has occurred. However, the Group also assesses whether the new financial asset recognized is deemed to be credit-impaired at initial recognition, especially in circumstances where the renegotiation was driven by the debtor being unable to make the originally agreed payments. Differences in the carrying amount are also recognized as gain or loss on derecognition of debt instrument at amortized cost.

If the terms are not substantially different, the renegotiation or modification does not result in derecognition, and the Group recalculates the gross carrying amount based on the revised cash flows of the financial asset and recognizes a modification gain or loss in profit or loss. The new gross carrying amount is recalculated by discounting the modified cash flows at the original effective interest rate (or credit-adjusted effective interest rate for POCI financial assets).

### (h) Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognize the asset to the extent of its continuing involvement and recognizes an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable, the cumulative gain or loss that had been recognized in other comprehensive income and accumulated in equity is recognized in profit or loss.

*Securitization*

As part of its operational activities, the Group undertakes securitization transactions through which it transfers certain financial assets to special purpose trusts which issue asset-backed securities ("ABS") to investors. The Group holds part of the senior and sub-ordinated tranche of these ABS. As the asset manager of these ABS, the Group provides services including collecting payments from loans in the assets pool, maintaining account records related to the assets pool, providing service reports and other services.

After payment of tax and related costs, the trust assets should firstly be used for principal and interest payment to holders of senior tranche ABS, and then to holders of sub-ordinated tranche ABS. The Group derecognizes or partially derecognizes the transferred financial assets according to the extent of transfer of the risks and rewards of ownership of the transferred financial assets.

### (i) Derecognition of financial liabilities

The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in the consolidated income statement.

### (j) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the consolidated statement of financial position when there is a current legally enforceable right to offset the recognized amounts and the Group has an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Group or the counterparty. Otherwise, financial assets and financial liabilities are reported separately.

### (k) Financial guarantee contracts and loan commitments

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due, in accordance with the terms of a debt instrument.

Financial guarantees are initially recognized at fair value on the date the guarantee was given. Subsequent to initial recognition, the Group's liabilities under such guarantees are measured at the higher of the initial amount, less amortization of guarantee fees, and the expected credit loss provision required to settle the guarantee. Any increase in the liability relating to guarantees is taken to the consolidated income statement.

A loan commitment is a definite commitment provided by the Group to a customer to grant a loan to the customer on agreed contractual terms during the commitment period. The credit loss allowance of loan commitments provided by the Group is measured by ECL. The Group has not provided any commitment to provide loans at a below-market interest rate, or that can be settled net in cash or by delivering or issuing another financial instrument.

For loan commitments and financial guarantee contracts, the credit loss allowance is recognized as a provision. However, for contracts that include both a loan and an undrawn commitment and the Group cannot separately identify the expected credit loss on the undrawn commitment component from those on the loan component, the expected credit loss on the undrawn commitment are recognized together with the credit loss allowance for the loan. To the extent that the combined expected credit loss exceeds the gross carrying amount of the loan, the expected credit loss is recognized as a provision.

### (14) Financial assets held under resale agreements and financial assets sold under repurchase agreements

Financial assets held under resale agreements are transactions where the Group acquires financial assets which will be resold at a predetermined price at a future date under resale agreements. Financial assets sold under repurchase agreements are transactions where the Group sells financial assets which will be repurchased at a predetermined price at a future date under repurchase agreements.

Both financial assets held under resale agreements and financial assets sold under repurchase agreements of the Group are in the form of pledged repo. The cash advanced or received is recognized as amounts held under resale or sold under repurchase agreements in the statement of financial position. Assets held under resale agreements are not recognized. Assets sold under repurchase agreements continue to be recognized in the statement of financial position.

The difference between the purchase and resale consideration, and that between the sale and repurchase consideration, is amortized over the period of the respective transaction using the effective interest method and is included in interest income and interest expenses respectively.

### (15) Derivative financial instruments and hedge accounting

Derivatives are initially recognized at fair value at the date a derivative contract is entered into and are subsequently re-measured at their fair value at the end of the reporting period. Except the derivative which are designated and qualified as a hedging instruments, the resulting gain or loss in derivative is recognized in profit or loss.

Derivatives embedded in hybrid contract which contains a host that is a non-financial asset, are treated as separate derivatives when their characteristics and risks are not closely related to those of the hybrid contracts and the hybrid contract is not measured at fair value with changes in fair value recognized in profit or loss. These embedded derivatives are separately accounted for at FVTPL unless the Group choose to designate the hybrid contract at fair value through profit or loss.

In order to avoid certain risk, the Group has designated certain derivative instruments as hedging instruments. The Group uses hedge accounting to account for these hedging instruments which satisfy specified criteria. The Group's hedging relationship include fair value hedges and cash flow hedges.

At the inception of the hedge relationship, the Group documents the relationship between hedging instrument and hedged item, as well as its risk management objectives and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at the inception of the hedge and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of the hedged item.

#### (a) Fair value hedge

Fair value hedges are hedges of the Group's exposure to changes in the fair value of a recognized asset or liability or an unrecognized firm commitment, or an identified portion of such an asset, liability or unrecognized firm commitment, that is attributable to a particular risk and could affect the Group's profit or loss or other comprehensive income.

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognized in the consolidated income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. Changes in the fair value of the derivatives, which are hedged for the risk exposure from fair value change of non-trading equity investment designated as at FVTOCI, are recognized in other comprehensive income.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortized to profit or loss over the period to maturity. If the hedged item is de-recognized, the unamortized carrying value adjustment is recognized in profit or loss.

#### (b) Cash flow hedge

Fair value hedges are hedges of the Group's exposure to changes in the fair value of a recognized asset or liability or an unrecognized firm commitment, or an identified portion of such an asset, liability or unrecognized firm commitment, that is attributable to a particular risk and could affect the Group's profit or loss or other comprehensive income.

The effective portion of changes in the fair value of derivatives that are designated and qualified as cash flow hedges is recognized in other comprehensive income. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss.

Amounts previously recognized in other comprehensive income and accumulated in equity are recognized in profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognized hedged item. If the cumulative amount in the cash flow hedge reserve which recognized in other comprehensive income is a loss, and all or part of the loss is expected to be irreparable in the future accounting period, the Group shall reclassified the expected irreparable part from other comprehensive income to profit and loss in the same period.

Hedge accounting is discontinued under following situations:

- When the hedged cash flow affects profit or loss, the gain or loss on the hedging instrument recognized directly in other comprehensive income is recycled in the corresponding income or expense line of the income statement. When the hedging relationship ceases to meet the qualifying criteria after taking into account any rebalancing of the hedging relationship, including the hedging instrument has expired or has been sold, terminated or exercised, any cumulative gain or loss existing in other comprehensive income at that time remains in other comprehensive income until the hedged forecast transaction ultimately occurs.
- When a forecast transaction is no longer expected to occur, any cumulative gain or loss in equity is transferred immediately to profit or loss.

### (16) Equity instruments issued by the Group

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 recognized at the fair value of proceeds received, net of transaction cost.

The distribution to the holders of equity instruments is recognized as profit distribution.

### (17) Property and equipment

The Group's property and equipment comprise buildings, office and machinery equipment, motor vehicles and vessels, aircrafts and construction in progress.

All property and equipment are stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent expenditures are included in the asset's carrying amount or are recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the consolidated income statement during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to write down the cost of such assets to their residual values over their estimated useful lives as follows:

| | Useful lives | Residual value rates | Annual depreciation rates |
|---|---|---|---|
| Buildings | 20-35 years | 0%-5% | 2.71%-5.00% |
| Office and machinery equipment | 3-25 years | 0%-5% | 3.80%-33.33% |
| Motor vehicles and vessels | 4-6 years | 0%-5% | 15.83%-25.00% |
| Aircrafts | 11-20 years | 15% | 4.25%-7.73% |

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Properties in the course of construction for supply of services or administrative purposes are carried at cost, less any recognized impairment loss. Such properties are classified to the appropriate category of property and equipment when completed and ready for intended use.

Gain and loss on disposal of property and equipment are determined by comparing the proceeds with the carrying amount. These are included in profit or loss.

## (18) Foreclosed assets

Foreclosed assets are initially recognized at fair value of assets not retained plus related costs, and subsequently measured at the lower of their carrying amount and fair value, less costs to sell, at the end of each reporting period. When the fair value, less costs to sell, is lower than a foreclosed asset's carrying amount, an impairment loss is recognized in the consolidated income statement.

Any gain or loss arising on the disposal of the foreclosed asset is included in the consolidated income statement in the period in which the item is disposed.

The Group disposes of foreclosed assets through various means. In principle, foreclosed assets should not be transferred for own use, but, in the event that they are needed for the Group's own business or management purposes, they are transferred at their net carrying amounts and managed as newly acquired property and equipment.

## (19) Investment property

Investment property is property held to earn rental income or for capital appreciation, or both.

Investment property is initially measured at its acquisition cost. Subsequent expenditures incurred for the investment property are included in the cost of the investment property if it is probable that economic benefits associated with the asset will flow to the Group and the subsequent expenditures can be measured reliably. Other subsequent expenditures are recognized in profit or loss in the period in which they are incurred.

Investment properties are measured using the cost model. Depreciation is recognized the same way as property and equipment and land use rights.

When an investment property is sold, transferred, retired or damaged, the Group recognizes the amount of any proceeds on disposal, net of the carrying amount and related expenses, in profit or loss.

## (20) Leases

### (a) Identification of leases

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of one or more identified assets for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the Group assesses whether, throughout the period of use, customer has both of the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset.

### (b) As Lessee

*Lease modifications*

Lease modification is a change in the scope of a lease, or the consideration for a lease, that was not part of the original terms and conditions of the lease, for example, adding or terminating the right to use one or more underlying assets, or extending or shortening the contractual lease term.

The Group accounts for a lease modification as a separate lease if both:

(i) the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

(ii) the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, at the effective date of the lease modification the Group remeasures the lease liability by discounting the revised lease payments using a revised discount rate. The revised discount rate is determined as the interest rate implicit in the lease for the remainder of the lease term, or the Group's incremental borrowing rate at the effective date of the modification, if the interest rate implicit in the lease cannot be readily determined.

For a lease modification that is not accounted for as a separate lease, the Group accounts for the remeasurement of the lease liability by:

(i) decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease for lease modifications that decrease the scope or term of the lease, and recognising the gain or loss relating to the partial or full termination of the lease in profit or loss; or

(ii) making a corresponding adjustment to the right-of-use asset for all other lease modifications.

*Short-term leases and leases of low-value assets*

The Group considers a lease that, at the commencement date of the lease, has a lease term of 12 months or less, and does not contains any purchase option as a short-term lease; and a lease for which the value of the individual underlying asset is not more than RMB50,000 when it is new as a lease of low-value assets. The Group chooses not to recognize the right-of-use assets and lease liabilities for short-term leases and leases of low-value assets, and the rental expenses are recognized as "Operating expenses" in the income statement on a straight-line basis over each period of the lease term.

### (c) As Lessor

At the inception date, a lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. Otherwise, a lease is classified as an operating lease.

At the commencement date of the lease, the Group recognizes finance lease receivable and derecognizes the assets under finance leases. The Group presents lease receivable at an amount equal to the net investment in the lease for the initial measurement. The net investment in the lease is the present value of the sum of the unguaranteed residual value and the unreceived lease payments receivable at the commencement date, which is discounted by the interest rate implicit in the lease.

The Group calculates and recognizes the interest income in each period during the lease term using the constant periodic rate of interest, and recognizes such interest income in profit or loss.

### (d) Lessee's incremental borrowing rate

If the interest rate implicit in the lease cannot be readily determined, the Group uses the incremental borrowing rate as the discount rate to calculate the present value of lease payment. The economic circumstance and the observable interest rate set the foundation for each institution of the Group in determining the incremental borrowing rate. On this basis, the applicable incremental borrowing rate is calculated through the adjustment of the reference interest rate, which is determined according to the situation of the institution and the underlying asset, the lease term, the amount of lease liability and other specific conditions of the lease.

### (e) Right-of-use assets

The right-of-use assets of the Group mainly include buildings, vehicles and other right-of-use assets.

At the commencement date of the lease, the Group recognizes a right-of-use asset. The cost of the right-of-use asset comprises:

(i) the amount of the initial measurement of the lease liability;

(ii) any lease payments made at or before the commencement date of the lease less any lease incentives received;

(iii) any initial direct costs incurred when the Group is a lessee; and

(iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

The right-of-use assets are depreciated on a straight-line basis subsequently by the Group. If the Group is reasonably certain that the ownership of the underlying asset will be transferred to the Group at the end of the lease term, the Group depreciates the asset from the commencement date to the end of the useful life of the asset. Otherwise, the Group depreciates the asset from the commencement date to the earlier of the end of the useful life of the asset or the end of the lease term.

The Group remeasures the lease liabilities at the present value of the changed lease payments and adjusts the carrying amounts of the right-of-use assets accordingly. When the carrying amount of the right-of-use asset is reduced to zero, and there is a further reduction in the measurement of the lease liability, the Group recognizes the remaining amount of the remeasurement in profit or loss.

#### (f) Lease liabilities

At the commencement date of the lease, the Group measures the lease liabilities at the present value of the lease payments that are not paid at that date, except for short-term leases and leases of low-value assets.

The lease payments need to be discounted using the interest rate implicit in the lease. If this rate cannot be readily determined, the Group uses the incremental borrowing rate of lessee as the discount rate. The Group calculates the interest expenses of lease liabilities in each period during the lease term using the constant periodic rate of interest, and recognizes such interest expenses in profit or loss. Variable lease payments that are not included in the measurement of lease liabilities are recognized in profit or loss as incurred.

After the commencement date, the Group remeasures lease liabilities by discounting the revised lease payments if any of the following occur: (i) there is a change in the in-substance fixed payments; (ii) there is a change in the amounts expected to be payable under a residual value guarantee; (iii) there is a change in future lease payments resulting from a change in an index or a rate used to determine those payments; or (iv) there is a change in the assessments of options to purchase the underlying asset, extend or terminate the lease, or the circumstances of the actual exercise of these options.

### (21) Intangible assets

Intangible assets acquired separately and with finite useful lives are carried at costs less accumulated amortization and any accumulated impairment loss. Intangible assets include computer software and other intangible assets. Amortization for intangible assets with finite useful lives is recognized on a straight-line basis over their estimated useful lives which generally range from 1 to 10 years.

At the end of each reporting period, the Group reviews the useful lives and amortization method of intangible assets with finite useful lives. The Group has no intangible assets with indefinite useful lives.

### (22) Goodwill

Goodwill arising on an acquisition of a business is carried at cost less any accumulated impairment loss and is presented separately in the consolidated statement of financial position.

For the purposes of impairment testing, goodwill is allocated to each of the cash-generating units (or groups of cash-generating units) that are expected to benefit from the synergies of the business combination. 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.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit, and then to the other assets of the cash-generating unit on a pro-rata basis, based on the carrying amount of each asset in the cash-generating unit. Any impairment loss for goodwill is recognized directly in the consolidated income statement. An impairment loss for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill capitalized is included in the determination of the amount of gain or loss on disposal.

### (23) Impairment of tangible and intangible assets other than financial instruments and goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the assets is estimated in order to determine the extent of the impairment loss, if any.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognized in profit or loss.

### (24) Dividend distribution

Dividend distribution to the Company's equity holders is recognized as a liability in the Group's financial statements in the period in which the dividends are approved by those charged with governance.

### (25) Provisions

Provisions are recognized when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

### (26) Fiduciary activities

The Group acts as a custodian, trustee and in other fiduciary capacities to safeguard assets for customers in accordance with custody agreements between the Group and securities investment funds, trust companies, other institutions and individuals. The Group receives fees in return for its services provided under the custody agreements and does not have any interest in the economic risks and rewards related to assets under custody. Therefore, assets under custody are not recognized in the Group's consolidated statement of financial position.

The Group conducts entrusted lending arrangements for its customers. Under the terms of entrusted loan arrangements, the Group grants loans to borrowers, as an intermediary, according to the instruction of its customers who are the lenders providing funds for the entrusted loans. The Group is responsible for the arrangement and collection of the entrusted loans and receives a commission for the services rendered. As the Group does not assume the economic risks and rewards of the entrusted loans and the funding for the corresponding entrusted funds, they are not recognized as assets or liabilities of the Group.

### (27) Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognized because it is not probable that an outflow of economic resources will be required or the amount of obligation cannot be measured reliably. A contingent liability is not recognized, but disclosed.

## 4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In the application of the Group's accounting policies, which are described in Note 3, management is required to make judgments, estimates and assumptions that affect the carrying amounts of assets and liabilities. The estimates and related assumptions are based on historical experience and other relevant factors including on the basis of reasonable expectations for future events.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgements and key estimation uncertainty that the management has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements in the next twelve months.

### (1) Measurement of credit impairment losses

For financial assets that are measured at amortized cost and measured at fair value through other comprehensive income, and financial guarantee contracts and loan commitments, the Group assesses the credit loss allowance and provisions in light of forward-looking information.

Expected credit losses refer to the weighted average of the credit loss of financial instruments weighted by the risk of default. Credit loss refers to the difference between all contractual cash flows receivable under the contract and all expected cash flows discounted by the Group at the original effective interest rate, that is, the present value of total cash shortage. Among them, POCI financial assets should be discounted at the credit-adjusted actual interest rate of the financial assets.

The ECL model involves periodic review of key definitions, parameters, and assumptions, such as estimates of future macroeconomic conditions and the borrower's credit behavior (e.g., the possibility of customer default and corresponding loss). A number of significant judgements are required in applying the accounting requirements for measuring expected credit losses, such as:

- Segmentation of business operations sharing similar credit risk characteristics, selection of appropriate models and determination of relevant key measurement parameters;
- Criteria for determining whether there was a significant increase in credit risk, or a default or impairment loss was incurred as well as definition of default and credit impairment;
- Economic indicators for forward-looking measurement, and the application of economic scenarios and weightings;
- The estimated future cash flows for loans and advances to customers at amortized cost in Stage 3.

Explanations of the inputs, assumptions and estimation techniques used in measuring ECL are further detailed in Note 50(2) Credit risk.

### (2) Consolidation of structured entities

Where the Group acts as asset manager of or investor in structured entities, the Group makes significant judgement on whether the Group controls and should consolidate these structured entities. When performing this assessment, the Group assesses the Group's contractual rights and obligations in light of the transaction structures, and evaluates the Group's power over the structured entities, performs analysis and tests on the variable returns from the structured entities, including but not limited to commission income and asset management fees earned as the asset manager or service provider, the retention of residual income, and, if any, the liquidity and other support provided to the structured entities. The Group also assesses whether it acts as a principal or an agent through analysis of the scope of its decision-making authority over the structured entities, the remuneration to which it is entitled for its role as asset manager or service provider, the Group's exposure to variability of returns from its other interests in the structured entities, and the rights held by other parties in the structured entities.

### (3) Fair value of financial instruments

The fair value of financial instruments that are not quoted in active markets is determined by using valuation techniques. These include the use of recent arm's length transactions, discounted cash flow method, net asset value, comparable companies approach, and other valuation techniques commonly adopted by market participants. To the extent practical, the Group uses only observable market data, however areas such as credit risk of the Group and the counterparties, weighted average cost of capital, perpetual growth rate, liquidity discount, prepayment rate and similarity to comparable companies and their performance indicators may not be observable and require management to make estimates and apply judgements. Changes in assumptions about these factors could affect the estimated fair value of financial instruments.

### (4) De-recognition of financial assets transferred

In the normal course of business, the Group transfers its financial assets through various types of transactions including, among others, regular way sales and transfers, securitization, financial assets sold under repurchase agreements. The Group applies significant judgement in assessing whether it has transferred these financial assets which qualify for a full or partial de-recognition.

Where the Group enters into structured transactions by which it transfers financial assets to structured entities, the Group analyzes whether the substance of the relationship between the Group and these structured entities indicates that it controls these structured entities to determine whether the Group needs to consolidate these structured entities.

The Group analyzes the contractual rights and obligations in connection with such transfers to determine:

- whether it has transferred the rights to receive contractual cash flows from the financial assets or the transfer qualifies for the "pass through" of those cash flows to independent third parties.
- the extent to which the associated risks and rewards of ownership of the financial assets are transferred.
- Where the Group has neither retained nor transferred substantially all of the risks and rewards associated with their ownership, the Group analyzes whether it has relinquished its controls over these financial assets and if the Group has continuing involvement in these transferred financial assets.

### (5) Income Tax

There are certain transactions and activities for which the ultimate tax effect is uncertain. The Group makes estimates and judgement for items of uncertainty, taking into account existing taxation legislation and past practice of relevant tax authorities. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will affect the income tax in the period in which such a determination is made.

### (6) Impairment of non-financial assets

Non-financial assets are reviewed regularly to determine whether the carrying amount exceeds the recoverable amount of the assets. If any such indication exists, an impairment loss is provided.

In assessing the present value of goodwill generated from the acquisition of subsidiaries, the Group estimates the present value of future cash flows at appropriate discount discounting rates. In assessing the present value of future cash flows of subsidiaries, significant judgements are exercised over the related income, operating expenses and discounting rate to calculate the present value.

## 5. TAXATION

The Group's main applicable taxes and tax rates are as follows:

### Corporate income tax

The corporate income tax rate applicable to the Group in Mainland China is 25%. Taxation on overseas institutions is charged at the relevant local rates. The pre-tax deduction of corporate income tax shall be implemented in accordance with relevant state regulations.

### Value added tax ("VAT")

The Group is subject to value-added taxes on its income from credit business, fee income on financial services and income from trading of financial products at 6%.

In accordance with "Circular regarding the Value-added Taxes Policies for Financial, Real Estate Development and Education Ancillary and Other Services" (Cai Shui [2016] No.140), "Supplementary Circular regarding Issues concerning Value-added Taxes Policies for Asset Management Products" (Cai Shui [2017] No.2) and "Circular on the Relevant Issues concerning Value-added Tax Levied on Asset Management Products" (Cai Shui [2017] No. 56), managers of asset management products shall pay VAT at 3% for taxable activities undertaken after 1 January 2018.

### City construction tax

City construction tax is calculated as 1% to 7% of VAT.

### Education surcharge

Education surcharge is calculated as 3% to 5% of VAT.

## 6. INVESTMENTS IN SUBSIDIARIES

Details of the principal subsidiaries held by the Bank as at 31 December 2022 were as follows:

| Name of entity | Place of incorporation | Registered capital (in millions) | Percentage of equity interest and voting rights | Principal business |
|---|---|---|---|---|
| CDB Capital Co., Ltd. | Mainland China | RMB81,967 | 100% directly held | Equity investment |
| CDB Development Fund | Mainland China | RMB50,000 | 100% directly held | Non-securities investment & investment management and advisory |
| China-Africa Development Fund | Mainland China | RMB32,548 | 84.99% indirectly held | Fund investment & management |
| CDB Leasing Co., Ltd. | Mainland China | RMB12,642 | 64.40% directly held | Leasing |
| CDB Securities Co., Ltd. | Mainland China | RMB9,500 | 80% directly held | Securities brokerage and underwriting |
| Upper Chance Group Limited | Hong Kong, China | GBP1,584 | 100% directly held | Investment holding |
| CDB Infrastructure Fund Co., Ltd. | Mainland China | RMB30,000 | 100% directly held | Non-securities investment & investment management and advisory |

During the year ended 31 December 2022 and 2021, there were no changes in the proportion of equity interests or voting rights the Bank held in its subsidiaries, and there was no restriction on the Group's ability to access or use its assets and settle its liabilities. And CDB Infrastructure Fund Co., Ltd., a new wholly-owned subsidiary, was established on 21 July 2022.

## 7. NET INTEREST INCOME

| | Year ended 31 December | |
|---|---|---|
| | 2022 | 2021 |
| Interest income | | |
| Loans and advances to customers | 553,119 | 524,409 |
| Debt investment securities (a) | 60,841 | 57,881 |
| Placements with banks and other financial institutions and financial assets held under resale agreements | 17,185 | 13,124 |
| Balances with central banks and deposits with banks and other financial institutions | 2,134 | 5,716 |
| Others | 1 | 3 |
| Subtotal | 633,280 | 601,133 |
| Interest expense | | |
| Debt securities issued | (376,594) | (365,994) |
| Deposits from banks and other financial institutions | (65,531) | (74,296) |
| Due to customers | (7,804) | (7,335) |
| Borrowings from governments and financial institutions | (11,915) | (8,865) |
| Others | (1,126) | (1,011) |
| Subtotal | (462,970) | (457,501) |
| Net interest income | 170,310 | 143,632 |

(a) Interest income of debt investment securities includes interest income of debt instruments at amortized cost and debt instruments at fair value through other comprehensive income.

## 8. NET FEE AND COMMISSION INCOME

| | Year ended 31 December | |
|---|---|---|
| | 2022 | 2021 |
| Fee and commission income | | |
| Fiduciary service fee | 906 | 1,225 |
| Loan arrangement fee | 280 | 330 |
| Credit commitment fee | 83 | 70 |
| Consultancy and advisory fee | 535 | 91 |
| Brokerage fee | 1 | 2 |
| Others | 605 | 655 |
| Subtotal | 2,410 | 2,373 |
| Fee and commission expense | (906) | (930) |
| Net fee and commission income | 1,504 | 1,443 |

## 9. NET TRADING AND FOREIGN EXCHANGE GAIN

| | Year ended 31 December | |
|---|---|---|
| | 2022 | 2021 |
| Foreign exchange gain/(loss) | 53,529 | (9,760) |
| Net (loss)/gain on trading assets and other financial assets mandatorily classified at fair value through profit or loss | (2,564) | 33,881 |
| Net loss on foreign exchange derivatives | (9,795) | (471) |
| Net (loss)/gains on interest rate derivatives gain on interest rate derivatives | (250) | 100 |
| Total | 40,920 | 23,750 |

## 10. DIVIDEND INCOME

| | Year ended 31 December | |
|---|---|---|
| | 2022 | 2021 |
| Trading assets and other financial assets mandatorily classified at fair value through profit or loss | 11,253 | 10,885 |
| Equity instruments at fair value through other comprehensive income (Designated) | 129 | 68 |
| Total | 11,382 | 10,953 |

## 11. NET GAIN/(LOSS) ON INVESTMENT SECURITIES

| | Year ended 31 December | |
|---|---|---|
| | 2022 | 2021 |
| Net gain/(loss) on disposal of debt instruments at fair value through other comprehensive income | 159 | (445) |

## 12. OTHER INCOME, NET

| | Year ended 31 December | |
|---|---|---|
| | 2022 | 2021 |
| Rental income, net | 7,230 | 7,349 |
| Others | 1,207 | 531 |
| Total | 8,437 | 7,880 |

## 13. OPERATING EXPENSES

| | Year ended 31 December | |
|---|---|---|
| | 2022 | 2021 |
| Staff costs | 7,974 | 7,593 |
| Taxes and surcharges | 4,421 | 4,335 |
| General operating and administrative expenses | 2,918 | 3,343 |
| Depreciation and amortization | 2,172 | 1,901 |
| Total | 17,485 | 17,172 |

## 14. CREDIT IMPAIRMENT LOSSES

| | Year ended 31 December | |
|---|---|---|
| | 2022 | 2021 |
| Loans and advances to customers | 104,284 | 74,024 |
| Debt instruments at amortized cost | 4,424 | (444) |
| Debt instruments at fair value through other comprehensive income | 300 | 351 |
| Loan commitments | 6,172 | 1,486 |
| Financial guarantee contracts | (4) | (3) |
| Others | 250 | 1,228 |
| Total | 115,426 | 76,642 |

## 15. INCOME TAX EXPENSE

| | Year ended 31 December | |
|---|---|---|
| | 2022 | 2021 |
| Current tax | 49,590 | 23,516 |
| Deferred tax (Note 27) | (36,783) | (11,228) |
| Total | 12,807 | 12,288 |

The income tax expense can be reconciled to profit before income tax presented in the consolidated income statement as follows:

| | Year ended 31 December | |
|---|---|---|
| | 2022 | 2021 |
| Profit before income tax | 97,147 | 93,082 |
| Tax calculated at the PRC statutory tax rate of 25% | 24,287 | 23,270 |
| Effect of different tax rates on subsidiaries | 27 | (550) |
| Tax effect of non-taxable income | (12,632) | (11,596) |
| Tax effect of deductible temporary differences not recognized | 544 | 17 |
| Tax effects of expenses not deductible for tax purpose and others | 581 | 1,147 |
| Income tax expense | 12,807 | 12,288 |

## 16. CASH AND BALANCES WITH CENTRAL BANKS

| | As at 31 December | |
|---|---|---|
| | 2022 | 2021 |
| Cash | 3 | 3 |
| Balances with central banks | 113,857 | 92,562 |
| Total | 113,860 | 92,565 |

## 17. DEPOSITS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

| | As at 31 December | |
|---|---|---|
| | 2022 | 2021 |
| Deposits with: | | |
| Domestic banks | 60,318 | 109,191 |
| Other domestic financial institutions | 13,417 | 12,480 |
| Overseas banks | 39,455 | 73,088 |
| Other overseas financial institutions | 56 | – |
| Subtotal | 113,246 | 194,759 |
| Accrued interests | 80 | 294 |
| Total | 113,326 | 195,053 |
| Less: Allowance for impairment losses – Stage 1 | – | (9) |
| Deposits with banks and other financial institutions, net | 113,326 | 195,044 |

As at 31 December 2022, the restricted deposits with banks and other financial institutions of the Group amounted to RMB18,270 million (31 December 2021: RMB18,795 million), which were mainly security deposits pledge with clearing houses.

## 18. PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

| | As at 31 December | |
|---|---|---|
| | 2022 | 2021 |
| Placements with: | | |
| Domestic banks | 371,284 | 294,833 |
| Other domestic financial institutions | 14,001 | – |
| Overseas banks | 85,537 | 75,828 |
| Subtotal | 470,822 | 370,661 |
| Accrued interests | 772 | 585 |
| Total | 471,594 | 371,246 |
| Less: Allowance for impairment losses – Stage 1 | (52) | (131) |
| – Stage 2 | (5) | (29) |
| Placements with banks and other financial institutions, net | 471,537 | 371,086 |

## 19. DERIVATIVE FINANCIAL ASSETS AND LIABILITIES

### (1) Derivative financial instruments

The contractual notional amounts of derivative financial instruments provide a basis for comparison with fair values of instruments recognized on the consolidated statement of financial position, but do not necessarily indicate the amounts of future cash flows involved or the current fair values of the instruments and, therefore, do not indicate the Group's exposure to credit or market risks. The fair values of derivative instruments become favorable or unfavorable as a result of fluctuations in market interest rates or foreign exchange rates relative to their terms. The aggregate fair values of derivative financial assets and liabilities can fluctuate significantly.

The table below provides a detailed breakdown of the contractual or notional amounts and the fair values of the Group's derivative financial instruments outstanding at the balance sheet date.

| | 31 December 2022 | | |
|---|---|---|---|
| | Contractual/ Notional amount | Fair value | |
| | | Assets | Liabilities |
| Exchange rate derivatives | | | |
| Currency swaps (including cross-currency interest rate swaps) | 687,294 | 7,667 | (15,376) |
| Foreign exchange forwards and foreign exchange options | 3,607 | 23 | (4) |
| Subtotal | | 7,690 | (15,380) |
| Interest rate derivatives | | | |
| Interest rate swaps | 420,050 | 3,403 | (2,971) |
| Interest rate options | 6,011 | – | – |
| Subtotal | | 3,403 | (2,971) |
| Total | | 11,093 | (18,351) |

| | 31 December 2021 | | |
|---|---|---|---|
| | Contractual/ Notional amount | Fair value | |
| | | Assets | Liabilities |
| Exchange rate derivatives | | | |
| Currency swaps (including cross-currency interest rate swaps) | 686,502 | 9,561 | (2,820) |
| Foreign exchange forwards and foreign exchange options | 3,632 | 48 | (7) |
| Subtotal | | 9,609 | (2,827) |
| Interest rate derivatives | | | |
| Interest rate swaps | 557,243 | 7,256 | (6,419) |
| Interest rate options | 6,383 | 113 | (113) |
| Subtotal | | 7,369 | (6,532) |
| Total | | 16,978 | (9,359) |

### (2) Hedge accounting

#### Fair value hedges

The Group uses interest rate swap contracts to hedge against changes in fair values attributable to interest rate risks of the negotiable certificates of deposits issued by the Group as presented in "Due to Customers" in the consolidated statement of financial position. As at 31 December 2022, the notional amount of the Group amounted to RMB8,282 million (31 December 2021: RMB7,523 million).

The Group's fair value changes on hedge instruments and the net gain or loss of hedged items arising from hedging risks, as well as the hedging ineffectiveness portion recognized from changes in fair value gain or loss are not material.

#### Cash flow hedges

The Group uses interest rate swap to hedge against exposure to cash flow variability attributable to interest rate risks, with the hedged items being borrowings from other banks for the Group's leasing business. The Group also uses cross-currency interest rate swap to hedge against exposure to cash flow variability attributable to interest rate risks and exchange rate risks, with the hedged items being the bonds issued by the Group's subsidiary CDB Leasing Co., Ltd. As at 31 December 2022, the notional amount of two hedge business mentioned above amounted to RMB17,396 million and nil, respectively (31 December 2021: RMB26,024 million and RMB875 million, respectively).

As at 31 December 2022 and 2021, the Group recognized in other comprehensive income a cumulative profit or loss from fair value changes of cash flow hedging and the profit or loss relating to the ineffective portion were insignificant.

## 20. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

| | As at 31 December | |
|---|---|---|
| | 2022 | 2021 |
| Analyzed by type of collateral: | | |
| Bonds | 404,935 | 494,383 |
| Others | 1,322 | 2,963 |
| Subtotal | 406,257 | 497,346 |
| Accrued interests | 116 | 174 |
| Total | 406,373 | 497,520 |
| Less: Allowance for impairment losses | | |
| Stage 1 | – | – |
| Stage 2 | – | – |
| Stage 3 | (1,550) | (2,306) |
| Subtotal | (1,550) | (2,306) |
| Financial assets held under resale agreements, net | 404,823 | 495,214 |

The collateral received in connection with resale agreements is disclosed in Note 49(5) Contingent Liabilities and Commitments – Collateral.

## 21. LOANS AND ADVANCES TO CUSTOMERS

### (1) The composition of loans and advance to customers is as follows:

| | As at 31 December 2022 | 2021 |
|---|---|---|
| At amortized cost, net (a) | 13,851,010 | 12,746,593 |
| At fair value through profit or loss (b) | 48,097 | 45,073 |
| Loans and advances to customers, net | 13,899,107 | 12,791,666 |

(a) The composition of loans and advance to customers measured at amortized cost is as follows:

| | As at 31 December 2022 | 2021 |
|---|---|---|
| Loans and advances to customers | 14,222,605 | 13,020,110 |
| Finance lease receivables and others | 204,533 | 199,479 |
| Subtotal | 14,427,138 | 13,219,589 |
| Accrued interests | 43,075 | 30,902 |
| Total | 14,470,213 | 13,250,491 |
| Stage 1 | 12,892,388 | 11,915,177 |
| Stage 2 | 1,344,107 | 1,205,460 |
| Stage 3 | 233,718 | 129,854 |
| Less: Allowance for impairment losses | | |
| Stage 1 | (209,408) | (192,457) |
| Stage 2 | (254,675) | (229,513) |
| Stage 3 | (155,120) | (81,928) |
| Subtotal | (619,203) | (503,898) |
| Loans and advance to customers measured at amortized cost, net | 13,851,010 | 12,746,593 |

(b) The composition of loans and advance to customers measured at fair value through profit or loss is as follows:

| | As at 31 December 2022 | 2021 |
|---|---|---|
| Carrying amount of loans and advances to customers | 47,786 | 42,909 |
| Fair value change | 311 | 2,164 |
| Total | 48,097 | 45,073 |

Finance lease receivables pledged by the Group is disclosed in Note 49(5) Contingent Liabilities and Commitments – Collateral.

### (2) Movements of allowance for impairment losses are set out below:

| | Stage 1 | Stage 2 | Stage 3 | Total |
|---|---|---|---|---|
| | 12-month expected credit loss | Lifetime expected credit loss | | |
| As at 1 January 2022 | 192,457 | 229,513 | 81,928 | 503,898 |
| Transfers: | | | | |
| Transfers to Stage 1 | 8,489 | (8,489) | – | – |
| Transfers to Stage 2 | (18,017) | 28,073 | (10,056) | – |
| Transfers to Stage 3 | (8) | (57,215) | 57,223 | – |
| Originated or purchased financial assets | 44,932 | 19,506 | 4 | 64,442 |
| Remeasurement (a) | 3,076 | 48,743 | 40,845 | 92,664 |
| Mature or reverse | (22,645) | (13,259) | (16,918) | (52,822) |
| Write-off | – | (148) | (9,612) | (9,760) |
| Recovery of loans and advances previously written-off | – | – | 6,255 | 6,255 |
| Unwinding of discount on allowance | – | – | (848) | (848) |
| Foreign exchange differences | 1,124 | 7,951 | 6,299 | 15,374 |
| As a 31 December 2022 | 209,408 | 254,675 | 155,120 | 619,203 |

| | Stage 1 | Stage 2 | Stage 3 | Total |
|---|---|---|---|---|
| | 12-month expected credit loss | Lifetime expected credit loss | | |
| As at 1 January 2021 | 124,211 | 244,654 | 72,393 | 441,258 |
| Transfers: | | | | |
| Transfers to Stage 1 | 17,706 | (17,706) | – | – |
| Transfers to Stage 2 | (20,124) | 23,255 | (3,131) | – |
| Transfers to Stage 3 | – | (8,590) | 8,590 | – |
| Originated or purchased financial assets | 28,013 | 23 | 9 | 28,045 |
| Remeasurement (a) | 61,204 | 14,177 | 22,981 | 98,362 |
| Mature or reverse | (17,761) | (22,158) | (12,464) | (52,383) |
| Write-off | – | – | (10,494) | (10,494) |
| Recovery of loans and advances previously written-off | – | – | 5,976 | 5,976 |
| Unwinding of discount on allowance | – | – | (643) | (643) |
| Foreign exchange differences | (792) | (4,142) | (1,289) | (6,223) |
| As a 31 December 2021 | 192,457 | 229,513 | 81,928 | 503,898 |

(a) Remeasurement includes regular review of inputs to the models, e.g., reviewing of Probability of Defaults (PDs) and Loss Given Defaults (LGDs); transfers among Stage 1, Stage 2 and 3 due to financial instruments experiencing significant change of credit impairment in the period, and the consequent "set up" (or "set down") between 12-month and lifetime ECL.

(i) In 2022 major changes in the gross carrying amount of loans and advances to customers that have a great impact on the Group's credit loss allowance includes:

As at 1 January 2022, the gross carrying amount of loans and advances to customers in Stage 1 accounted for 90% of total beginning balance of loans and advances to customers. The changes of the Group's ECL of loans and advances to customers in Stage 1 were mainly driven by a net increase of nearly 6% in the corresponding gross amount;

As at 1 January 2022, the gross carrying amount of loans and advances to customers in Stage 2 accounted for 9% of total beginning balance of loans and advances to customers. Approximately 1% of the beginning balance of Stage 1 transferred to Stage 2 in 2022;

As at 1 January 2022, the gross carrying amount of loans and advances to customers in Stage 3 accounted for 1% of total beginning balance of loans and advances to customers. Approximately 1% of the beginning balance of Stage 2 transferred to Stage 3 in 2022. Such increase was offset by the decrease resulting from write-offs and recovery of approximately 20% of the beginning balance of Stage 3 loans and advances to customers.

(ii) For the year ended 31 December 2022, the gross carrying amount of the loans and advances to customers of which credit loss allowances were transferred from Stage 3 to Stage 2, and from Stage 3 or Stage 2 to Stage 1, which due to the modification of contractual cash flows but not resulting in derecognition were not significant.

## (3) Past due loans and advance to customers by collateral types are set out below:

Loans and advances to customers are classified as past-due if the principal or the interest is past due. For loans and advances to customers repayable by installment, if any installment repayment is past due, the total balance of the loans and advances is classified as past-due.

| | Past due | | | | |
|---|---|---|---|---|---|
| | Within 3 months | 3-12 months | 1-3 years | Over 3 years | Total |
| **As at 31 December 2022** | | | | | |
| Unsecured loans | 10,671 | 9,323 | 14,220 | 626 | 34,840 |
| Guaranteed loans | 3,982 | 2,175 | 491 | 730 | 7,378 |
| Loans with collateral | | | | | |
| Loans secured by collateral | 22,873 | 1,396 | 18,721 | 16,049 | 59,039 |
| Pledged loans | 26,825 | 2,194 | 5,198 | 5,021 | 39,238 |
| Total | 64,351 | 15,088 | 38,630 | 22,426 | 140,495 |
| **As at 31 December 2021** | | | | | |
| Unsecured loans | 6,042 | 782 | 13,296 | 508 | 20,628 |
| Guaranteed loans | 815 | 328 | 7,028 | – | 8,171 |
| Loans with collateral | | | | | |
| Loans secured by collateral | 11,236 | 9,742 | 35,863 | 6,362 | 63,203 |
| Pledged loans | 4,265 | 1,145 | 6,565 | 3,457 | 15,432 |
| Total | 22,358 | 11,997 | 62,752 | 10,327 | 107,434 |

## 22. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

| | As at 31 December | |
|---|---|---|
| | 2022 | 2021 |
| Trading assets and other financial assets mandatorily classified at fair value through profit or loss | | |
| Government and quasi-government bonds | 4,241 | 11,861 |
| Debt securities issued by financial institutions | 60,308 | 49,646 |
| Corporate bonds | 17,024 | 17,358 |
| Inter-bank certificates of deposit | 68,507 | 171,243 |
| Asset management plans | 368 | 391 |
| Stock and fund investments | 16,568 | 16,425 |
| Wealth management products issued by other banks | 3,450 | 4,542 |
| Other equity investments | 760,072 | 733,860 |
| Subtotal | 930,538 | 1,005,326 |
| Financial assets at fair value through profit or loss (Designated) (a) | | |
| Corporate bonds | 576 | 573 |
| Asset-backed securities | – | 51 |
| Asset management plans | 14 | 16 |
| Subtotal | 590 | 640 |
| Total | 931,128 | 1,005,966 |

(a) Financial assets designated at fair value through profit or loss primarily include investments in bonds with funds from investors of wealth management products, which were issued by the Group before 2019.

## 23. DEBT INSTRUMENTS AT AMORTIZED COST

| | As at 31 December | |
|---|---|---|
| | 2022 | 2021 |
| Government and quasi-government bonds | 826,566 | 1,038,916 |
| Debt securities issued by financial institutions | 500 | 500 |
| Corporate bonds | 103,989 | 95,348 |
| Investments in trust plans and others | 3,220 | 3,208 |
| Subtotal | 934,275 | 1,137,972 |
| Accrued interests | 13,097 | 15,949 |
| Total | 947,372 | 1,153,921 |
| Stage 1 | 945,348 | 1,151,761 |
| Stage 2 | – | – |
| Stage 3 | 2,024 | 2,160 |
| Less: Allowance for impairment losses | | |
| Stage 1 | (10,209) | (5,214) |
| Stage 2 | – | – |
| Stage 3 | (1,806) | (1,790) |
| Subtotal | (12,015) | (7,004) |
| Debt instruments at amortized cost, net | 935,357 | 1,146,917 |

For the year ended 31 December 2022 and 2020, transfer among stages of the Group's debt instruments at amortized cost was not significant.

### (1) Movements of allowance for impairment losses are set out below:

| | Stage 1 | Stage 2 | Stage 3 | Total |
|---|---|---|---|---|
| | 12-month expected credit loss | Lifetime expected credit loss | | |
| As at 1 January 2022 | 5,214 | – | 1,790 | 7,004 |
| Remeasurement (a) | 4,451 | – | 25 | 4,476 |
| Mature or reverse | (52) | – | – | (52) |
| Transfer in/transfer out | – | – | (11) | (11) |
| Foreign exchange differences | 596 | – | 2 | 598 |
| As at 31 December 2022 | 10,209 | – | 1,806 | 12,015 |
| As at 1 January 2021 | 5,216 | 5 | 2,874 | 8,095 |
| Transfers: | | | | |
| Stage 2 to Stage 3 | – | (5) | 5 | – |
| Originated or purchased financial assets | 86 | – | – | 86 |
| Remeasurement (a) | 71 | – | 20 | 91 |
| Mature or reverse | (47) | – | (574) | (621) |
| Transfer out | – | – | (537) | (537) |
| Foreign exchange differences | (112) | – | 2 | (110) |
| As at 31 December 2021 | 5,214 | – | 1,790 | 7,004 |

(a) Remeasurement mainly includes the impact of changes in parameters such as probability of default and loss given default, credit loss changes due to stage-transfer.

## 24. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

| | As at 31 December | |
|---|---|---|
| | 2022 | 2021 |
| Debt instruments at fair value through other comprehensive income | | |
| Government and quasi-government bonds | 429,534 | 223,971 |
| Debt securities issued by financial institutions | 6,797 | 9,345 |
| Corporate bonds | 162,708 | 81,474 |
| Asset-backed securities | 285 | 281 |
| Inter-bank certificates of deposit | 414,787 | 446,527 |
| Subtotal | 1,014,111 | 761,598 |
| Accrued interests | 8,388 | 4,964 |
| Total | 1,022,499 | 766,562 |
| Stage 1 | 1,022,466 | 766,460 |
| Stage 2 | – | – |
| Stage 3 | 33 | 102 |
| Equity instruments at fair value through other comprehensive income (Designated) | | |
| Listed equity | 3,354 | 4,060 |
| Unlisted equity | 2,000 | 2,000 |
| Total | 5,354 | 6,060 |
| Financial Assets at fair value through other comprehensive income, total | 1,027,853 | 772,622 |

The Group has elected to irrevocably designate strategic investments of non-trading equity instruments at FVTOCI as permitted under IFRS 9. The changes in fair value of such instruments will no longer be reclassified to profit or loss when they are disposed of.

### (1) Movements of allowance for impairment losses are set out below:

| | Stage 1 | Stage 2 | Stage 3 | Total |
|---|---|---|---|---|
| | 12-month expected credit loss | Lifetime expected credit loss | | |
| As at 1 January 2022 | 117 | – | 1,034 | 1,151 |
| Transfers: | | | | |
| Stage 1 to Stage 3 | (9) | – | 9 | – |
| Originated or purchased financial assets | 56 | – | – | 56 |
| Remeasurement (a) | 9 | – | 281 | 290 |
| Repayment and transfer out | (46) | – | – | (46) |
| Foreign exchange differences | 1 | – | – | 1 |
| As at 31 December 2022 | 128 | – | 1,324 | 1,452 |

| | Stage 1 | Stage 2 | Stage 3 | Total |
|---|---|---|---|---|
| | 12-month expected credit loss | Lifetime expected credit loss | | |
| As at 1 January 2021 | 74 | – | 726 | 800 |
| Originated or purchased financial assets | 51 | – | – | 51 |
| Remeasurement (a) | 23 | – | 323 | 346 |
| Repayment and transfer out | (31) | – | (15) | (46) |
| As at 31 December 2021 | 117 | – | 1,034 | 1,151 |

(a) Remeasurement mainly includes the impact of changes in parameters such as probability of default and loss given default, credit loss changes due to stage-transfer.

## 25. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

The balance of interest in associates and joint ventures is as follows:

| | As at 31 December | |
|---|---|---|
| | 2022 | 2021 |
| Investments in associates and joint ventures | 458 | 443 |
| Net | 458 | 443 |

## 26. PROPERTY AND EQUIPMENT

| | As at 31 December | |
|---|---|---|
| | 2022 | 2021 |
| Cost (a) | 162,655 | 137,984 |
| Accumulated depreciation (a) | (33,776) | (25,987) |
| Allowance for impairment losses (a) | (6,573) | (3,088) |
| Fixed asset held for disposal | 702 | 622 |
| Total | 123,008 | 109,531 |

### (a) Cost, accumulated depreciation and allowance for impairment losses of property and equipment are consisted of the following:

| | Buildings | Office and machinery equipment | Motor vehicles and vessels | Aircrafts | Construction in progress | Total |
|---|---|---|---|---|---|---|
| **Cost** | | | | | | |
| As at 31 December 2021 | 22,323 | 3,413 | 28,401 | 82,403 | 1,444 | 137,984 |
| As at 31 December 2022 | 22,898 | 3,588 | 34,895 | 99,657 | 1,617 | 162,655 |
| **Accumulated depreciation** | | | | | | |
| As at 31 December 2021 | (7,422) | (2,736) | (1,872) | (13,957) | – | (25,987) |
| As at 31 December 2022 | (8,624) | (2,797) | (3,623) | (18,732) | – | (33,776) |
| **Allowance for impairment losses** | | | | | | |
| As at 31 December 2021 | (67) | (15) | (325) | (2,642) | (39) | (3,088) |
| As at 31 December 2022 | (72) | (17) | (575) | (5,873) | (36) | (6,573) |
| **Net book value** | | | | | | |
| As at 31 December 2021 | 14,834 | 662 | 26,204 | 65,804 | 1,405 | 108,909 |
| As at 31 December 2022 | 14,202 | 774 | 30,697 | 75,052 | 1,581 | 122,306 |

## 27. DEFERRED TAX ASSETS AND LIABILITIES

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The following is the analysis of the deferred tax balances:

| | As at 31 December | |
|---|---|---|
| | 2022 | 2021 |
| Deferred tax assets | 174,366 | 138,127 |
| Deferred tax liabilities | (8,136) | (8,274) |
| Net | 166,230 | 129,853 |

### (1) Movements of deferred tax assets and liabilities:

| | Year ended 31 December | |
|---|---|---|
| | 2022 | 2021 |
| As at 1 January | 129,853 | 119,526 |
| Credited to profit or loss (Note 15) | 36,783 | 11,228 |
| Charged to other comprehensive income | 678 | (947) |
| Others | (1,084) | 46 |
| As at 31 December | 166,230 | 129,853 |

### (2) Deferred tax assets/(liabilities) and related temporary differences, before offsetting qualifying amounts, are attributable to the following items:

| | As at 31 December 2022 | | As at 31 December 2021 | |
|---|---|---|---|---|
| | Deductible/(taxable) temporary difference | Deferred tax assets/(liabilities) | Deductible/(taxable) temporary difference | Deferred tax assets/(liabilities) |
| **Deferred tax assets** | | | | |
| Impairment losses | 628,362 | 157,090 | 515,195 | 128,799 |
| Fair value changes of financial instruments | 60,542 | 15,219 | 56,078 | 13,971 |
| Provisions | 23,118 | 5,779 | 17,106 | 4,277 |
| Others | 2,237 | 470 | 1,580 | 358 |
| Subtotal | 714,259 | 178,558 | 589,959 | 147,405 |
| **Deferred tax liabilities** | | | | |
| Fair value changes of financial instruments | (42,934) | (10,733) | (61,835) | (15,458) |
| Others | (8,729) | (1,595) | (15,582) | (2,094) |
| Subtotal | (51,663) | (12,328) | (77,417) | (17,552) |
| Net | 662,596 | 166,230 | 512,542 | 129,853 |

As at 31 December 2022, there were no significant deferred income taxes unrecognized.

## 28. OTHER ASSETS

| | As at 31 December | |
|---|---|---|
| | 2022 | 2021 |
| Prepayment to vendors | 11,889 | 12,263 |
| Interest receivable | 7,824 | 3,301 |
| Right-of-use assets | 1,890 | 2,019 |
| Investment properties | 1,876 | 2,428 |
| Goodwill (1) | 1,246 | 1,241 |
| Long-term deferred expenses | 859 | 751 |
| Intangible assets | 797 | 864 |
| Deposits with securities exchange | 260 | 261 |
| Others | 13,050 | 11,854 |
| Total | 39,691 | 34,982 |
| Less: Allowance for impairment losses | | |
| Interest receivable | (15) | (154) |
| Others | (2,509) | (3,046) |
| Subtotal | (2,524) | (3,200) |
| Other assets, net | 37,167 | 31,782 |

### (1) Goodwill

| | As at 31 December | |
|---|---|---|
| | 2022 | 2021 |
| Gross amount | 1,246 | 1,241 |
| Allowance for impairment losses | (534) | (534) |
| Net balances | 712 | 707 |

As at 31 December 2022 and 2021, the Group performed goodwill impairment test based on cash flow forecast of related cash-generating units. Based on the result of the impairment testing, RMB534 million impairment losses on goodwill were recognized as at 31 December 2022 (31 December 2021: RMB534 million).

## 29. DEPOSITS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

| | As at 31 December | |
|---|---|---|
| | 2022 | 2021 |
| Deposits from: | | |
| Domestic banks | 2,472,383 | 2,337,623 |
| Other domestic financial institutions | 31,552 | 20,719 |
| Overseas banks | 29,854 | 30,093 |
| Other overseas financial institutions | 103 | 4,916 |
| Subtotal | 2,533,892 | 2,393,350 |
| Accrued interests | 2,182 | 2,164 |
| Total | 2,536,074 | 2,395,514 |

## 30. BORROWINGS FROM GOVERNMENTS AND FINANCIAL INSTITUTIONS

| | As at 31 December | |
|---|---|---|
| | 2022 | 2021 |
| Borrowings from: | | |
| Domestic banks and other financial institutions | 485,154 | 370,163 |
| Overseas banks and other financial institutions | 55,733 | 56,288 |
| Foreign governments | 28,941 | 20,777 |
| Subtotal | 569,828 | 447,228 |
| Accrued interests | 3,034 | 1,733 |
| Total | 572,862 | 448,961 |

The collateral pledged under borrowings from governments and financial institutions is disclosed in Note 49(5) Contingent Liabilities and Commitments – Collateral.

## 31. PLACEMENTS FROM BANKS

| | As at 31 December | |
|---|---|---|
| | 2022 | 2021 |
| Placements from: | | |
| Domestic banks | 14,161 | 55,426 |
| Overseas banks | 24,471 | 14,218 |
| Subtotal | 38,632 | 69,644 |
| Accrued interests | 237 | 36 |
| Total | 38,869 | 69,680 |

## 32. FINANCIAL LIABILITIES MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

As at 31 December 2022 and 2021, the Group's financial liabilities measured at fair value though profit or loss mainly comprise of the borrowing with conversion options from non-financial enterprises.

## 33. FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

| | As at 31 December | |
|---|---|---|
| | 2022 | 2021 |
| Analyzed by type of collateral: | | |
| Bonds | 14,937 | 21,188 |
| Inter-bank certificates of deposit | 430 | – |
| Subtotal | 15,367 | 21,188 |
| Accrued interests | 25 | 17 |
| Total | 15,392 | 21,205 |

The collateral pledged under repurchase agreements is disclosed in Note 49(5) Contingent Liabilities and Commitments – Collateral.

## 34. DUE TO CUSTOMERS

| | As at 31 December | |
|---|---|---|
| | 2022 | 2021 |
| Demand deposits | 949,186 | 854,627 |
| Term deposits | 110,442 | 118,332 |
| Pledged deposits | 1,426 | 2,903 |
| Certificates of deposit | 104,665 | 101,401 |
| Subtotal | 1,165,719 | 1,077,263 |
| Accrued interests | 2,005 | 1,933 |
| Total | 1,167,724 | 1,079,196 |

## 35. DEBT SECURITIES ISSUED

| | | As at 31 December 2022 | As at 31 December 2021 |
|---|---|---|---|
| Debt securities issued by financial institutions | (1) | 11,730,446 | 11,142,456 |
| Subordinated bonds issued | (2) | 30,010 | 30,010 |
| Tier-two capital bonds issued | (3) | 134,665 | 84,222 |
| Subtotal | | 11,895,121 | 11,256,688 |
| Accrued interests | | 230,835 | 223,689 |
| Total | | 12,125,956 | 11,480,377 |

As at 31 December 2022 and 2021, there was no default related to any debt securities issued by the Group.

### (1) Debt securities issued by financial institutions

As at 31 December 2022

| | Year of issuance | Year of maturity | Coupon rates (%) | Outstanding balance |
|---|---|---|---|---|
| RMB financial bonds issued in domestic market | 2002-2022 | 2023-2065 | 1.65-5.90 | 10,488,749 |
| RMB special bonds issued in domestic market | 2015-2021 | 2023-2037 | 2.76-4.27 | 1,063,885 |
| Foreign currency financial bonds issued in domestic market | 2021-2022 | 2023 | 0.80-2.80 | 10,445 |
| RMB financial bonds issued in overseas market | 2012-2022 | 2023-2032 | 2.65-4.50 | 17,284 |
| Foreign currency financial bonds issued in overseas market | 2016-2022 | 2023-2037 | 0.00-5.47 | 108,255 |
| Bonds issued by the Bank | | | | 11,688,618 |
| Foreign currency bills issued by subsidiaries in overseas market | 2014-2022 | 2023-2027 | 1.20-5.30 | 31,145 |
| RMB bonds issued by subsidiaries in domestic market | 2018-2022 | 2023-2027 | 2.65-4.50 | 14,477 |
| RMB bills issued by subsidiaries in overseas market | 2022 | 2023-2024 | 3.05-3.40 | 899 |
| Less: Debt securities issued by the Group and held by entities within the Group | | | | (4,693) |
| Debt securities issued by the Group | | | | 11,730,446 |

As at 31 December 2021

| | Year of issuance | Year of maturity | Coupon rates (%) | Outstanding balance |
|---|---|---|---|---|
| RMB financial bonds issued in domestic market | 2002-2021 | 2022-2065 | 1.86-5.90 | 9,758,861 |
| RMB special bonds issued in domestic market | 2015-2021 | 2022-2037 | 3.01-4.27 | 1,173,317 |
| Foreign currency financial bonds issued in domestic market | 2021 | 2022-2023 | 0.38-0.80 | 19,123 |
| RMB financial bonds issued in overseas market | 2012-2021 | 2023-2032 | 2.65-4.50 | 14,782 |
| Foreign currency financial bonds issued in overseas market | 2016-2021 | 2022-2037 | 0.00-4.00 | 134,090 |
| Bonds issued by the Bank | | | | 11,100,173 |
| Foreign currency bills issued by subsidiaries in overseas market | 2012-2021 | 2022-2027 | 0.80-3.75 | 40,361 |
| RMB bonds issued by subsidiaries in domestic market | 2017-2018 | 2022-2023 | 4.50-4.70 | 9,989 |
| RMB bills issued by subsidiaries in overseas market | 2019 | 2022 | 3.58 | 269 |
| Less: Debt securities issued by the Group and held by entities within the Group | | | | (8,336) |
| Debt securities issued by the Group | | | | 11,142,456 |

### (2) Subordinated bonds issued

| | As at 31 December 2022 | | | |
|---|---|---|---|---|
| | Year of issuance | Year of maturity | Coupon rates (%) | Outstanding balance |
| RMB subordinated bonds issued by the Bank in domestic market | 2011-2012 | 2041-2062 | 5.50-6.05 | 30,010 |

| | As at 31 December 2021 | | | |
|---|---|---|---|---|
| | Year of issuance | Year of maturity | Coupon rates (%) | Outstanding balance |
| RMB subordinated bonds issued by the Bank in domestic market | 2011-2012 | 2041-2062 | 5.50-6.05 | 30,010 |

All subordinated bonds issued by the Bank have provisions which allow the Bank to redeem them prior to maturity. If the Bank chooses not to exercise its redemption option on a specified date, the coupon rate of the bond remains unchanged.

### (3) Tier-two capital bonds issued

| | As at 31 December 2022 | | | |
|---|---|---|---|---|
| | Year of issuance | Year of maturity | Coupon rates (%) | Outstanding balance |
| RMB Tier-two capital bonds issued by the Bank in domestic market | 2018-2022 | 2028-2037 | 2.85-4.45 | 129,837 |
| USD Tier-two capital bonds issued by the subsidiaries in overseas market | 2020 | 2030 | 2.88 | 4,828 |
| Tier-two capital bonds issued by the Group | | | | 134,665 |

| | As at 31 December 2021 | | | |
|---|---|---|---|---|
| | Year of issuance | Year of maturity | Coupon rates (%) | Outstanding balance |
| RMB Tier-two capital bonds issued by the Bank in domestic market | 2018-2020 | 2028-2030 | 3.88-4.45 | 79,807 |
| USD Tier-two capital bonds issued by the subsidiaries in overseas market | 2020 | 2030 | 2.88 | 4,415 |
| Tier-two capital bonds issued by the Group | | | | 84,222 |

The Group issued Tier-two capital bonds which have fixed coupon rates in year 2018, 2020 and 2022. The Group has an option to redeem part or all of the bond at face value upon the closing of the fifth year after the bonds' issuance, if specified redemption conditions as stipulated in the offering documents were met, subject to regulatory approval. If the Group did not exercise this option, the coupon rate of the bonds would remain the same as the existing rate.

These Tier-two capital bonds have the write-down feature of a Tier-two capital instrument, which allows the Bank to write down the entire principal of the bonds when regulatory triggering events as stipulated in the offering documents occur and any accumulated unpaid interest would become not payable.

## 36. OTHER LIABILITIES

| | As at 31 December | |
|---|---|---|
| | 2022 | 2021 |
| Deferred government subsidies for education loans | 24,359 | 27,628 |
| Provision for loss on loan commitments and financial guarantee contracts | 23,361 | 17,193 |
| VAT and other taxes payable | 12,431 | 10,094 |
| Amounts received in advance | 10,116 | 6,694 |
| Payables to other holders of consolidated structured entities | 9,328 | 13,454 |
| Security deposits for leasing | 7,242 | 7,221 |
| Leases liabilities | 6,501 | 3,519 |
| Accrued staff cost | 3,352 | 3,270 |
| Maintenance deposits from lessees | 2,344 | 1,604 |
| Payables for security brokerage service | 71 | 45 |
| Others | 9,104 | 6,843 |
| Total | 108,209 | 97,565 |

## 37. SHARE CAPITAL

| | As at 31 December 2022 and 2021 | |
|---|---|---|
| | Amount | % |
| MOF | 153,908 | 36.54 |
| Huijin | 146,092 | 34.68 |
| Buttonwood Investment Holding Company Ltd. | 114,537 | 27.19 |
| National Council for Social Security Fund | 6,711 | 1.59 |
| Total | 421,248 | 100.00 |

As at 31 December 2022 and 2021, there was no change in the Bank's equity holders' equity amount or their holding percentage.

## 38. CAPITAL RESERVE

| | As at 31 December | |
|---|---|---|
| | 2022 | 2021 |
| Capital premium | 182,650 | 182,650 |

## 39. INVESTMENT REVALUATION RESERVE

| | 2022 | 2021 |
|---|---|---|
| As at 1 January | (11,547) | (14,755) |
| Amount of loss of debt instruments measured at FVTOCI recognized directly in other comprehensive income | | |
| – Fair value changes of investments in debt instruments measured at FVTOCI | (3,529) | 2,930 |
| – Net gain on investments in debt instruments measured at FVOCI reclassified to profit or loss on disposal | – | 4 |
| – Impairment losses of investments in debt instruments measured at FVTOCI | 244 | 233 |
| Amount of loss of equity instruments designated as FVTOCI recognized directly in other comprehensive income | | |
| – Fair value changes of investments in equity instruments designated as FVTOCI | (621) | 891 |
| Less: income tax effect | 829 | (850) |
| As at 31 December | (14,624) | 11,547 |

## 40. SURPLUS RESERVE AND GENERAL RESERVE

### (1) Statutory and general surplus reserve

According to relevant laws and regulations, the Bank is required to appropriate 10% of its profit for the year, as determined under the PRC GAAP, to statutory surplus reserve. When statutory surplus reserve has reached 50% of the Bank's share capital, the Bank would not be required to further appropriate to statutory surplus reserve. The statutory surplus reserve appropriated by the Bank can be used to replenish accumulated loss of the Bank or to increase the Bank's share capital upon approval. The remaining balance of the statutory surplus reserve should not be lower than 25% of the Bank's share capital after such capitalization. In addition, the Bank appropriates general surplus reserve as approved by the Board of Directors.

### (2) General reserve

| | As at 31 December | |
|---|---|---|
| | 2022 | 2021 |
| The Bank (a) | 255,123 | 253,382 |
| Subsidiaries (b) | 5,302 | 5,137 |
| Total | 260,425 | 258,519 |

(a) Pursuant to Cai jin [2012] No. 20 "Requirements on Impairment Allowance for Financial Institutions" (the "Requirement") issued by the MOF in 2012, the Bank is required to establish a general reserve to address unidentified potential impairment losses. The general reserve should not be lower than 1.5% of the outstanding balance of risk-bearing assets as at the year-end date.

(b) Pursuant to relevant regulatory requirements in the PRC, subsidiaries of the Group are required to appropriate certain amounts of its profit for the year as general reserves.

## 41. OTHER RESERVE

Other reserve includes remeasurement of employee benefits obligation and the effective portion of changes in the fair value of derivatives that are designated and qualified as cash flow hedges.

## 42. RETAINED EARNINGS

| | Notes | 2022 | 2021 |
|---|---|---|---|
| As at 1 January | | 465,883 | 434,686 |
| Add: Profit for the year attributable to equity holders of the Bank | | 82,728 | 78,960 |
| Less: Appropriation to statutory surplus reserve | (a) | (7,272) | (6,420) |
| Appropriation to general surplus reserve | (b) (i) | (6,419) | (9,083) |
| Appropriation to general reserve | (b) (ii) | (1,914) | (9,553) |
| Dividends | (b) (iii) | (19,740) | (22,707) |
| Others | | 510 | – |
| As at 31 December | | 513,776 | 465,883 |

### (a) Profit appropriation for 2022

The Bank appropriated RMB7,272 million to the statutory surplus reserve based on profit for the year of 2022. Other proposal for profit appropriations of the Bank for the year ended 31 December 2022 is pending for approval by the Board of Directors.

### (b) Profit appropriation for 2021

Pursuant to the Board of Directors' Meeting held on 20 December 2022, the proposal for profit appropriations of the Bank for the year ended 31 December 2021 was approved as following:

(i) An appropriation of RMB6,419 million to the general surplus reserve by the Bank which had been included in the Group's consolidated financial statements for the year ended 31 December 2022.

(ii) An appropriation of RMB1,741 million to the general reserve by the Bank which had been included in the Group's consolidated financial statements for the year ended 31 December 2022.

(iii) A cash dividend of RMB19,740 million by the Bank for the year ended 31 December 2021 which has been included in the Group's consolidated financial statements for the year ended 31 December 2022. As ended 31 December 2022, the cash dividend has been paid.

(c) As at 31 December 2022 and 2021, retained earnings include surplus reserve appropriated by the Bank's subsidiaries that attributable to the Bank amounting RMB8,529 million and RMB6,730 million.

## 43. NON-CONTROLLING INTERESTS

Non-controlling interests of the Group are as follows:

| | As at 31 December | |
|---|---|---|
| | 2022 | 2021 |
| CDB Capital Co., Ltd. | 10,252 | 9,805 |
| CDB Leasing Co., Ltd. | 12,205 | 10,718 |
| CDB Securities Co., Ltd. | 3,298 | 3,311 |
| Total | 25,755 | 23,834 |

## 44. CASH FLOW INFORMATION

### (1) Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise the following balances:

| | As at 31 December | |
|---|---|---|
| | 2022 | 2021 |
| Balance with central banks and deposits with banks and other financial institutions | 141,569 | 160,878 |
| Balances with an original maturity of three months or less: | | |
| Financial assets held under resale agreements | 404,707 | 488,162 |
| Placements with banks and other financial institutions | 118,323 | 105,391 |
| Investments in government bonds | 1,784 | 1,950 |
| Total | 666,383 | 756,381 |

## 45. STRUCTURED ENTITIES

### (1) Consolidated structured entities

Structured entities consolidated by the Group include certain asset-backed securities, asset management plans and funds issued, initiated and managed by the Group. The Group has power over these structured entities, is entitled to variable returns from its involvement in related activities and is able to use its power to affect the amount of its variable returns from such structured entities. Therefore, the Group has control over these structured entities.

As at 31 December 2022, the total assets of the consolidated structured entities referred to above totaled RMB14,600 million (31 December 2021: RMB20,687 million).

### (2) Unconsolidated structured entities issued, initiated and managed by the Group

#### (a) Structured entities issued, initiated and managed by the Group

Unconsolidated structured entities issued, initiated and managed by the Group primarily include non-principal guaranteed wealth management products, asset-backed securities, assets management plans and funds. The Group has no plans to provide financial or other support to these unconsolidated structured entities.

As at 31 December 2022, the total assets of unconsolidated structured entities issued, initiated and managed by the Group amounted to RMB162,668 million (31 December 2021: RMB134,603 million). The carrying amount of the Group's share in these structured entities amounted to RMB8,491 million (31 December 2021: RMB7,533 million). These amounts represented the Group's maximum exposure to these structured entities.

#### (b) Structured entities issued, initiated and managed by the third party

The Group classifies its interest held in other structured entities issued and managed by other third-party entities into financial assets measured at fair value through profit or loss and financial assets at fair value through other comprehensive income. As at 31 December 2022, the information on the amount of total assets of these unconsolidated structured entities was not readily available from the public domain.

As at 31 December 2022, the balance of structured entities issued by other institutions held by the Group amounted to RMB20,040 million (31 December 2021: RMB22,961 million). Among them, the balance reported on trading assets and other financial assets amounted to RMB19,755 million (31 December 2021: RMB22,640 million), the balance reported on the investment on debt instruments at amortized cost amounted to nil (31 December 2021: RMB91 million), and the balance reported on the investment on debt instruments at fair value through other comprehensive income amounted to RMB285 million (31 December 2021: RMB230 million).

## 46. TRANSFERS OF FINANCIAL ASSETS

The Group enters into securitization transactions by which it transfers loans to structured entities which issue asset-backed securities to investors. The Group assessed among other factors, whether or not to derecognize the transferred assets by evaluating the extent to which it retains the risks and rewards of the assets and whether it has relinquished its controls over these assets based on the criteria as detailed in Note 3 (13) (h) and Note 4(4).

As at 31 December 2021, the unexpired asset-backed securities included accumulative loans transferred by the Group before impairment of RMB148 million (31 December 2021: RMB511 million), which retained substantially all the risks and rewards of these special purpose trusts and therefore has not been derecognized in the consolidated financial statements.

As at 31 December 2022 and 2021, the Group had no continuing involvement in these assets. And the Group had no balance in respect of loans transferred that qualified for full derecognition.

## 47. SEGMENT INFORMATION

The Group reviews the internal reporting in order to assess performance and allocate resources. Segment information is presented on the same basis as the Group's management and internal reporting.

All transactions between operating segments are conducted on an arm's length basis, with intra-segment revenue and costs being eliminated at head office level. Income and expenses directly associated with each segment are included in determining operating segment performance.

In accordance with IFRS 8, the Group has the following operating segments: banking, equity investment, leasing and securities. The Group's main operating segments are set out below:

### (1) Banking operations

This segment consists of corporate banking, debt issuance and treasury operations. The corporate banking operations primarily consist of lending, deposits, agency services, consulting and advisory services, cash management, remittance and settlement, custody and guarantee services. Debt issuance is the major source of funding to corporate banking operations. The treasury operations primarily include money market transactions, foreign exchange transactions, bond investments, customer-based interest rate and foreign exchange derivative transactions and asset and liability management.

### (2) Equity investment

This segment consists of equity investment activities.

### (3) Leasing operations

This segment consists of finance lease and operating lease business in which the Group acts as a lessor.

### (4) Securities operations

This segment consists of security brokerage, proprietary trading and underwriting operations.

| 2022 | Banking | Equity investment | Leasing | Securities | Consolidation and elimination | Total |
|---|---|---|---|---|---|---|
| Interest income | 623,239 | 766 | 10,758 | 1,128 | (2,611) | 633,280 |
| Interest expense | (454,946) | (1,903) | (8,207) | (531) | 2,617 | (462,970) |
| Net interest income | 168,293 | (1,137) | 2,551 | 597 | 6 | 170,310 |
| *Include: Net interest income from customers* | *167,271* | *(64)* | *2,726* | *377* | *–* | *170,310* |
| *Inter-segment net interest income/(expenses)* | *1,022* | *(1,073)* | *(175)* | *220* | *6* | *–* |
| Net fee and commission income | 609 | 592 | (51) | 373 | (19) | 1,504 |
| *Include: Net fee and commission from customers* | *559* | *592* | *(10)* | *363* | *–* | *1,504* |
| *Inter-segment net fee and commission* | *50* | *–* | *(41)* | *10* | *(19)* | *–* |
| Other income, net (a) | 47,415 | 6,300 | 7,812 | 681 | (933) | 61,275 |
| Operating expenses and credit impairment and other impairment losses on assets | (128,631) | (980) | (5,354) | (1,096) | 119 | (135,942) |
| Profit before income tax | 87,686 | 4,775 | 4,958 | 555 | (827) | 97,147 |
| **As at 31 December 2022** | | | | | | |
| Segment assets | 17,651,016 | 226,772 | 352,886 | 43,714 | (205,671) | 18,068,717 |
| Unallocated assets | | | | | | 174,366 |
| Total assets | | | | | | 18,243,083 |
| Segment liabilities | 16,322,299 | 62,195 | 318,893 | 28,126 | (102,147) | 16,629,366 |
| Unallocated liabilities | | | | | | 8,136 |
| Total liabilities | | | | | | 16,637,502 |
| **Other information:** | | | | | | |
| Depreciation and amortization | 2,006 | (137) | 5,381 | 60 | 122 | 7,432 |
| Capital expenditure | 647 | 315 | 14,059 | 9 | – | 15,030 |
| Credit Impairment losses | 113,425 | 4 | 1,227 | 548 | 222 | 115,426 |
| Other impairment losses on assets | 1 | – | 3,030 | – | – | 3,031 |
| Credit commitments | 3,737,608 | 244 | – | – | (9,000) | 3,728,852 |

| 2021 | Banking | Equity investment | Leasing | Securities | Consolidation and elimination | Total |
|---|---|---|---|---|---|---|
| Interest income | 591,113 | 746 | 10,131 | 1,257 | (2,114) | 601,133 |
| Interest expense | (448,833) | (2,021) | (8,088) | (715) | 2,156 | (457,501) |
| Net interest income | 142,280 | (1,275) | 2,043 | 542 | 42 | 143,632 |
| *Include: Net interest income from customers* | *141,120* | *87* | *2,123* | *302* | *–* | *143,632* |
| *Inter-segment net interest income/(expenses)* | *1,160* | *(1,362)* | *(80)* | *240* | *42* | *–* |
| Net fee and commission income | 868 | 301 | (82) | 351 | 5 | 1,443 |
| *Include: Net fee and commission from customers* | *810* | *301* | *(13)* | *345* | *–* | *1,443* |
| *Inter-segment net fee and commission* | *58* | *–* | *(69)* | *6* | *5* | *–* |
| Other income, net (a) | 17,678 | 17,938 | 8,075 | 243 | (1,044) | 42,890 |
| Operating expenses and credit impairment and other impairment losses on assets | (88,917) | (320) | (4,500) | (850) | (296) | (94,883) |
| Profit before income tax | 71,909 | 16,644 | 5,536 | 286 | (1,293) | 93,082 |
| **As at 31 December 2021** | | | | | | |
| Segment assets | 16,619,924 | 217,855 | 340,163 | 41,540 | (189,668) | 17,029,814 |
| Unallocated assets | | | | | | 138,127 |
| Total assets | | | | | | 17,167,941 |
| Segment liabilities | 15,458,288 | 64,002 | 309,909 | 26,082 | (236,894) | 15,621,387 |
| Unallocated liabilities | | | | | | 8,274 |
| Total liabilities | | | | | | 15,629,661 |
| **Other information:** | | | | | | |
| Depreciation and amortization | 1,692 | 231 | 4,349 | 68 | (122) | 6,218 |
| Capital expenditure | 593 | 1 | 24,551 | 16 | – | 25,161 |
| Credit Impairment losses | 74,037 | (504) | 2,443 | 270 | 396 | 76,642 |
| Other impairment losses on assets | 2 | – | 1,067 | – | – | 1,069 |
| Credit commitments | 3,555,880 | 244 | – | – | (19,376) | 3,536,748 |

(a) Other income includes net trading and foreign exchange gain/(loss), net gain on financial instruments designated at fair value through profit or loss, net gain on derecognition of debt instruments at amortized cost, dividend income, net gain on investment securities, other income and share of profit of associates and joint ventures.

## 48. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

### (1) Ministry of Finance

As at 31 December 2022 and 2021, the MOF owned 36.54% of the issued share capital of the Bank.

The Group enters into transactions with the MOF in its ordinary course of business, including subscription and redemption of treasury bonds. Details of transactions with the MOF are as follows:

| | As at 31 December | |
|---|---|---|
| | 2022 | 2021 |
| Treasury bonds issued by the MOF | 56,248 | 80,734 |
| Interest rate range (%) | 1.99-4.42 | 0.00-4.68 |

| | Year ended 31 December | |
|---|---|---|
| | 2022 | 2021 |
| Interest income | 2,137 | 2,294 |
| Net trading gain | 74 | 45 |

### (2) Huijin

Huijin is a wholly owned subsidiary of China Investment Corporation, with a registered capital of RMB828,209 million. Its principal activities are equity investments as authorized by the Chinese State Council and it does not engage in other commercial operations. Huijin exercises its rights and assumes the obligations as an investor of the Bank on behalf of the PRC Government. As at 31 December 2022 and 2021, Huijin owned 34.68% of the issued share capital of the Bank.

Details of the balances and transactions with Huijin were as follows:

| | As at 31 December | |
|---|---|---|
| | 2022 | 2021 |
| Trading assets and other financial assets mandatorily classified at fair value through profit or loss | 1,706 | 2,992 |
| Debt instruments at fair value through other comprehensive income | 83,106 | 49,833 |
| Interest rate range (%) | 2.15-4.23 | 2.15-4.38 |

| | Year ended at 31 December | |
|---|---|---|
| | 2022 | 2021 |
| Interest income | 2,240 | 1,647 |
| Net trading gain | 78 | 96 |

Transactions with Huijin and transactions with entities controlled or jointly controlled by Huijin are carried out in the Group's ordinary course of business under normal commercial terms.

### (3) Buttonwood Investment Holding Company Ltd. ('Buttonwood')

Buttonwood is a wholly owned subsidiary of the State Administration of Foreign Exchange of China. Its principal activities are domestic and overseas investments in project, equity, debt, loan and fund, fiduciary management and investment management.

As at 31 December 2022 and 2021, Buttonwood owned 27.19% of the issued share capital of the Bank.

Transactions with Buttonwood and transactions with entities controlled or joint controlled by Buttonwood are carried out in the Group's ordinary course of business under normal commercial terms.

### (4) Transaction with subsidiaries

The carrying amount of transactions with subsidiaries included in the Bank's statement of financial position is as follows:

| | As at 31 December | |
|---|---|---|
| | 2022 | 2021 |
| **Assets** | | |
| Placements with banks and other financial institutions | 4,959 | – |
| Derivative financial assets | 1 | 19 |
| Loans and advances to customers | 41,406 | 42,175 |
| Financial assets at fair value through other comprehensive income | – | 126 |
| Other assets | 22 | 4 |
| **Liabilities** | | |
| Deposits from banks and other financial institutions | 9,771 | 103 |
| Derivative financial liabilities | 15 | – |
| Due to customers | 121,920 | 109,497 |
| Debt securities issued | 4,569 | 8,269 |
| Other liabilities | 6 | 22 |

As at 31 December 2022, the total outstanding balance of loan commitments and financial guarantee contracts issued to subsidiaries were RMB9,000 million (31 December 2021: RMB19,376 million).

Transactions with subsidiaries included in the Bank's income statement are as follows:

| | Year ended 31 December | |
|---|---|---|
| | 2022 | 2021 |
| Interest income | 1,816 | 1,685 |
| Interest expense | (1,003) | (693) |
| Fee and commission income | 60 | 70 |
| Fee and commission expense | (10) | (11) |
| Dividend income | 7,863 | 10,517 |

Transactions between the Bank and its subsidiaries are carried out on normal commercial terms in ordinary course of business.

### (5) Transactions with associates and joint ventures

Transactions between the Group and its associates and joint ventures are carried out on normal commercial terms in ordinary course of business. The Group's transactions and balances with associates and joint ventures for the years ended 31 December 2022 and 2021 were not significant.

### (6) Key management personnel

Key management personnel are those persons who have the authority and responsibility to plan, direct and control the activities of the Group. During the years ended 31 December 2022 and 2021, the Group had no material transactions with key management personnel.

### (7) The Group and the Annuity Scheme

During the years ended 31 December 2022 and 2021, the Group had no material transactions with the Annuity Scheme set up by the Bank, apart from the obligation for defined contribution to the Annuity Scheme.

## 49. CONTINGENT LIABILITIES AND COMMITMENTS

### (1) Legal proceedings

As at 31 December 2022, the Group was involved in certain lawsuits arising from its normal business operations. After consulting legal professionals, management of the Group believes that the ultimate outcome of these lawsuits will not have a material impact on the financial position or operating result of the Group.

### (2) Credit commitments

| | As at 31 December | |
|---|---|---|
| | 2022 | 2021 |
| Loan commitments | 3,716,738 | 3,515,207 |
| Letters of guarantee issued | 3,703 | 9,262 |
| Bank acceptance | 6,375 | 8,700 |
| Letters of credit issued | 2,036 | 3,579 |
| Total | 3,728,852 | 3,536,748 |

As at 31 December 2021, the amount of credit commitments with original maturities of less than one year was RMB50,793 million (31 December 2021: RMB54,294 million), with the remainder of the credit commitments were all with original maturities over one year.

### (3) Capital commitments

| | As at 31 December | |
|---|---|---|
| | 2022 | 2021 |
| Contracted but not provided for | | |
| – equity instruments | 47,833 | 38,440 |
| – property and equipment | 38,001 | 37,911 |
| Total | 85,834 | 76,351 |

The Group's capital commitments of property and equipment are mainly property and equipment for lease. As at 31 December 2022, the Group's capital commitments of property and equipment for lease were RMB37,333 million (31 December 2021: RMB37,202 million).

### (4) Finance lease commitments

At the end of each reporting period, the Group, as a lessor, had the following finance lease commitments:

| | As at 31 December | |
|---|---|---|
| | 2022 | 2021 |
| Contractual amount | 28,014 | 30,184 |

As at 31 December 2022, the Group's finance lease commitments were all within one year.

### (5) Collateral

#### (a) Assets pledged

The carrying amounts of assets pledged as collateral under repurchase agreements at the end of each reporting period are as follows:

| | As at 31 December | |
|---|---|---|
| | 2022 | 2021 |
| Bonds | 18,611 | 22,792 |
| Negotiable Certificates of Deposit | 500 | – |

As at 31 December 2022, the principal of financial assets sold under repurchase agreements by the Group was RMB15,367 million (31 December 2021: RMB21,188 million) as set out in Note 33. All repurchase agreements were due within 5 years from the effective date of these agreements.

In addition, certain finance lease receivables and leased assets under operating lease, where the Group was a lessor, were pledged as collateral for borrowings from other banks. As at 31 December 2022, carrying amounts of these collateral amounted to RMB158,952 million (31 December 2021: RMB71,406 million).

As at 31 December 2022, certain bonds were pledged as collateral for due to customers by the Group, of which carrying amounts was RMB2,001 million.

#### (b) Collateral accepted

The Group received securities as collateral in connection with the purchase of financial assets under resale agreements (Note 20). The Group did not hold any collateral that can be resold or re-pledged as at 31 December 2022 and 31 December 2021.

## 50. FINANCIAL RISK MANAGEMENT

### (1) Strategies adopted in managing financial risks

The Group's activities expose it to a variety of financial risks. The Group analyzes, identifies, monitors and reports on these financial risks or the combinations of these financial risks during its operations. Risk-taking is a core characteristic of a financial undertaking, and business operations cannot be carried out without being exposed to operating risks. The Group's aim is, therefore, to achieve an appropriate balance between risks and returns, and minimize the potential adverse effects these risks may have on the Group's financial performance.

The Group raises funds primarily through issuing fixed-rate and floating-rate debts with different maturities, and earns spread income by investing these funds in medium- to long-term lending projects in infrastructure sectors, basic industries and pillar industries. The Group seeks to increase its profitability by minimizing the funding costs as it issues different types of bonds, where feasible under market conditions, to meet its asset and liability management needs and funding needs.

The Group carries out a range of plain vanilla derivative transactions including, among others, currency forward, currency and interest rate swaps, interest rate floor options, for risk management purposes as well as to meet the needs of its customers.

The Group provides appropriate risk limits and control measures in its risk management policies, and monitors the risks and the implementation of the risk limits in reliance of reliable and timely information from its information systems, as part of its efforts to identify and analyze risks. The Group regularly reviews and continues to make improvement to its risk management policies and systems to reflect changes in markets and products, and incorporate best practices. The most important types of financial risks to which the Group is exposed are credit risk, liquidity risk and market risk.

### (2) Credit risk

The Group takes on exposure to credit risk which represents the potential loss that may arise from a customer's or counterparty's failing to discharge an obligation. Credit risk is the most important risk for the Group's business, management therefore carefully manages its exposure to credit risk. Credit exposures arise principally in lending activities that lead to loans and advances, and investment activities including debt instruments and derivatives. Off-balance sheet financial instruments, such as loan commitments and financial guarantee contracts, also expose the Group to credit risk.

In accordance with the CBIRC's regulatory guidelines on the internal credit rating approach, and in light of its unique business features, the Group has established its credit rating framework, including credit rating methodologies, procedures, control and management, data collection and IT infrastructure. It is a two-dimensional risk rating framework that incorporates both customer credit ratings for their probabilities of default and the facility credit ratings for estimated loss given default when the customers become default. To ensure the accuracy and comprehensiveness of the ratings, the Group has also established internal guidelines and criteria for country rating, sovereign rating, regional rating and industry rating.

### (a) Credit Risk Management

The Group performs standardized credit management procedures on the entire credit process, including credit due diligence and loan applications, credit review and approval, loan disbursement, post-lending monitoring and non-performing loan management. By applying strict and standardized credit operational procedures, the Group strives to strengthen its end-to-end credit management for pre-lending due diligence, credit rating, review and approval, disbursement review and approval, and post-lending monitoring, improve the mitigating effectiveness of collateral, accelerate the recovery and disposal of non-performing loans, and drive the upgrade of its credit management systems, as part of its efforts to comprehensively enhance its credit risk management capabilities across the Group.

The Group writes off a financial asset, in whole or in part, when it comes to the conclusion, after exhausting all necessary recovery procedures, that it cannot reasonably expect to recover the whole or part of the financial asset. Indicators that it has become impossible to reasonably expect to recover a financial asset, in whole or in part, include: (1) enforcement has been completed; and (2) the Group has no other recovery alternative but to foreclose and dispose of the collateral, and does not expect the value of the collateral to fully cover the principal and interest of the financial asset.

Apart from the credit risk exposures on credit assets, the Group is also exposed to credit risk arising from its treasury operations, and it manages its risk exposures on its treasury operations by carefully screening counterparties with acceptable credit quality, balancing credit risk and investment returns, adopting rating-based underwriting by comprehensively considering the internal and external credit rating information, and reviewing and adjusting credit limits in a timely manner through limit management systems. In addition, the Group also provides off-balance sheet loan commitments and financial guarantee services to customers, which may expose the Group to the risk of having to make payments on behalf of customers in case they default, where the risk approximates that of a loan. For these operations, the Group adopts risk control procedures and policies similar to those applicable to the credit business to minimize their credit risk.

### (b) Collateral

The Group has adopted a series of credit risk mitigation policies and measures, including the requirement for collateral, the most widely used and traditional measure. The Group has developed operational guidelines for the acceptability of specific assets pledged as collateral and their capability to mitigate credit risk, and regularly reviews the assessment results of the collateral.

The primary types of collateral are rights and commercial assets such as toll collection rights, real estates, land use rights, equity securities, cash deposits and equipment, collaterals held for financial assets other than loans and advances to customers are dependent on the nature of the financial instruments. Debt instruments are generally unsecured, but for asset-backed securities and other similar instruments, they are generally secured by pools of financial assets. As at 31 December 2022, the Group held no significant foreclosed assets.

### (c) Credit ratings

The Group uses internal client credit ratings to reflect the probability of default (PD) assessments of individual counterparties, and employs different internal rating models for different types of counterparties. Borrower information and specific information (e.g., the borrower's revenue and the industry/sector it operates in) is incorporated into the rating models, and also includes external data of the borrower as supplementary information. In addition, the models also fully consider the expert judgments of credit and risk management officers, thus enabling the credit ratings to capture factors that may not have been considered by other sources.

### (d) Measurement of ECL

The Group applies ECL models to calculate the credit loss allowance for its debt financial instruments carried at amortized cost and FVTOCI, as well as loan commitments and financial guarantee contracts. The method applied by the Group in assessing the expected credit loss of its financial assets is a risk parameters model.

For the financial instruments incorporated into the measurement of expected credit loss, the group uses a "3-Stage" model to measure the credit loss allowance and ECL:

Stage 1: A financial instrument whose credit risk has not increased significantly since its initial recognition.

Stage 2: Credit risk has increased significantly since the initial recognition, but it is not considered as a financial instrument with credit impairment.

Stage 3: A financial instrument in which credit impairment has occurred.

A Stage 1 financial instrument credit loss allowance is measured at an amount equivalent to the expected credit loss of the financial instrument in the next 12 months. Stage 2 and Stage 3 financial instruments shall have their credit loss allowances measured at an amount equivalent to the expected credit loss of the financial instrument expected to arise over its remaining duration.

Purchased or originated credit-impaired financial assets are those financial assets that are credit-impaired on initial recognition. Their ECL is always measured on a lifetime basis.

The Group assesses ECL in light of forward-looking information and uses complex models and assumptions in calculating the expected credit loss. These models and assumptions relate to the future macroeconomic conditions and the borrowers' creditworthiness (e.g., the likelihood of default by customers and the corresponding loss). In assessing the expected credit risks in accordance with accounting standards, the Group uses judgments, assumptions and estimates where appropriate, including:

- Segmentation of business operations sharing similar credit risk characteristics;
- Selection of appropriate models and determination of relevant key measurement parameters;
- Determination of the criteria for SICR;
- Definition of default and credit impairment;
- Establishment of the number and relative weightings of forward-looking scenarios;
- The estimated future cash flows for loans and advances to customers at amortized cost in Stage 3.

*Segmentation of business operations sharing similar credit risk characteristics*

For expected credit loss allowances modelled on a collective basis, a grouping of exposures is performed on the basis of shared risk characteristics, such that risk exposures within a group are homogeneous. In performing this grouping, the Group uses information such as the type of borrower, industry, usage, and type of collateral to ensure the reasonableness of its credit risk grouping.

*Selection of appropriate models and determination of relevant key measurement parameters*

According to whether there is a significant increase in credit risk and whether a financial asset has become credit-impaired, the Group recognizes an impairment allowance based on the expected credit loss for the next 12 months or the entire lifetime of the financial asset. The key parameters of ECL measurement include possibility of default (PD), loss given default (LGD) and exposure at default (EAD). The Group establishes its PD, LGD and EAD based on the internal rating system currently used for risk management purposes. In accordance with the requirements of IFRS 9, the Group performs quantitative analyses of historical statistics (such as counterparty ratings, guarantee methods and collateral types, repayment methods, etc.) and forward-looking information.

The parameters are defined as follows:

PD represents the likelihood of a borrower defaulting on its financial obligation, either over the next 12 months (12m PD) or over the remaining lifetime (Lifetime PD) of the obligation. The definition of default refers to the failure to pay the debt as agreed in the contract or other violations of the debt contract that have a significant impact on the normal debt repayment.

LGD represents the Group's expectation of the extent of loss on defaulted exposure. LGD is expressed as a percentage loss per unit of exposure at the time of default (EAD).

EAD is based on the amounts the Group expects to be owed at the time of default.

The group uses an internal credit rating to track the default probability assessment results of a single counterparty and adopts different internal rating models for different types of counterparties. Borrowers and specific loan information collected at the time of a loan application are incorporated into the rating model. The group regularly monitors and reviews the assumptions associated with the calculation of expected credit loss, including the probability of default and changes in value of the collateral over each period.

In 2022, no significant changes were made to the estimated methodology or key assumptions.

*Determination of the criteria for SICR*

The Group assesses whether the credit risk of the relevant financial instruments has increased significantly since the initial recognition at each balance sheet date. For the purpose of staging an assessment of its financial assets, the Group thoroughly considers various reasonable and supportable criteria that may reflect whether or not there has been a significant change in their credit risk. Key factors considered include regulatory and operating environments, internal and external credit ratings, solvency, viability as a going concern, terms of loan contracts, repayment behaviors, among others. The Group compares the risk of default of financial instruments on the reporting date against that on the initial recognition date in order to determine the changes of default risk.

The Group sets quantitative and qualitative criteria to help determine whether the credit risk of a financial instrument has increased significantly since its initial recognition. The criteria include changes in the borrower's PD, changes in its credit risk rating and other factors. The Group decided that credit risk has significantly increased if contractual payments are more than 30 days past due. The Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. As of the report date, low credit risk financial instruments with a high credit rating (internal rating above admittance threshold) are deemed to have a low credit risk and no assessment is performed as to whether the credit risk on the report date has significantly increased compared with the initial recognition.

Since the outbreak of the COVID-19 pandemic, the Group has provided credit facilities for temporary deferral in principal repayment and interest payment to some of the borrowers affected by the epidemic in accordance with the government's regulations. For above credit facilities, the Group insists on substantial risk judgment, and comprehensively considers the changes of the borrower's operating ability, solvency and epidemic situation, so as to assess whether the credit risk of related financial instruments has increased significantly since initial recognition.

*Definition of default and credit impairment*

The criteria used by the Group to determine whether a credit impairment occurs under IFRS 9 is consistent with the internal credit risk management objectives. In assessing whether a borrower has become credit-impaired, the Group mainly considers the following quantitative and qualitative factors:

– Significant financial difficulty of the issuer or the borrower;

– A breach of contract, such as a default or past due event in relation to interest or principal payment, or the borrower is overdue for more than 90 days in any principal, advances, interest or investment in corporate bonds due to the Group;

– The lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;

– It is becoming probable that the borrower will enter bankruptcy or other financial reorganization;

– The disappearance of an active market for that financial asset because of financial difficulties;

– The purchase or origination of a financial asset at a deep discount that reflects the incurred credit loss.

The credit impairment of a financial asset may be caused by the combined effect of multiple events rather than any single discrete event.

*Establishment of the number and relative weightings of forward-looking scenarios*

The assessment of whether there has been a significant increase in credit risk and the calculation of ECL both involve forward-looking information. Through the analysis of historical data, the Group identifies the key economic indicators that affect the credit risk and ECL of various business types, including macroeconomic index, Enterprise prospect index and Real estate index, etc. The impact of these economic indicators on the PDs and the LGDs varies from one type of business to another. The Group comprehensively considers internal and external data, expert forecasts and statistical analyses to determine the relationships between these economic indicators and the PDs and LGDs. The Group assesses and forecasts these economic indicators at least on an annual basis, calculates the best estimates for the future, and regularly reviews the assessment results.

Based on statistical analyses and expert judgements, the Group determines the weightings of the optimistic scenario, base scenario and pessimistic scenario and the corresponding macro-economic forecast under each scenario. The group's multi-scenario economic forecasts include the most likely base scenario and a number of possible scenarios that reflect positive or negative trends in the economy. The group assesses and determines the weighting of each scenario. The weighting of base scenario is greater than the aggregated weightings of the rest scenarios. The Group uses the weighted 12-month ECL (Stage 1) or weighted lifetime ECL (Stage 2 and Stage 3) to measure relevant impairment allowances. These weighted credit losses are calculated by multiplying the expected credit loss under each scenario by the corresponding scenario weighting.

ECL impairment allowances recognized in the financial statements reflect the effect of a range of possible economic outcomes, and the weighted amount of the expected credit loss recognized in the financial statements is generally higher than that calculated by using only the benchmark scenario. In 2022, the Group has taken into account different macroeconomic scenarios, combined with the impact of factors such as the Covid-19 epidemic on economic development trends, and made forward-looking forecasts of macroeconomic indicators. Including: quarter-on-quarter GDP growth, used to estimate ECL, ranges from 3.4% to 6.6% in the neutral scenario for 2023.

At 31 December 2022, the Group concluded that three scenarios are appropriate, being the optimistic scenario, base scenario and pessimistic scenario. As at 31 December 2022, the incremental impact to the credit loss allowance of using the probability-weighted ECL against the base scenario was less than 5%.

Scenario weightings

Scenario weighting is one of the important methods of sensitivity analysis. The decremental impact would be less than 5%, assuming a 10% increase of probability-weighting of the optimistic scenario and a 10% decrease of the probability-weighting of the base case scenario when measuring the ECL derived from using aforesaid three scenarios. The incremental impact would be less than 5%, assuming a 10% increase on probability-weighting of the pessimistic scenario and a 10% decrease on probability-weighted of the base case scenario when measuring the ECL derived from using aforesaid three scenarios.

*The estimated future cash flows for loans and advances to customers at amortized cost in Stage 3*

At each measurement date, the Group projects the future cash inflows of each future period related to credit-impaired financial assets. The cash flows are discounted and aggregated to determine the present value of the assets' future cash flows.

### (e) Maximum exposure to credit risk before taking into account any collateral held or other credit enhancements

| | As at 31 December 2022 | 2021 |
|---|---|---|
| Credit risk exposures relating to financial assets | | |
| Balances with central banks | 113,857 | 92,562 |
| Deposits with banks and other financial institutions | 113,326 | 195,044 |
| Placements with banks and other financial institutions | 471,537 | 371,086 |
| Derivative financial assets | 11,093 | 16,978 |
| Financial assets held under resale agreements | 404,823 | 495,214 |
| Loans and advances to customers | | |
| Financial investments | | |
| Trading assets and other financial assets mandatorily classified at fair value through profit or loss | 13,899,107 | 12,791,666 |
| Financial Investments | 756,510 | 829,888 |
| Trading assets and other financial assets mandatorily classified at fair value through profit or loss | 755,920 | 829,248 |
| Financial assets at fair value through profit or loss (Designated) | 590 | 640 |
| Debt instruments at amortized cost | 935,357 | 1,146,917 |
| Debt instruments at fair value through other comprehensive income | 1,022,499 | 766,562 |
| Others | 11,571 | 6,097 |
| Subtotal | 17,739,680 | 16,712,014 |
| Credit risk exposures relating to credit commitments | | |
| Loan commitments | 3,716,738 | 3,515,207 |
| Letters of guarantee issued | 3,703 | 9,262 |
| Bank acceptance | 6,375 | 8,700 |
| Letters of credit issued | 2,036 | 3,579 |
| Subtotal | 3,728,852 | 3,536,748 |
| Total | 21,468,532 | 20,248,762 |

The above table represents a worst-case scenario of credit risk exposures to the Group as at 31 December 2022 and 2021, without taking into account any collateral held or other credit enhancements attached. For financial assets on the consolidated statement of financial position, the exposures set out above are based on carrying amounts of these assets.

### (f) Credit commitments and provision

Change in provision for loan commitments and financial guarantee contracts

| | Stage 1 | Stage 2 | Stage 3 | Total |
|---|---|---|---|---|
| | 12-month expected credit loss | Lifetime expected credit loss | | |
| As at 1 January 2022 | 4,019 | 12,930 | 244 | 17,193 |
| Transfers: | | | | |
| Transfers to Stage 2 | (5,079) | 5,079 | – | – |
| Transfers to Stage 1 | 879 | (879) | – | – |
| Remeasurement (a) | 6,910 | 4,175 | – | 11,085 |
| Charge for the year | 3,008 | – | – | 3,008 |
| Mature or reverse | (1,888) | (6,600) | – | (8,488) |
| Foreign exchange differences | 31 | 532 | – | 563 |
| As at 31 December 2022 | 7,880 | 15,237 | 244 | 23,361 |

| | Stage 1 | Stage 2 | Stage 3 | Total |
|---|---|---|---|---|
| | 12-month expected credit loss | Lifetime expected credit loss | | |
| As at 1 January 2021 | 2,596 | 12,564 | 550 | 15,710 |
| Transfers: | | | | |
| Transfers to Stage 2 | (168) | 168 | – | – |
| Remeasurement (a) | 354 | (1) | 2 | 355 |
| Charge for the year | 1,943 | 2,085 | – | 4,028 |
| Mature or reverse | (694) | (1,753) | (304) | (2,751) |
| Foreign exchange differences | (12) | (133) | (4) | (149) |
| As at 31 December 2021 | 4,019 | 12,930 | 244 | 17,193 |

(a) Remeasurement includes regular review of inputs to the models, e.g., reviewing of PDs and LGDs; transfer among Stage 1, Stage 2 and 3 due to loan commitments and financial guarantee contracts experiencing significant increases (or decrease) of credit impairment in the period, and the consequent "set up" (or "set down") between 12-month and lifetime ECL.

### (g) The following financial instruments subject to impairment are analyzed for the different expected credit loss

The Group classified the credit grades of loans and advances to customers into "Low Risk", "Medium Risk", "High Risk".

– "Low Risk" exposures demonstrate a strong capacity to meet financial commitments, with negligible or low probability of default and/or low levels of expected loss.

– "Medium Risk" exposures require closer monitoring and demonstrate a good capacity to meet financial commitments, with low default risk.

– "High Risk" exposures require varying degrees of special attention and default risk is of greater concern.

The following financial instruments subject to impairment are analyzed for the different expected credit loss, unless otherwise stated, Stage 1 represents a 12-month expected credit loss, and Stages 2 and 3 represent lifetime expected credit loss.

*Loans and advances to customers at amortized cost*

| As at 31 December 2022 | Stage 1 | Stage 2 | Stage 3 | Total |
|---|---|---|---|---|
| Credit Grade | | | | |
| Low Risk | 12,866,087 | – | – | 12,866,087 |
| Medium Risk | – | 1,338,103 | – | 1,338,103 |
| High Risk | – | – | 222,948 | 222,948 |
| Total | 12,866,087 | 1,338,103 | 222,948 | 14,427,138 |
| Less: Credit impairment losses on assets | (209,408) | (254,675) | (155,120) | (619,203) |
| Net | 12,656,679 | 1,083,428 | 67,828 | 13,807,935 |

| As at 31 December 2021 | Stage 1 | Stage 2 | Stage 3 | Total |
|---|---|---|---|---|
| Credit Grade | | | | |
| Low Risk | 11,892,965 | – | – | 11,892,965 |
| Medium Risk | – | 1,197,129 | – | 1,197,129 |
| High Risk | – | – | 129,495 | 129,495 |
| Total | 11,892,965 | 1,197,129 | 129,495 | 13,219,589 |
| Less: Credit impairment losses on assets | (192,457) | (229,513) | (81,928) | (503,898) |
| Net | 11,700,508 | 967,616 | 47,567 | 12,715,691 |

*Debt instruments at amortized cost*

| As at 31 December 2022 | Stage 1 | Stage 2 | Stage 3 | Total |
|---|---|---|---|---|
| Credit Grade | | | | |
| Low Risk | 945,348 | – | – | 945,348 |
| Medium Risk | – | – | – | – |
| High Risk | – | – | 2,024 | 2,024 |
| Total | 945,348 | – | 2,024 | 947,372 |
| Less: Credit impairment losses on assets | (10,209) | – | (1,806) | (12,015) |
| Net | 935,139 | – | 218 | 935,357 |

| As at 31 December 2021 | Stage 1 | Stage 2 | Stage 3 | Total |
|---|---|---|---|---|
| Credit Grade | | | | |
| Low Risk | 1,151,761 | – | – | 1,151,761 |
| Medium Risk | – | – | – | – |
| High Risk | – | – | 2,160 | 2,160 |
| Total | 1,151,761 | – | 2,160 | 1,153,921 |
| Less: Credit impairment losses on assets | (5,214) | – | (1,790) | (7,004) |
| Net | 1,146,547 | – | 370 | 1,146,917 |

*Debt instruments at fair value through other comprehensive income*

| As at 31 December 2022 | Stage 1 | Stage 2 | Stage 3 | Total |
|---|---|---|---|---|
| Credit Grade | | | | |
| Low Risk | 1,022,466 | – | – | 1,022,466 |
| Medium Risk | – | – | – | – |
| High Risk | – | – | 33 | 33 |
| Total | 1,022,466 | – | 33 | 1,022,499 |
| Expected credit loss on assets | (128) | – | (1,324) | (1,452) |

| As at 31 December 2021 | Stage 1 | Stage 2 | Stage 3 | Total |
|---|---|---|---|---|
| Credit Grade | | | | |
| Low Risk | 766,460 | – | – | 766,460 |
| Medium Risk | – | – | – | – |
| High Risk | – | – | 102 | 102 |
| Total | 766,460 | – | 102 | 766,562 |
| Expected credit loss on assets | (117) | – | (1,034) | (1,151) |

*Loan commitments and financial guarantee contracts*

| As at 31 December 2022 | Stage 1 | Stage 2 | Stage 3 | Total |
|---|---|---|---|---|
| Credit Grade | | | | |
| Low Risk | 3,568,268 | – | – | 3,568,268 |
| Medium Risk | – | 160,340 | – | 160,340 |
| High Risk | – | – | 244 | 244 |
| Total | 3,568,268 | 160,340 | 244 | 3,728,852 |

| As at 31 December 2021 | Stage 1 | Stage 2 | Stage 3 | Total |
|---|---|---|---|---|
| Credit Grade | | | | |
| Low Risk | 3,414,777 | – | – | 3,414,777 |
| Medium Risk | – | 121,727 | – | 121,727 |
| High Risk | – | – | 244 | 244 |
| Total | 3,414,777 | 121,727 | 244 | 3,536,748 |

*Provision*

| As at 31 December 2022 | Stage 1 | Stage 2 | Stage 3 | Total |
|---|---|---|---|---|
| Credit Grade | | | | |
| Low Risk | 7,880 | – | – | 7,880 |
| Medium Risk | – | 15,237 | – | 15,237 |
| High Risk | – | – | 244 | 244 |
| Total | 7,880 | 15,237 | 244 | 23,361 |

| As at 31 December 2021 | Stage 1 | Stage 2 | Stage 3 | Total |
|---|---|---|---|---|
| Credit Grade | | | | |
| Low Risk | 4,807 | – | – | 4,807 |
| Medium Risk | – | 12,930 | – | 12,930 |
| High Risk | – | – | 244 | 244 |
| Total | 4,807 | 12,930 | 244 | 17,981 |

*Collateral and Other Credit Enhancements*

The Group closely monitors collateral held for financial assets considered to be credit-impaired, as it becomes more likely that the Group will take possession of collateral to mitigate potential credit loss. Financial assets that are credit-impaired and related collateral held in order to mitigate potential loss are shown below:

| As at 31 December 2022 | Gross exposure | Impairment allowance | Carrying amount | Fair value of collateral |
|---|---|---|---|---|
| Credit impaired assets | | | | |
| Loans and advances to customers | 233,718 | (155,120) | 78,598 | 58,653 |
| Debt instruments at amortized cost | 2,024 | (1,806) | 218 | – |
| Debt instruments at fair value through other comprehensive income | 33 | (1,324) | 33 | – |
| Total | 235,775 | (158,250) | 78,849 | 58,653 |

| As at 31 December 2021 | Gross exposure | Impairment allowance | Carrying amount | Fair value of collateral |
|---|---|---|---|---|
| Credit impaired assets | | | | |
| Loans and advances to customers | 129,854 | (81,928) | 47,926 | 60,253 |
| Debt instruments at amortized cost | 2,160 | (1,790) | 370 | – |
| Debt instruments at fair value through other comprehensive income | 102 | (1,034) | 102 | – |
| Total | 132,116 | (84,752) | 48,398 | 60,253 |

The fair value of collateral presented in the table above is up to the book value of the credit risk exposure. As at 31 December 2022, the quality of the Group's collateral or credit enhancement did not change significantly compared to prior year.

(h) Loans and advances to customers

The gross amounts of loans and advances to customers by types of collateral and maturity are as follows:

| | 31 December 2022 | | | |
|---|---|---|---|---|
| | Within 1 year | 1 to 5 years | Over 5 years | Total |
| Unsecured loans | 546,288 | 1,381,515 | 2,229,330 | 4,157,133 |
| Guaranteed loans | 110,219 | 241,722 | 829,154 | 1,181,095 |
| Loans secured by collateral | 57,517 | 169,704 | 1,637,374 | 1,864,595 |
| Pledged loans | 13,096 | 48,844 | 7,210,161 | 7,272,101 |
| Total | 727,120 | 1,841,785 | 11,906,019 | 14,474,924 |

| | 31 December 2021 | | | |
|---|---|---|---|---|
| | Within 1 year | 1 to 5 years | Over 5 years | Total |
| Unsecured loans | 411,358 | 1,002,629 | 1,904,140 | 3,318,127 |
| Guaranteed loans | 102,432 | 222,029 | 664,318 | 988,779 |
| Loans secured by collateral | 77,593 | 157,008 | 1,482,030 | 1,716,631 |
| Pledged loans | 15,142 | 53,730 | 7,170,089 | 7,238,961 |
| Total | 606,525 | 1,435,396 | 11,220,577 | 13,262,498 |

*Loans and advances to customers by industry of counterparties:*

| | 31 December 2022 | | 31 December 2021 | |
|---|---|---|---|---|
| | Amount | % | Amount | % |
| **Loans and advances to customers** | | | | |
| Urban renewal | 2,791,908 | 19 | 2,924,303 | 22 |
| Road transportation | 2,629,214 | 18 | 2,451,616 | 18 |
| Water conservation, environmental protection and public utilities | 1,503,640 | 10 | 1,236,152 | 9 |
| Electric power, heating and water production and supply | 1,436,376 | 10 | 1,289,544 | 10 |
| Railway transportation | 1,096,774 | 8 | 945,765 | 7 |
| Urban public transportation | 1,062,034 | 7 | 956,820 | 7 |
| Manufacturing industry | 1,015,403 | 7 | 833,559 | 6 |
| Petroleum, petrochemical and chemical industry | 570,021 | 4 | 566,233 | 4 |
| Other transportation | 511,028 | 4 | 392,847 | 3 |
| Mining industry | 322,431 | 2 | 310,443 | 2 |
| Education | 281,996 | 2 | 253,652 | 2 |
| Financial industry | 149,456 | 1 | 212,995 | 2 |
| Telecommunication and other information transmission services | 75,979 | 1 | 83,118 | 1 |
| Others | 1,028,664 | 7 | 805,451 | 7 |
| Total | 14,474,924 | 100 | 13,262,498 | 100 |

*Restructured loans*

The Group sometimes renegotiates or otherwise modifies the terms of loans and advances provided to customers due to deterioration in the borrower's financial position which resulted in the borrower's inability to meet its repayment obligations, with a view to maximising recovery. Such restructuring activities include extended payment term arrangements, payment holidays and payment forgiveness, etc. Restructuring measures are based on indicators or criteria which, in the judgment of management, indicate that payment will most likely continue. These measures are kept under continuous review. As at 31 December 2022, the Group's total restructured loans amounted to RMB69,939 million (31 December 2021: RMB47,870 million).

### (i) Investment in debt instruments

Carrying amount of investment in debt instruments analyzed by credit rating from independent rating agencies is as follows:

| | As at 31 December 2022 | | | | | | |
|---|---|---|---|---|---|---|---|
| | AAA | AA | A | Below A | PRC government and quasi governments (b) | Other (c) | Total |
| Debt securities issued by: | | | | | | | |
| Governments and quasi-governments | 85,528 | 2,666 | 10 | – | 1,190,006 | – | 1,278,210 |
| Financial institutions | 77,448 | 728 | 3,364 | 2,727 | – | – | 84,267 |
| Corporates | 271,008 | 2,646 | 717 | 262 | – | 3,571 | 278,204 |
| Asset-backed securities | 257 | 32 | – | – | – | – | 289 |
| Inter-bank certificates of deposit (a) | 441,779 | – | 31,978 | 9,576 | – | – | 483,333 |
| Wealth management products issued by other banks | – | – | – | – | – | 3,450 | 3,450 |
| Investments in trust plans and others | – | – | – | – | – | 1,316 | 1,316 |
| Asset management plans | – | – | – | – | – | 382 | 382 |
| Total | 876,020 | 6,072 | 36,069 | 12,565 | 1,190,006 | 8,719 | 2,129,451 |

| | As at 31 December 2021 | | | | | | |
|---|---|---|---|---|---|---|---|
| | AAA | AA | A | Below A | PRC government and quasi-governments (b) | Other (c) | Total |
| Debt securities issued by: | | | | | | | |
| Governments and quasi-governments | 98,097 | 817 | 10 | – | 1,194,808 | – | 1,293,732 |
| Financial institutions | 64,408 | 987 | 4,846 | 3,885 | – | – | 74,126 |
| Corporates | 182,518 | 4,269 | – | 2,759 | – | 2,757 | 192,303 |
| Asset-backed securities | 247 | 128 | – | – | – | – | 375 |
| Inter-bank certificates of deposit (a) | 592,210 | – | 13,891 | 10,715 | – | – | 616,816 |
| Wealth management products issued by other banks | – | – | – | – | – | 4,542 | 4,542 |
| Investments in trust plans and others | – | – | – | – | – | 960 | 960 |
| Asset management plans | – | – | – | – | – | 407 | 407 |
| Total | 937,480 | 6,201 | 18,747 | 17,359 | 1,194,808 | 8,666 | 2,183,261 |

(a) Analyzed by ratings of issuers of inter-bank certificates of deposit.
(b) Unrated debt securities issued by PRC government and quasi-governments are from issuers including the MOF, the PBC, Huijin and policy banks of China.
(c) Other unrated debt instruments mainly include subordinated bonds issued by insurance companies, super short-term commercial papers, asset management plans, and wealth management products issued by other banks and investments in trust plans.

(j) Financial assets other than loans and advances to customers by nature of counterparties:

| | Governments and quasi-governments | Financial institutions | Corporate and others | Total |
|---|---|---|---|---|
| **31 December 2022** | | | | |
| Balances with central banks | 113,857 | – | – | 113,857 |
| Deposits with banks and other financial institutions | – | 113,326 | – | 113,326 |
| Placements with banks and other financial institutions | – | 471,537 | – | 471,537 |
| Derivative financial assets | 4,107 | 6,986 | – | 11,093 |
| Financial assets held under resale agreements | – | 404,823 | – | 404,823 |
| Financial assets measured at fair value through profit or loss | 4,741 | 149,231 | 602,538 | 756,510 |
| Debt instruments at amortized cost | 838,377 | 514 | 96,466 | 935,357 |
| Debt instruments at fair value through other comprehensive income | 435,092 | 421,954 | 165,453 | 1,022,499 |
| Other financial assets | 3,467 | 2,138 | 5,966 | 11,571 |
| Total | 1,399,641 | 1,570,509 | 870,423 | 3,840,573 |
| **31 December 2021** | | | | |
| Balances with central banks | 92,562 | – | – | 92,562 |
| Deposits with banks and other financial institutions | – | 195,044 | – | 195,044 |
| Placements with banks and other financial institutions | – | 371,086 | – | 371,086 |
| Derivative financial assets | 5,417 | 9,377 | 2,184 | 16,978 |
| Financial assets held under resale agreements | – | 494,557 | 657 | 495,214 |
| Financial assets measured at fair value through profit or loss | 177,260 | 239,334 | 413,294 | 829,888 |
| Debt instruments at amortized cost | 1,054,245 | 513 | 92,159 | 1,146,917 |
| Debt instruments at fair value through other comprehensive income | 227,122 | 455,944 | 83,496 | 766,562 |
| Other financial assets | 2,102 | 1,495 | 2,500 | 6,097 |
| Total | 1,558,708 | 1,767,350 | 594,290 | 3,920,348 |

## (3) Market risk

Market risk refers to the risk of fluctuations in the Group's on and off-balance sheet activities, arising from changes in market prices including interest rates, foreign exchange rates, and stock and commodity prices. The Group's major market risks are interest rate risk and foreign exchange risk in it trading book and banking book.

The objective of the Group's market risk management is to establish an effective market risk management system, which can fully identify, accurately measure, continuously monitor and effectively control market risks in trading and non-trading businesses, and ensure that market risk exposures are controlled within an acceptable range of the Group, and achieve a balance between risks and benefits.

Market risk is managed using risk limits approved by the Board of Directors and its affiliated committees. The Governors on Risk Management supervise overall market risk, meetings and review risk management reports periodically to ensure that all market risks are effectively managed.

### Segregation of trading book and banking book

The Group's exposures to market risk mainly exist in its trading book and banking book.

Trading book consists of financial instruments and commodity positions held for trading or for economic hedging purposes. Banking book consists of on and off-balance sheet financial instruments not held in the trading book.

Market risks arising from trading and banking books are managed by the Risk Management Department and the Business Development Department within the scope of their respective roles and responsibilities. The Risk Management Department is responsible for managing the market risk of the whole bank, and specifically manages the market risk of the treasury transaction business. The Business Development Department assumes the responsibility for the overall asset and liability management as well as management of interest rate risk and foreign exchange risk in the banking book, and the periodical preparation of interest rate risk and foreign exchange risk reports related to banking book.

### Market risk measurement and management approaches

Market risk is monitored and managed through established limits, market value revaluation, duration analysis, gap analysis and sensitivity analysis indicators.

### Trading book

The Group monitors and manages its various risk exposures in trading book through exposure limit control, stop-loss limit control and sensitivity limit control.

The Group establishes appropriate risk limits considering various risk factors of market risk, business complexity and other factors. The Risk Management Department is responsible for the identification, measurement, monitoring and reporting of risk exposures from all trading portfolios.

### Banking book

The Bank monitors market risks for banking mainly through sensitivity analysis for foreign exchange risk and interest rate risk. The Risk Management Department is responsible for reporting risk measurement results to Risk Management Committee by means of market value revaluation, duration analysis, etc. The Business Development Department is responsible for the accurate and timely identification and measurement of interest rate risk and foreign exchange risk using gap analysis, sensitivity analysis, exposure analysis and other methods.

For sensitivity analysis of interest rate risk and foreign exchange risk, please refer to Note 50 (3) (a) interest rate risk and Note 50 (3) (b) foreign exchange rate risk (including trading book and banking book).

### (a) Interest rate risk

Interest rate risk of the banking book is the risk of loss arising from unfavorable movements in interest rate, duration and other elements of the risk.

The Group's pricing strategy in China mainland is impacted by the macro-economic environment and the monetary policies of the PBC. The PBC established RMB benchmark interest rates for loans whereby financial institutions are in a position to price their loans based on credit risk, commercial and market factors. In general, the interest rates of interest-bearing assets and liabilities with the same currency and maturity terms will move in the same direction.

Interest rate risk of the Bank's banking book is principally managed based on assessing impact of interest rate change on both the income and economic value, by using gap analysis, duration analysis and net interest income simulation model. The Group adjusts its asset and liability structure and uses hedging instruments to mitigate the interest rate risk of banking book. Interest rate risk of trading book is mainly managed and monitored by using interest rate limits, sensitivity analysis, exposure analysis by currency, mark-to-market and breakeven analysis.

In terms of measuring and managing interest rate risk, the Group regularly measures interest rate repricing gaps, portfolio duration and monitors the sensitivity of projected net interest income and fair value changes to interest net moves under varying interest rate scenarios (simulation modeling).

*Repricing gap analysis*

The table below summarizes the Group's financial assets and liabilities at carrying amounts, categorized by the earlier of contractual repricing or maturity dates.

| | At 31 December 2022 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Within 3 months | 3-12 months | 1-5 years | 5-10 years | Over 10 years | Non-interest bearing | Total |
| **Financial assets:** | | | | | | | |
| Cash and balances with the central banks | 109,410 | – | – | – | – | 4,450 | 113,860 |
| Deposits with banks and other financial institutions | 101,591 | 3,311 | – | – | – | 8,424 | 113,326 |
| Placements with banks and other financial institutions | 155,609 | 264,786 | 50,370 | – | – | 772 | 471,537 |
| Derivative financial assets | – | – | – | – | – | 11,093 | 11,093 |
| Financial assets held under resale agreements | 404,707 | – | – | – | – | 116 | 404,823 |
| Loans and advances to customers | 4,350,965 | 8,185,972 | 261,212 | 229,094 | 828,789 | 43,075 | 13,899,107 |
| Financial assets measured at fair value through profit or loss | 31,555 | 53,997 | 25,827 | 50,321 | 78,016 | 691,412 | 931,128 |
| *Include: Trading assets and other financial assets mandatorily classified at fair value through profit or loss* | *31,555* | *53,997* | *25,256* | *50,321* | *78,016* | *691,393* | *930,538* |
| *Financial assets at fair value through profit or loss (Designated)* | – | – | *571* | – | – | *19* | *590* |
| Debt instruments at amortized cost | 28,523 | 300,221 | 536,703 | 56,813 | – | 13,097 | 935,357 |
| Financial assets at fair value through other comprehensive income | 195,035 | 350,580 | 297,364 | 102,073 | 69,059 | 13,742 | 1,027,853 |
| Other financial assets | 270 | – | – | – | – | 11,301 | 11,571 |
| Total financial assets | 5,377,665 | 9,158,867 | 1,171,476 | 438,301 | 975,864 | 797,482 | 17,919,655 |
| **Financial liabilities:** | | | | | | | |
| Deposits from banks and other financial institutions | 503,720 | 2,021,081 | – | – | – | 11,273 | 2,536,074 |
| Borrowings from governments and financial institutions | 247,924 | 281,013 | 22,963 | 17,928 | – | 3,034 | 572,862 |
| Placements from banks | 22,850 | 13,339 | 1,785 | 92 | 566 | 237 | 38,869 |
| Financial liabilities measured at fair value through profit or loss | – | – | – | – | – | 2,495 | 2,495 |
| Derivative financial liabilities | – | – | – | – | – | 18,351 | 18,351 |
| Financial assets sold under repurchase agreements | 15,208 | 159 | – | – | – | 25 | 15,392 |
| Due to customers | 1,066,631 | 78,877 | 12,033 | 4,074 | 2,110 | 3,999 | 1,167,724 |
| Debt securities issued | 921,232 | 987,506 | 5,022,845 | 4,263,996 | 699,542 | 230,835 | 12,125,956 |
| Other financial liabilities | 104 | 2 | 14 | 50 | – | 17,954 | 18,124 |
| Total financial liabilities | 2,777,669 | 3,381,977 | 5,059,640 | 4,286,140 | 702,218 | 288,203 | 16,495,847 |
| **Net interest repricing gap** | 2,599,996 | 5,776,890 | (3,888,164) | (3,847,839) | 273,646 | 509,279 | 1,423,808 |

| | 31 December 2021 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Within 3 months | 3-12 months | 1-5 years | 5-10 years | Over 10 years | Non-interest bearing | Total |
| **Financial assets:** | | | | | | | |
| Cash and balances with the central banks | 85,786 | – | – | – | – | 6,779 | 92,565 |
| Deposits with banks and other financial institutions | 132,486 | 43,223 | – | – | – | 19,335 | 195,044 |
| Placements with banks and other financial institutions | 162,345 | 169,818 | 38,338 | – | – | 585 | 371,086 |
| Derivative financial assets | – | – | – | – | – | 16,978 | 16,978 |
| Financial assets held under resale agreements | 494,383 | – | – | – | – | 831 | 495,214 |
| Loans and advances to customers | 4,435,990 | 7,265,345 | 239,544 | 125,226 | 670,945 | 54,616 | 12,791,666 |
| Financial assets measured at fair value through profit or loss | 279,338 | 4,461 | 14,949 | 1,829 | 81 | 705,308 | 1,005,966 |
| *Include: Trading assets and other financial assets mandatorily classified at fair value through profit or loss* | *279,093* | *4,461* | *14,571* | *1,829* | *81* | *705,291* | *1,005,326* |
| *Financial assets at fair value through profit or loss (Designated)* | *245* | – | *378* | – | – | *17* | *640* |
| Debt instruments at amortized cost | 7,868 | 205,071 | 630,649 | 196,861 | 90,210 | 16,258 | 1,146,917 |
| Financial assets at fair value through other comprehensive income | 349,273 | 157,785 | 199,062 | 41,344 | 14,009 | 11,149 | 772,622 |
| Other financial assets | 385 | 44 | 19 | – | – | 5,649 | 6,097 |
| Total financial assets | 5,947,854 | 7,845,747 | 1,122,561 | 365,260 | 775,245 | 837,488 | 16,894,155 |
| **Financial liabilities:** | | | | | | | |
| Deposits from banks and other financial institutions | 524,248 | 1,859,955 | – | – | – | 11,311 | 2,395,514 |
| Borrowings from governments and financial institutions | 185,569 | 211,831 | 2,291 | 40,283 | 7,304 | 1,683 | 448,961 |
| Placements from banks | 65,070 | 1,739 | 1,839 | 403 | 593 | 36 | 69,680 |
| Financial liabilities measured at fair value through profit or loss | – | – | – | – | – | 2,085 | 2,085 |
| Derivative financial liabilities | – | – | – | – | – | 9,359 | 9,359 |
| Financial assets sold under repurchase agreements | 20,940 | 248 | – | – | – | 17 | 21,205 |
| Due to customers | 978,000 | 81,422 | 8,216 | 2,837 | 2,951 | 5,770 | 1,079,196 |
| Debt securities issued | 804,750 | 1,408,085 | 4,578,240 | 3,823,058 | 642,555 | 223,689 | 11,480,377 |
| Other financial liabilities | 124 | 501 | 726 | – | – | 5,306 | 6,657 |
| Total financial liabilities | 2,578,701 | 3,563,781 | 4,591,312 | 3,866,581 | 653,403 | 259,256 | 15,513,034 |
| **Net interest repricing gap** | 3,369,153 | 4,281,966 | (3,468,751) | (3,501,321) | 121,842 | 578,232 | 1,381,121 |

*Sensitivity analysis of net interest income and other comprehensive income*

The following table illustrates the potential pre-tax impact of a parallel upward or downward shift of 100 basis points in all financial instruments' yield curves on the Group's net interest income and other comprehensive income for the next twelve months from the reporting date, based on the Group's net positions of interest-bearing assets and liabilities at the end of each reporting period. This analysis assumes that interest rates of all maturities move by the same amount, and does not reflect the potential impact of unparalleled yield curve movements.

| | 31 December 2022 | | 31 December 2021 | |
|---|---|---|---|---|
| | Net interest income | Other comprehensive income | Net interest income | Other comprehensive income |
| Increase 100 basis points | 44,413 | (25,932) | 45,537 | (11,605) |
| Decrease 100 basis points | (44,413) | 28,593 | (45,537) | 12,342 |

The sensitivity analysis above is based on reasonably possible changes in interest rates with the assumption that the structure of financial assets and financial liabilities held at the period end remains unchanged and does not take changes in customer behavior, basis risk or any prepayment options on debt securities into consideration.

The sensitivity analysis on other comprehensive income reflects only the effect of changes in interest rates on fair value changes on financial assets at FVTOCI held at the period end.

The assumptions do not consider the Group's capital and interest rate risk management policy. Therefore, the above analysis may differ from the actual situation. In addition, the impact of interest rate fluctuation is only for illustrative purpose, showing the potential impact on net interest income and other comprehensive income of the Group under different yield curve movements and current interest rate risk situation. The impact did not take into account the risk management activities to mitigate the interest rate risk.

### (b) Foreign exchange rate risk

The Group takes on foreign currency exposure arising from moves of foreign currency exchange rates on its financial position and cash flows.

The Group's primary business is conducted in RMB, with certain foreign currency transactions in USD, Euro ("EUR"), Japanese Yen ("JPY") and, to a much lesser extent, other currencies. The Group's foreign currency exposures are mainly concentrated on USD. RMB depreciated by 0.5889 RMB/1 USD during the year ended 31 December 2022 (2021: appreciated by 0.1492 RMB/1 USD).

The Group measures the impact from exchange rate risk primarily by using foreign currency exposure management, sensitivity analysis of foreign currency exchange rates, and Earnings at Risk ("EaR"). The Group adjusts its asset and liability structure and uses hedging instruments to mitigate the foreign exchange risk to the extent possible.

The table below summarizes the Group's exposure to foreign currency exchange rate risk at the end of the reporting period, with the Group's assets and liabilities presented at carrying amounts in RMB or RMB equivalents categorized by the original currency.

| | As at 31 December 2022 | | | | |
|---|---|---|---|---|---|
| | RMB | USD (RMB equivalent) | Others (RMB equivalent) | Foreign currency in total (RMB equivalent) | Total |
| **Financial assets:** | | | | | |
| Cash and balances with central banks | 109,357 | 4,503 | – | 4,503 | 113,860 |
| Deposits with banks and other financial institutions | 40,128 | 52,168 | 21,030 | 73,198 | 113,326 |
| Placements with banks and other financial institutions | 367,542 | 91,602 | 12,393 | 103,995 | 471,537 |
| Derivative financial assets | 9,225 | 1,762 | 106 | 1,868 | 11,093 |
| Financial assets held under resale agreements | 404,823 | – | – | – | 404,823 |
| Loans and advances to customers | 12,880,055 | 848,826 | 170,226 | 1,019,052 | 13,899,107 |
| Financial assets measured at fair value through profit or loss | 901,318 | 27,206 | 2,604 | 29,810 | 931,128 |
| *Include: Trading assets and other financial assets mandatorily classified at fair value through profit or loss* | *900,728* | *27,206* | *2,604* | *29,810* | *930,538* |
| *Financial assets at fair value through profit or loss (Designated)* | *590* | – | – | – | *590* |
| Debt instruments at amortized cost | 840,271 | 95,086 | – | 95,086 | 935,357 |
| Financial assets measured at fair value through other comprehensive income | 975,884 | 38,353 | 13,616 | 51,969 | 1,027,853 |
| Others | 7,271 | 4,044 | 256 | 4,300 | 11,571 |
| Total financial assets | 16,535,874 | 1,163,550 | 220,231 | 1,383,781 | 17,919,655 |
| **Financial liabilities:** | | | | | |
| Deposits from banks and other financial institutions | 2,521,230 | 6,511 | 8,333 | 14,844 | 2,536,074 |
| Borrowings from governments and financial institutions | 328,572 | 242,188 | 2,102 | 244,290 | 572,862 |
| Placements from banks | 14,153 | 15,238 | 9,478 | 24,716 | 38,869 |
| Financial liabilities measured at fair value through profit or loss | 2,494 | 1 | – | 1 | 2,495 |
| Derivative financial liabilities | 16,916 | 970 | 465 | 1,435 | 18,351 |
| Financial assets sold under repurchase agreements | 14,959 | 433 | – | 433 | 15,392 |
| Due to customers | 1,004,043 | 110,364 | 53,317 | 163,681 | 1,167,724 |
| Debt securities issued | 11,970,722 | 102,203 | 53,031 | 155,234 | 12,125,956 |
| Others | 15,443 | 1,174 | 1,507 | 2,681 | 18,124 |
| Total financial liabilities | 15,888,532 | 479,082 | 128,233 | 607,315 | 16,495,847 |
| **Net on-balance sheet position** | 647,342 | 684,468 | 91,998 | 776,466 | 1,423,808 |
| Currency forwards and swaps (Contractual/Notional amount) | 341,191 | (272,746) | (66,697) | (339,443) | 1,748 |
| Credit commitments | 3,560,564 | 121,537 | 46,751 | 168,288 | 3,728,852 |

| | As at 31 December 2021 | | | | |
|---|---|---|---|---|---|
| | RMB | USD (RMB equivalent) | Others (RMB equivalent) | Foreign currency in total (RMB Equivalent) | Total |
| **Financial assets:** | | | | | |
| Cash and balances with central banks | 85,719 | 6,560 | 286 | 6,846 | 92,565 |
| Deposits with banks and other financial institutions | 82,279 | 87,799 | 24,966 | 112,765 | 195,044 |
| Placements with banks and other financial institutions | 289,645 | 80,719 | 722 | 81,441 | 371,086 |
| Derivative financial assets | 13,342 | 2,196 | 1,440 | 3,636 | 16,978 |
| Financial assets held under resale agreements | 495,214 | – | – | – | 495,214 |
| Loans and advances to customers | 11,658,348 | 961,579 | 171,739 | 1,133,318 | 12,791,666 |
| Financial assets measured at fair value through profit or loss | 974,499 | 30,785 | 682 | 31,467 | 1,005,966 |
| *Include: Trading assets and other financial assets mandatorily classified at fair value through profit or loss* | *973,859* | *30,785* | *682* | *31,467* | *1,005,326* |
| *Financial assets at fair value through profit or loss (Designated)* | *640* | – | – | – | *640* |
| Debt instruments at amortized cost | 1,056,299 | 90,618 | – | 90,618 | 1,146,917 |
| Financial assets measured at fair value through other comprehensive income | 706,511 | 60,737 | 5,374 | 66,111 | 772,622 |
| Others | 4,002 | 1,805 | 290 | 2,095 | 6,097 |
| Total financial assets | 15,365,858 | 1,322,798 | 205,499 | 1,528,297 | 16,894,155 |
| **Financial liabilities:** | | | | | |
| Deposits from banks and other financial institutions | 2,343,074 | 43,896 | 8,544 | 52,440 | 2,395,514 |
| Borrowings from governments and financial institutions | 225,508 | 221,297 | 2,156 | 223,453 | 448,961 |
| Placements from banks | 8,503 | 53,537 | 7,640 | 61,177 | 69,680 |
| Financial liabilities measured at fair value through profit or loss | 2,084 | 1 | – | 1 | 2,085 |
| Derivative financial liabilities | 6,427 | 2,665 | 267 | 2,932 | 9,359 |
| Financial assets sold under repurchase agreements | 21,205 | – | – | – | 21,205 |
| Due to customers | 907,856 | 126,314 | 45,026 | 171,340 | 1,079,196 |
| Debt securities issued | 11,281,871 | 142,958 | 55,548 | 198,506 | 11,480,377 |
| Others | 4,153 | 2,030 | 474 | 2,504 | 6,657 |
| Total financial liabilities | 14,800,681 | 592,698 | 119,655 | 712,353 | 15,513,034 |
| **Net on-balance sheet position** | 565,177 | 730,100 | 85,844 | 815,944 | 1,381,121 |
| Currency forwards and swaps (Contractual/Notional amount) | 299,286 | (204,259) | (57,906) | (262,165) | 37,121 |
| Credit commitments | 3,314,874 | 199,879 | 21,995 | 221,874 | 3,536,748 |

The table below indicates the potential effect on profit before tax arising from 1% possible movement of RMB spot and forward foreign exchange rates against a basket of all other currencies on the net positions of foreign currency monetary assets and liabilities and derivative instruments in the statement of financial position. There is no significant impact on the Group's other comprehensive income.

| | As at 31 December 2022 | As at 31 December 2021 |
|---|---|---|
| USD against RMB | Profit before tax | Profit before tax |
| 1% appreciation | 4,127 | 5,263 |
| 1% depreciation | (4,127) | (5,263) |

In analyzing the impact on profit before tax exchange gain or loss due possible exchange rate movements, simplified assumptions and scenarios are adopted and do not take into account the following:

– changes in the Group's net position in USD subsequent to the balance sheet date;

– the impact on the customers' behavior due to the movement of the exchange rate; and

– the impact on market prices as a result of the movement of exchange rate.

## (4) Liquidity risk

Liquidity risk is the risk that although the Group has the payment capacity, however is unable to raise sufficient funds at a reasonable cost to increase its assets as needed or to replace matured debt. The consequence may be the failure to meet obligations to repay debtors and depositors and fulfill commitments to lend.

The Group has established a set of liquidity management policies and to mitigate the liquidity risk effectively. These policy and approaches include the forecasting and monitoring of future cash flows, stress testing scenarios, plans for emergency, etc.

In 2022, the Bank continued to obtain funds from markets through the issuance of financial bonds. In accordance with the approval from the CBIRC, all RMB bonds issued by the Bank enjoy the same credit of policy financial bonds for a long time without the maturity date of debt credit, which enables the Bank to continuously raise funds in the domestic markets by issuing new bonds.

### Objectives of liquidity risk management and processes

The Group is exposed to daily calls on its available cash resources from current customer deposit, matured customer term deposits, repayment of debt securities issued, loan drawdown, fulfil obligations under guarantees and other calls on cash settled derivatives.

To maintain the mismatching of the cash flows and maturities of assets and liabilities within a reasonable range is an important mission of the Group. It is impracticable for the Group to be completely matched in such positions since business transactions are often of uncertain terms and of different types. A mismatched position might enhance profitability, but at the same time carries the risk of loss. The Group takes effect to manage its mismatched positions within a reasonable range.

The Business Development Department and Treasury Department are the execution departments for detailed daily management. The Group's liquidity management processes include:

– Projecting cash flows by major currencies with consideration of the level of liquid assets necessary in relation thereto;

– Monitoring the liquidity gaps on the balance sheet;

– Managing the concentration risk of debt maturities; and

– Maintaining debt financing plans.

The Group does not need to maintain cash resources to meet all of its liquidity needs for demand payment as the Group has the ability to finance of new debts in the market. In addition, experience shows that a certain level of matured liabilities such as term deposit from customers will be renewed and not to be withdrawn. Management maintains an appropriate level of highly liquid assets to address unexpected cash demands.

In general, the Group does not generally expect third-parties to draw all of the committed funds under letters of guarantees or letters of credit issued. The total outstanding contractual amount of commitment to extend credit does not necessarily represent future cash requirements, since some of these commitments will either expire, be terminated or not meeting requirements for drawdown due to customers' inability to fulfill the related conditions.

### Liquidity analysis of financial instruments

Sources of liquidity are regularly reviewed by the Group to maintain a wide diversification in terms of liquidity provider, product, term, currency and geographical area.

The Group's funding policy is to seek a long-term healthy balance between its funding requirements and demands from investors by maintaining a presence and participation in, and constantly making returns to, the debt capital markets, and to raise funds under its different funding programs. The Group issues fixed rate and floating rate debt securities each year. These debt instruments might be with embedded options that allow the Group or the bond holders to redeem them prior to the bonds' respective maturity. However, bonds with redemption options only comprise a small portion of all bonds issued. As at 31 December 2022, long-term (with a maturity of one year or longer) debt securities issued of the Group amounted to RMB10.36 trillion, and other long-term debts (include deposits from banks and other financial institutions, borrowings from governments and financial institutions, financial assets sold under repurchase agreements and due to customers) amounted to RMB165.25 billion.

The table below presents the cash flows payable by the Group under non-derivative financial instruments and derivatives, whether settled in net or gross by their contractual maturities. The amounts disclosed in the table are the contractually undiscounted cash flows. The expected cash flows of these financial instruments by the Group may have different with the table as below:

| | As at 31 December 2022 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Past due/ undated | On demand | Within 1 month | 1 – 3 months | 3 – 12 months | 1 – 5 years | 5 – 10 years | Over 10 years | Total |
| Non-derivative financial assets | | | | | | | | | |
| Cash and balances with central banks | – | 113,681 | 180 | – | – | – | – | – | 113,861 |
| Deposits with banks and other financial institutions | 13,536 | 90,621 | 2,336 | – | 7,064 | – | – | – | 113,557 |
| Placements with banks and other financial institutions | – | – | 115,972 | 82,067 | 228,205 | 51,674 | – | – | 477,918 |
| Financial assets held under resale agreements | – | – | 404,911 | – | – | – | – | – | 404,911 |
| Loans and advances to customers | 56,325 | – | 136,345 | 296,176 | 1,639,202 | 6,105,694 | 4,678,759 | 6,950,197 | 19,862,698 |
| Financial assets measured at fair value through profit or loss | 172,776 | 3,450 | 8,604 | 43,511 | 199,251 | 191,504 | 108,801 | 229,900 | 957,797 |
| Debt instruments at amortized cost | 2,024 | – | 407 | 32,794 | 233,050 | 594,644 | 162,614 | – | 1,025,533 |
| Financial assets measured at fair value through other comprehensive income | 5,357 | – | 97,962 | 96,300 | 372,152 | 340,496 | 123,427 | 91,026 | 1,126,720 |
| Other financial assets | 1,261 | 6,145 | 45 | 2,896 | 1,193 | 63 | 16 | 30 | 11,649 |
| Total non-derivative financial assets | 251,279 | 213,897 | 766,762 | 553,744 | 2,680,117 | 7,284,075 | 5,073,617 | 7,271,153 | 24,094,644 |
| Non-derivative financial liabilities | | | | | | | | | |
| Deposits from banks and other financial institutions | – | 57,358 | 5,509 | 453,194 | 2,046,777 | – | – | – | 2,562,838 |
| Borrowings from governments and financial institutions | – | – | 30,315 | 154,677 | 265,007 | 118,552 | 24,667 | – | 593,218 |
| Placements from banks | – | – | 11,560 | 11,491 | 13,810 | 2,058 | 96 | 611 | 39,626 |
| Financial liabilities measured at fair value through profit or loss | 82 | – | – | – | – | – | 2,413 | – | 2,495 |
| Financial assets sold under repurchase agreements | – | – | 14,057 | 1,192 | 161 | – | – | – | 15,410 |
| Due to customers | – | 1,029,288 | 6,334 | 34,951 | 79,918 | 13,735 | 5,446 | 2,852 | 1,172,524 |
| Debt securities issued | – | – | 307,008 | 404,234 | 1,230,128 | 6,379,368 | 4,953,985 | 1,092,436 | 14,367,159 |
| Other financial liabilities | 1,941 | 3,424 | 99 | 26 | 2,677 | 9,380 | 571 | 12 | 18,130 |
| Total non-derivative financial liabilities | 2,023 | 1,090,070 | 374,882 | 1,059,765 | 3,638,478 | 6,523,093 | 4,987,178 | 1,095,911 | 18,771,400 |
| Net position | 249,256 | (876,173) | 391,880 | (506,021) | (958,361) | 760,982 | 86,439 | 6,175,242 | 5,323,244 |
| Derivative cash flows | | | | | | | | | |
| Derivatives settled on a net basis: | | | | | | | | | |
| Net inflow | – | – | (153) | (7) | (297) | (127) | 94 | 61 | (429) |
| Derivatives settled on a gross basis: | | | | | | | | | |
| Total inflow | – | – | 193,834 | 115,619 | 404,620 | 7,961 | 5 | – | 722,039 |
| Total outflow | – | – | (196,386) | (116,428) | (411,358) | (7,634) | (4) | – | (731,810) |
| Total derivative cash flows | – | – | (2,705) | (816) | (7,035) | 200 | 95 | 61 | (10,200) |

| | As at 31 December 2021 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Past due/ undated | On demand | Within 1 month | 1 – 3 months | 3 – 12 months | 1 – 5 years | 5 – 10 years | Over 10 years | Total |
| **Non-derivative financial assets** | | | | | | | | | |
| Cash and balances with central banks | – | 92,419 | 147 | – | – | – | – | – | 92,566 |
| Deposits with banks and other financial institutions | 12,566 | 121,984 | 8,669 | 15,260 | 38,054 | – | – | – | 196,553 |
| Placements with banks and other financial institutions | – | – | 115,336 | 49,113 | 173,265 | 39,470 | – | – | 377,184 |
| Financial assets held under resale agreements | 659 | – | 494,685 | – | – | – | – | – | 495,344 |
| Loans and advances to customers | 95,781 | – | 168,865 | 281,897 | 1,500,075 | 5,566,693 | 4,544,671 | 6,475,459 | 18,633,441 |
| Financial assets measured at fair value through profit or loss | 161,598 | 3,990 | 52,143 | 89,861 | 54,438 | 123,452 | 138,607 | 397,639 | 1,021,728 |
| Debt instruments at amortized cost | 854 | – | 831 | 15,322 | 240,131 | 735,315 | 220,422 | 97,268 | 1,310,143 |
| Financial assets measured at fair value through other comprehensive income | 6,060 | – | 117,243 | 222,850 | 176,051 | 229,190 | 46,974 | 21,478 | 819,846 |
| Other financial assets | 75 | 3,447 | 47 | 453 | 48 | 1,873 | 124 | 30 | 6,097 |
| **Total non-derivative financial assets** | 277,593 | 221,840 | 957,966 | 674,756 | 2,182,062 | 6,695,993 | 4,950,798 | 6,991,874 | 22,952,882 |
| **Non-derivative financial liabilities** | | | | | | | | | |
| Deposits from banks and other financial institutions | – | 51,337 | 1,703 | 483,734 | 1,883,788 | 114 | – | – | 2,420,676 |
| Borrowings from governments and financial institutions | – | – | 31,051 | 139,425 | 201,035 | 72,229 | 11,579 | – | 455,319 |
| Placements from banks | – | – | 35,062 | 30,074 | 1,855 | 2,204 | 439 | 650 | 70,284 |
| Financial liabilities measured at fair value through profit or loss | 2,085 | – | – | – | – | – | – | – | 2,085 |
| Financial assets sold under repurchase agreements | – | – | 18,084 | 2,887 | 250 | – | – | – | 21,221 |
| Due to customers | – | 919,891 | 18,345 | 37,828 | 83,531 | 12,122 | 4,315 | 3,719 | 1,079,751 |
| Debt securities issued | | – | 365,879 | 191,168 | 1,697,860 | 5,878,325 | 4,511,951 | 1,050,538 | 13,695,721 |
| Other financial liabilities | 243 | 2,694 | 64 | 978 | 1,348 | 1,314 | 6 | 10 | 6,657 |
| **Total non-derivative financial liabilities** | 2,328 | 973,922 | 470,188 | 886,094 | 3,869,667 | 5,966,308 | 4,528,290 | 1,054,917 | 17,751,714 |
| **Net position** | 275,265 | (752,082) | 487,778 | (211,338) | (1,687,605) | 729,685 | 422,508 | 5,936,957 | 5,201,168 |
| **Derivative cash flows** | | | | | | | | | |
| Derivatives settled on a net basis: | | | | | | | | | |
| Net inflow | – | – | 102 | 8 | (50) | 475 | 526 | 320 | 1,381 |
| Derivatives settled on a gross basis: | | | | | | | | | |
| Total inflow | – | – | 140,191 | 121,749 | 452,310 | 2,938 | – | – | 717,188 |
| Total outflow | – | – | (139,998) | (120,493) | (444,063) | (2,890) | – | – | (707,444) |
| **Total derivative cash flows** | – | – | 295 | 1,264 | 8,197 | 523 | 526 | 320 | 11,125 |

### Off-balance sheet items

Letters of guarantee issued, letters of credit issued, bank acceptance and loan commitments are included below based on the earliest contractual maturity date.

| | Within 1 month | 1 – 3 months | 3 – 12 months | 1 – 5 years | 5 – 10 years | Over 10 years | Total |
|---|---|---|---|---|---|---|---|
| **As at 31 December 2022** | | | | | | | |
| Loan commitments | 34,671 | 14,655 | 73,694 | 249,249 | 268,101 | 3,076,368 | 3,716,738 |
| Letters of guarantee issued | 5 | – | 256 | 3,442 | – | – | 3,703 |
| Bank acceptance | 1,358 | 1,694 | 3,323 | – | – | – | 6,375 |
| Letters of credit issued | 298 | 109 | 1,461 | 168 | – | – | 2,036 |
| Total | 36,332 | 16,458 | 78,734 | 252,859 | 268,101 | 3,076,368 | 3,728,852 |

| | Within 1 month | 1 – 3 months | 3 – 12 months | 1 – 5 years | 5 – 10 years | Over 10 years | Total |
|---|---|---|---|---|---|---|---|
| **As at 31 December 2021** | | | | | | | |
| Loan commitments | 3,015 | 6,873 | 87,411 | 254,943 | 234,365 | 2,928,600 | 3,515,207 |
| Letters of guarantee issued | 1,441 | 114 | 2,141 | 3,566 | 2,000 | – | 9,262 |
| Bank acceptance | 507 | 1,640 | 6,553 | – | – | – | 8,700 |
| Letters of credit issued | 270 | 767 | 2,533 | 9 | – | – | 3,579 |
| Total | 5,233 | 9,394 | 98,638 | 258,518 | 236,365 | 2,928,600 | 3,536,748 |

## (5) Fair value of financial assets and liabilities

The best evidence of fair value for a financial instrument is the quoted prices (unadjusted) in active markets for identical assets or liabilities. If the market for a financial instrument is not active, fair value is determined using valuation techniques. The valuation technique makes maximum use of observable market data and relies as little as possible on the unobservable inputs. The valuation techniques adopted by the Group incorporate all factors that market participants could consider in setting a price, and are consistent with accepted economic methodologies for pricing financial instruments.

Substantially all financial instruments classified within Level 1 of the fair value hierarchy are securities and funds listed on exchange. The fair values are quoted prices (unadjusted) in active markets for identical assets or liabilities.

Substantially all financial instruments classified within Level 2 of the fair value hierarchy are securities investments, derivatives, underlying assets of wealth management business and the associated liabilities to investors in relation to the wealth management business. Fair value of securities investments denominated in RMB is determined based upon the valuation published by the China Central Depository & Clearing Co., Ltd. Fair value of debt investments denominated in foreign currencies is determined based upon the valuation results published by the Bloomberg. Fair value of derivatives is calculated by applying discounted cash flow method or the Black Scholes Pricing Model. All significant inputs for the fair valuation of these financial assets and liabilities are observable in the market.

Level 3 financial assets of the Group are primarily unlisted equity investments and equity investments with embedded derivatives. Management uses valuation techniques to determine the fair value, which mainly include discounted cash flow method, net asset value, and comparable companies' approach. The fair value of these financial instruments based on unobservable inputs which may have significant impact on the valuation of these financial instruments, including credit risk of the counterparties, weighted average cost of capital, perpetual growth rate, liquidity discount, prepayment rate and similarity to comparable companies and their performance indicators, etc.

### (a) Financial instruments measured at fair value

Fair value hierarchy of financial instruments measured at fair value are as follows:

| | As at 31 December 2022 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| **Financial assets** | | | | |
| Derivative financial assets | | | | |
| – Exchange rate derivatives | – | 7,690 | – | 7,690 |
| – Interest rate derivatives | – | 3,403 | – | 3,403 |
| Loans and advances to customers | – | – | 48,097 | 48,097 |
| Financial investment | | | | |
| Financial assets measured at fair value through profit or loss | | | | |
| Trading assets and other financial assets mandatorily classified at fair value through profit or loss | | | | |
| – Bonds | 264 | 80,831 | 478 | 81,573 |
| – Inter-bank certificates of deposit | – | 68,507 | – | 68,507 |
| – Stock and fund | 8,736 | 617 | 7,215 | 16,568 |
| – Wealth management products issued by other banks | – | – | 3,450 | 3,450 |
| – Equity investments | 11,224 | 17,106 | 731,742 | 760,072 |
| – Asset management plans | – | 368 | – | 368 |
| Financial assets at fair value through profit or loss (Designated) | | | | |
| – Bonds | – | 576 | – | 576 |
| – Asset management plans | – | 14 | – | 14 |
| Financial assets measured at fair value through other comprehensive income | | | | |
| – Bonds | 4,934 | 602,706 | 33 | 607,673 |
| – Inter-bank certificates of deposit | – | 414,826 | – | 414,826 |
| – Equity investments | 3,354 | – | 2,000 | 5,354 |
| Total | 28,512 | 1,196,644 | 793,015 | 2,018,171 |
| **Financial liabilities** | | | | |
| Financial liabilities at fair value through profit or loss | – | – | (2,495) | (2,495) |
| Derivative financial liabilities | | | | |
| – Exchange rate derivatives | – | (15,380) | – | (15,380) |
| – Interest rate derivatives | – | (2,971) | – | (2,971) |
| Total | – | (18,351) | (2,495) | (20,846) |

| | As at 31 December 2021 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| **Financial assets** | | | | |
| Derivative financial assets | | | | |
| – Exchange rate derivatives | – | 9,609 | – | 9,609 |
| – Interest rate derivatives | – | 7,369 | – | 7,369 |
| Loans and advances to customers | – | – | 45,073 | 45,073 |
| Financial investment | | | | |
| Financial assets measured at fair value through profit or loss | | | | |
| Trading assets and other financial assets mandatorily classified at fair value through profit or loss | | | | |
| – Bonds | 4,249 | 73,748 | 868 | 78,865 |
| – Inter-bank certificates of deposit | – | 171,243 | – | 171,243 |
| – Stock and fund | 5,489 | 867 | 10,069 | 16,425 |
| – Wealth management products issued by other banks | 72 | – | 4,470 | 4,542 |
| – Equity investments | 17,527 | 14,102 | 702,231 | 733,860 |
| – Asset management plans | – | 376 | 15 | 391 |
| Financial assets at fair value through profit or loss (Designated) | | | | |
| – Bonds | – | 624 | – | 624 |
| – Asset management plans | – | 16 | – | 16 |
| Financial assets measured at fair value through other comprehensive income | | | | |
| – Bonds | 19,399 | 300,517 | 103 | 320,019 |
| – Inter-bank certificates of deposit | – | 446,543 | – | 446,543 |
| – Asset management plans | – | – | – | – |
| – Equity investments | 4,060 | – | 2,000 | 6,060 |
| **Total** | 50,796 | 1,025,014 | 764,829 | 1,840,639 |
| **Financial liabilities** | | | | |
| Financial liabilities at fair value through profit or loss | (1) | – | (2,084) | (2,085) |
| Derivative financial liabilities | | | | |
| – Exchange rate derivatives | – | (2,827) | – | (2,827) |
| – Interest rate derivatives | – | (6,532) | – | (6,532) |
| **Total** | (1) | (9,359) | (2,084) | (11,444) |

There were no significant transfers between Level 1 and Level 2 during the years ended 31 December 2022 and 31 December 2021.

The reconciliation of Level 3 financial assets and financial liabilities presented at fair value in the consolidated statement of financial position is as follows:

| | Financial assets | | | |
|---|---|---|---|---|
| | Loans and advances to customers | Financial assets at fair value through profit or loss | Financial assets at fair value through other comprehensive income | Total financial assets |
| As at 1 January 2022 | 45,073 | 717,653 | 2,103 | 764,829 |
| Disposals | – | (15,873) | – | (15,873) |
| Additions | 9,624 | 92,615 | 33 | 102,272 |
| Settlements | (4,614) | (58,678) | – | (63,292) |
| Transfer out from Level 3 | – | (3,606) | – | (3,606) |
| Total loss recognized in | | | | |
| – Profit or loss | (1,986) | 8,846 | (102) | 6,860 |
| – Other comprehensive income | – | 1,928 | (1) | 1,825 |
| As at 31 December 2022 | 48,097 | 742,885 | 2,033 | 793,015 |
| Change in unrealized loss for the year recognized in | | | | |
| – Profit or loss | (1,986) | 1,136 | (102) | (952) |
| – Other comprehensive income | – | 1,928 | (1) | 1,727 |

| | Financial assets | | | |
|---|---|---|---|---|
| | Loans and advances to customers | Financial assets at fair value through profit or loss | Financial assets at fair value through other comprehensive income | Total financial assets |
| As at 1 January 2021 | 42,964 | 762,324 | 2,967 | 808,255 |
| Disposals | – | (16,396) | – | (16,396) |
| Additions | 6,186 | 27,212 | 500 | 33,898 |
| Settlements | (4,740) | (71,049) | (1,527) | (77,316) |
| Transfer out from Level 3 | – | (7,285) | (16) | (7,301) |
| Total loss recognized in | | | | |
| – Profit or loss | 663 | 22,838 | 24 | 23,525 |
| – Other comprehensive income | – | 9 | 155 | 164 |
| As at 31 December 2021 | 45,073 | 717,653 | 2,103 | 764,829 |
| Change in unrealized loss for the year recognized in | | | | |
| – Profit or loss | 663 | 18,003 | – | 18,666 |
| – Other comprehensive income | – | 9 | 179 | 188 |

### (b) Financial instruments not measured at fair value

In respect of financial assets and financial liabilities carried at other than fair value, the following methods and assumptions were used to estimate the fair value of each type of financial instruments for which it is practicable. The fair value hierarchy is primarily categorized as Level 2.

(i) Cash and balances with central banks, deposits with banks and other financial institutions, placements with banks and other financial institutions, financial assets held under resale agreements, demand deposits from banks and other financial institutions, demand deposits from customers, placements from banks, financial assets sold under repurchase agreements, current receivables or payables due in one year within other assets and other liabilities.

Given that these financial assets and liabilities are short-term in nature and reprice to current market rates frequently, the carrying amounts approximate the fair value.

(ii) Debt investments

Fair value of listed securities is estimated using quoted market price. Fair value of unlisted securities is estimated using valuation techniques that take into consideration future cash flows and market price of similar quoted securities.

(iii) Loans and advances to customers

The carrying amounts of variable rate loans and advances to customers are reasonable approximate of fair values because interest rates reflect market rates which are based on PBC's established rates and are adjusted when applicable. Fair value of fixed rate loans and advances to customers is estimated using a discounted cash flow analysis utilizing the rates currently offered for loans of similar remaining maturities.

(iv) Fixed interest-bearing customer deposits, deposits from banks and other financial institutions and borrowings

Fair value of fixed rate customer deposits, deposits from banks and other financial institutions and borrowings is estimated using a discounted cash flow analysis utilizing the rates currently offered for deposits and borrowings with similar remaining maturities.

The carrying amount of financial instruments referred to in (i) to (iv) are approximate fair value.

(v) Debt securities issued

Fair value of debt securities issued is determined using quoted market prices where available or by reference to quoted market prices for similar instruments. For those securities where quoted market prices or quoted market prices for similar instruments are not available, a discounted cash flow analysis is used based on a current yield curve appropriate for the remaining maturity of the instruments.

The tables below summarize the carrying amounts and fair values of debt securities issued:

| | As at 31 December 2022 | | As at 31 December 2021 | |
|---|---|---|---|---|
| | Amortized cost | Fair value | Amortized cost | Fair value |
| Debt securities issued | 12,125,956 | 12,438,951 | 11,480,377 | 11,572,243 |

## (6) Capital management

Capital of the Group uses for capital management, which is a broader concept than the "equity" as presented on the consolidated statement of financial position. The purpose of the Group's capital management is:

– to comply with the capital requirements set by the regulators of the banking markets where the Group entities operate;

– to safeguard the Group's ability to continue as a going concern so that it can continue to generate returns for equity holders; and

– to maintain a strong capital base to support the development of its business.

Capital adequacy of the Group and the utilization of regulatory capital are closely monitored by management in accordance with the guidelines established by the Basel Committee and relevant regulations promulgated by the CBIRC. Required information related to capital levels and utilization is filed quarterly with the CBIRC. As of 31 December 2022, the Group had a total capital of RMB1,834,519 million, total Tier 1 capital RMB1,509,019 million, total Core Tier 1 capital RMB1,507,711 million, capital adequacy ratio 11.37%, Tier 1 capital adequacy ratio 9.34%, Core Tier 1 capital adequacy ratio 9.33%.

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**THE HONG KONG BRANCH**

**China Development Bank**
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# APPENDIX II

## USD NOTES PRICING SUPPLEMENT DATED 9 APRIL 2024

# IMPORTANT NOTICE

**THIS OFFERING IS AVAILABLE ONLY TO INVESTORS WHO ARE ADDRESSEES OUTSIDE OF THE UNITED STATES AND ARE NOT U.S. PERSONS (AS DEFINED IN REGULATION S UNDER U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"))**

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This Pricing Supplement is for distribution to professional investors (as defined in Chapter 37 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**")) ("**Professional Investors**") only.

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

**The Hong Kong Stock Exchange has not reviewed the contents of this Pricing Supplement, other than to ensure that the prescribed form disclaimer and responsibility statements, and a statement limiting distribution of this Pricing Supplement to Professional Investors only have been reproduced in this Pricing Supplement. Listing of the Programme or the Notes on the Hong Kong Stock Exchange is not to be taken as an indication of the commercial merits or credit quality of the Programme, the Notes, the Issuer, the Group (as defined in the Offering Circular) or quality of disclosure in this Pricing Supplement.** Hong Kong Exchanges and Clearing Limited and the Hong Kong Stock Exchange take no responsibility for the contents of this Pricing Supplement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Pricing Supplement.

This Pricing Supplement, together with the Offering Circular (as defined below), include particulars given in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Issuer and the Group. The Issuer accepts full responsibility for the accuracy of the information contained in this Pricing Supplement and confirms, having made all reasonable enquiries, that to the best of its knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

**Pricing Supplement dated 9 April 2024**

**China Development Bank**

*(a limited liability company incorporated under the laws of the People's Republic of China)*

**Issue of US$500,000,000 Floating Rate Notes due 2027 (the "Notes")**
**under the US$30,000,000,000 Debt Issuance Programme (the "Programme")**

This document constitutes the Pricing Supplement relating to the issue of Notes described herein.

Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions of the Notes (the "**Conditions**") set forth in the offering circular dated 3 April 2024 relating to the Programme (the "**Offering Circular**") as amended and supplemented by the provisions set forth in Annex 1 hereto. This Pricing Supplement contains the final terms of the Notes and must be read in conjunction with the Offering Circular.

| | | |
|---|---|---|
| 1 | Issuer: | China Development Bank (LEI Code: 300300C1020111000029) |
| 2 | (i) Series Number: | 119 |
| | (ii) Tranche Number: | 001 |
| 3 | Specified Currency or Currencies: | United States dollar ("**US$**") |
| 4 | Aggregate Principal Amount: | |
| | (i) Series: | US$500,000,000 |
| | (ii) Tranche: | US$500,000,000 |

| | | | |
|---|---|---|---|
| 5 | (i) | Issue Price: | 100.00 per cent. of the Aggregate Principal Amount |
| 6 | (i) | Specified Denominations: | US$200,000 and integral multiples of US$1,000 in excess thereof |
| | (ii) | Calculation Amount: | US$1,000 |
| 7 | (i) | Issue Date: | 16 April 2024 |
| | (ii) | Interest Commencement Date: | Issue Date |
| 8 | Maturity Date: | | Interest Payment Date falling on, or nearest to, 16 April 2027 |
| 9 | Interest Basis: | | SOFR Benchmark + 0.33 per cent. per annum Floating Rate<br>(further particulars specified below) |
| 10 | Redemption/Payment Basis: | | Redemption at par |
| 11 | Change of Interest or Redemption/Payment Basis: | | Not Applicable |
| 12 | Put/Call Options: | | Not Applicable |
| 13 | Listing: | | Application will be made to the Hong Kong Stock Exchange for the listing of, and permission to deal in, the Notes by way of debt issues to Professional Investors only. The listing of the Notes is expected to become effective on 17 April 2024. |
| 14 | (i) | Date of Board approval for the issuance of Notes obtained: | 27 April 2023 |
| | (ii) | Date of NDRC certificate: | 3 July 2023 |
| 15 | Method of distribution: | | Syndicated |

**PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE**

| | | | |
|---|---|---|---|
| 16 | Fixed Rate Note Provisions | | Not Applicable |
| 17 | Floating Rate Note Provisions | | Applicable |
| | (i) | Interest Period(s):<br>(*Relating to interest period end dates for interest amount calculation*) | Each period beginning from (and including) the Interest Commencement Date to (but excluding) the first Interest Payment Date, or any Specified Interest Payment Date to (but excluding) the next Specified Interest Payment Date, subject to adjustment in accordance with the Business Day Convention set out in (iii) below |
| | (ii) | Specified Interest Payment Dates:<br>(*Relating to interest period end dates for interest amount calculation*) | 16 January, 16 April, 16 July and 16 October in each year, subject to adjustment in accordance with the Business Day Convention set out in (iii) below |
| | (iii) | Business Day Convention: | Modified Following Business Day Convention |
| | (iv) | Business Centre(s) (Condition 5(h)): | New York City and Hong Kong |

| | | | |
|---|---|---|---|
| | | (*Relating to interest period end dates for interest amount calculation*) | |
| | (v) | Manner in which the Rate(s) of Interest is/are to be determined: | Screen Rate Determination |
| | (vi) | Interest Period Date(s): | Not Applicable |
| | (vii) | Party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s): | China Construction Bank (Asia) Corporation Limited (中國建設銀行(亞洲)股份有限公司) as Calculation Agent |
| | (viii) | Screen Rate Determination (Condition 5(b)(ii)(A)): | Applicable |
| | | • Reference Rate: | SOFR Benchmark |
| | | • SOFR Benchmark: | Compounded Daily SOFR as defined in, and to be determined in accordance with, Annex 1 hereto |
| | | • Lookback Days: | Five U.S. Government Securities Business Days |
| | | • Interest Determination Date(s): | The date five U.S. Government Securities Business Days prior to the Specified Interest Payment Date on which the relevant Interest Accrual Period ends |
| | | • Relevant Screen Page: | As described in Annex 1 hereto |
| | (ix) | ISDA Determination (Condition 5(b)(ii)(B)): | Not Applicable |
| | (x) | Margin(s): | + 0.33 per cent. per annum |
| | (xi) | Minimum Rate of Interest: | zero per cent. per annum |
| | (xii) | Maximum Rate of Interest: | Not Applicable |
| | (xiii) | Day Count Fraction (Condition 5(h)): | Actual/360 |
| | (xiv) | Fall back provisions, rounding provisions, denominator and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions: | Condition 5(b)(ii)(C) (*Benchmark Replacement*) as described in Annex 1 hereto |
| 18 | Zero Coupon Note Provisions: | | Not Applicable |

**PROVISIONS RELATING TO REDEMPTION**

| | | |
|---|---|---|
| 19 | Call Option: | Not Applicable |
| 20 | Put Option: | Not Applicable |
| 21 | Final Redemption Amount of each Note: | US$1,000 per Calculation Amount |
| 22 | Early Redemption Amount(s) per Calculation Amount payable on redemption for taxation reasons or on event of default or other early redemption and/or the method of calculating the same (if required or if different from that set out in the Conditions): | US$1,000 per Calculation Amount |

**GENERAL PROVISIONS APPLICABLE TO THE NOTES**

| | | |
|---|---|---|
| 23 | **Form of Notes:** | **Registered Notes:**<br>Global Certificate exchangeable for definitive Certificates in the limited circumstances specified in the Global Certificate |
| 24 | Additional Financial Centre(s) (Condition 7(h)) or other special provisions relating to payment dates:<br>*(Relating to the actual date for payment in respect of any Note)* | New York City and Hong Kong<br>*(For the avoidance of doubt, pursuant to the Conditions, if any date for payment in respect of any Note (determined in item 17) is not a business day, the holder shall not be entitled to payment until the next following business day nor to any interest or other sum in respect of such postponed payment.)* |
| 25 | Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature): | No |
| 26 | Redenomination, renominalisation and reconventioning provisions: | Not Applicable |
| 27 | Consolidation provisions: | Not Applicable |
| 28 | Other terms or special conditions: | Not Applicable |

**DISTRIBUTION**

| | | |
|---|---|---|
| 29 | (i) If syndicated, names of Managers: | ABCI Capital Limited, Bank of China Limited, Bank of Communications Co., Ltd. Hong Kong Branch, China Construction Bank (Asia) Corporation Limited, Industrial and Commercial Bank of China (Asia) Limited, Industrial and Commercial Bank of China (Macau) Limited, China CITIC Bank International Limited, CLSA Limited, China Everbright Bank Co., Ltd., Hong Kong Branch, Industrial Bank Co., Ltd. Hong Kong Branch, Shanghai Pudong Development Bank Co., Ltd., Hong Kong Branch and Standard Chartered Bank (together the "**Managers**" and each a "**Manager**") |
| | (ii) Stabilisation Manager(s) (if any): | Any of the Manager(s) appointed and acting in its capacity as Stabilisation Manager(s) (provided that China CITIC Bank International Limited shall not be appointed and acting as the Stabilisation Manager) |
| 30 | If non-syndicated, name of Dealer: | Not Applicable |
| 31 | U.S. Selling Restrictions: | Reg. S Category 2; TEFRA Not Applicable |
| 32 | Prohibition of Sales to EEA Retail Investors: | Not Applicable |
| 33 | Prohibition of Sales to UK Retail Investors: | Not Applicable |
| 34 | Additional selling restrictions: | Singapore Selling Restriction on page 104-105 of the Offering Circular shall be deleted in its entirety and be replaced by the below: |

| | | |
|---|---|---|
| | | "Each Dealer has acknowledged that the Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Dealer has represented, warranted and agreed that it has not offered or sold any Notes or caused the Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell any Notes or cause the Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, the Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes, 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 2001 of Singapore, as modified or amended from time to time (the "SFA")) pursuant to Section 274 of the SFA or (ii) to an accredited investor (as defined in Section 4A of the SFA) pursuant to and in accordance with the conditions specified in Section 275 of the SFA." |

**OPERATIONAL INFORMATION**

| | | |
|---|---|---|
| 35 | ISIN: | XS2800295052 |
| 36 | Common Code: | 280029505 |
| 37 | CMU Instrument Number: | Not Applicable |
| 38 | Any clearing system(s) other than Euroclear, Clearstream and the CMU and the relevant identification number(s): | Not Applicable |
| 39 | Delivery: | Delivery against payment |
| 40 | Additional Paying Agents (if any): | None |

**HONG KONG SFC CODE OF CONDUCT**

| | | |
|---|---|---|
| 41 | Rebate: | Not Applicable |
| 42 | Contact email addresses where underlying investor information in relation to omnibus orders should be sent: | dcmhk@bocgroup.com;<br>dcm@bankcomm.com.hk;<br>abcic.dcm@abci.com.hk;<br>am_dcmdepartment@mc.icbc.com.cn;<br>jackie.jq.chen@icbcasia.com;<br>emily.my.zheng@icbcasia.com;<br>linziying.lavinia@icbcasia.com;<br>qiruixiao.tracy@icbcasia.com;<br>ccba_dcm@asia.ccb.com;<br>cmd_dcm@cibhk.com;<br>TMG_Syndicate@cncbinternational.com; |

| | | |
|---|---|---|
| | | ib.dcm.fig@clsa.com;<br>dcm.cebhk@cebbank.com.hk;<br>SYNHK@sc.com |
| **GENERAL** | | |
| 43 | The aggregate principal amount of Notes issued has been translated into US$ at the rate of [●], producing a sum of (for Notes not denominated in US$): | Not Applicable |
| 44 | Expected Rating: | S&P: A+ |

## STABILISATION

In connection with this issue, any of the Manager(s) appointed and acting in its capacity as Stabilisation Manager(s) (provided that China CITIC Bank International Limited shall not be appointed and acting as the Stabilisation Manager) (the "**Stabilisation Manager**") (or persons acting on behalf of any Stabilisation Manager) may over-allot the Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, stabilisation may not necessarily occur. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Notes is made and, if begun, may cease at any time, but it must end no later than the earlier of 30 days after the Issue Date of the Notes and 60 days after the date of the allotment of the Notes. Such stabilisation shall be in compliance with all applicable laws, regulations and rules.

## PURPOSE OF THIS PRICING SUPPLEMENT

This Pricing Supplement comprises the final terms required for the issue and listing of Notes described herein pursuant to the US$30,000,000,000 Debt Issuance Programme.

## RESPONSIBILITY

The Issuer accepts responsibility for the information contained in this Pricing Supplement.

Signed on behalf of the Issuer:

By:

______________________________

Duly authorised

## ANNEX 1
## AMENDMENTS TO THE CONDITIONS

*In respect of this Series of Notes only, the Conditions shall be amended and supplemented as follows:*

**A. Provisions relating to the determination of the Rate of Interest**

*Condition 5(b)(ii)(A) (Screen Rate Determination for Floating Rate Notes) of the Conditions shall be deleted and replaced with the below for the purposes of this Series of Notes only:*

**(A)** ***Screen Rate Determination for Floating Rate Notes****:*

Where Screen Rate Determination is specified hereon as the manner in which the Rate of Interest is to be determined and the Reference Rate is specified hereon as being SOFR Benchmark, the Rate of Interest for each Interest Accrual Period will, subject as provided below, be equal to the relevant SOFR Benchmark plus or minus (as specified hereon) the Margin, all as calculated by the Calculation Agent on the relevant Interest Determination Date. The Rate of Interest applicable to the Notes for each Interest Accrual Period shall apply with effect from the first day of such Interest Accrual Period.

If the Notes become due and payable in accordance with Condition 10 (*Events of Default*), the final Interest Determination Date shall, notwithstanding any Interest Determination Date specified hereon, be deemed to be the date which is five U.S. Government Securities Business Days preceding the date on which the Notes became due and payable and the Rate of Interest on the Notes shall, for so long as the Notes remain outstanding, be that determined on such date and as if (solely for the purpose of such interest determination) the relevant Interest Accrual Period had been shortened accordingly.

If Compounded Daily SOFR ("**Compounded Daily SOFR**") is specified hereon as the manner in which the SOFR Benchmark is to determined, the SOFR Benchmark for each Interest Accrual Period shall be calculated by the Calculation Agent in accordance with the following formula:

$$\left(\prod_{i=1}^{d_o}\left(1+\frac{SOFR_{i-xUSBD} \times n_i}{360}\right)-1\right)\times\frac{360}{d}$$

with the resulting percentage being rounded, if necessary, to the nearest one hundred-thousandth of a percentage point, with 0.000005 per cent. being rounded upwards (e.g., 9.876541 per cent. (or 0.09876541) being rounded down to 9.87654 per cent. (or 0.0987654) and 9.876545 per cent. (or 0.09876545) being rounded up to 9.87655 per cent. (or 0.0987655)) and where:

"**$SOFR_{i-xUSBD}$**" for any U.S. Government Securities Business Day(i) in the relevant Interest Accrual Period, is equal to SOFR in respect of the U.S. Government Securities Business Day falling the number of Lookback Days prior to that U.S. Government Securities Business Day(i);

"**Lookback Days**" means such number of U.S. Government Securities Business Days as specified hereon;

"**d**" means the number of calendar days in the relevant Interest Accrual Period;

"**$d_o$**" means the number of U.S. Government Securities Business Days in the relevant Interest Accrual Period;

"**i**" means a series of whole numbers ascending from one to $d_o$, representing each relevant U.S. Government Securities Business Day in chronological order from (and including) the first U.S. Government Securities Business Day in the relevant Interest Accrual Period (each a "**U.S. Government Securities Business Day(i)**"); and

"$\mathbf{n_i}$", for any U.S. Government Securities Business Day(i), means the number of calendar days from (and including) such U.S. Government Securities Business Day(i) up to (but excluding) the following U.S. Government Securities Business Day(i).

For the purposes of the Conditions:

"**Bloomberg Screen SOFRRATE Page**" means the Bloomberg screen designated "SOFRRATE" or any successor page or service;

"**Reuters Page USDSOFR=**" means the Reuters page designated "USDSOFR=" or any successor page or service;

"**SOFR**" means, in respect of a U.S. Government Securities Business Day, the reference rate determined by the Calculation Agent in accordance with the following provision:

(i) the Secured Overnight Financing Rate published at the SOFR Determination Time as such reference rate is reported on the Bloomberg Screen SOFRRATE Page; the Secured Overnight Financing Rate published at the SOFR Determination Time as such reference rate is reported on the Reuters Page USDSOFR=; or the Secured Overnight Financing Rate published at the SOFR Determination Time on the SOFR Administrator's Website; or

(ii) if the reference rate specified in (i) above does not appear and a SOFR Benchmark Transition Event and its related SOFR Benchmark Replacement Date have not occurred, the SOFR reference rate shall be the reference rate published on the SOFR Administrator's Website for the first preceding U.S. Government Securities Business Day for which the Secured Overnight Financing Rate was published on the SOFR Administrator's Website; or

(iii) if the reference rate specified in (i) above does not appear and a SOFR Benchmark Transition Event and its related SOFR Benchmark Replacement Date have occurred, the provisions set forth in Condition 5(b)(ii)(C)(*Benchmark Replacement*) shall apply as specified hereon;

"**SOFR Determination Time**" means approximately 3:00 p.m. (New York City time) on the immediately following U.S. Government Securities Business Day;

"**SOFR Administrator's Website**" means the website of the Federal Reserve Bank of New York, or any successor source;

"**SOFR Benchmark Replacement Date**" means the Benchmark Replacement Date with respect to the then-current Benchmark;

"**SOFR Benchmark Transition Event**" means the occurrence of a Benchmark Event with respect to the then-current Benchmark; and

"**U.S. Government Securities Business Day**" means any day except for a Saturday, a Sunday or a day on which the Securities Industry and Financial Markets Association recommends that the fixed income departments of its members be closed for the entire day for purposes of trading in U.S. government securities.

**B. Provisions relating to Benchmark discontinuation**

*Condition 5(b)(ii)(C)(Benchmark Replacement) of the Conditions shall be deleted and replaced with the below for the purposes of this Series of Notes only:*

***(C) Benchmark Replacement***

*(x) Benchmark Replacement*

If the Issuer or its designee determines on or prior to the relevant Reference Time that a Benchmark Event and its related Benchmark Replacement Date have occurred with respect to the then-current Benchmark, the Benchmark Replacement will replace the then-current Benchmark for all purposes relating to the Notes in respect of all determinations on such date and for all determinations on all subsequent dates.

*(y)* *Benchmark Replacement Conforming Changes*

In connection with the implementation of a Benchmark Replacement, the Issuer or its designee will have the right to make Benchmark Replacement Conforming Changes from time to time. For the avoidance of doubt, any of the Agents shall, at the direction and expense of the Issuer, effect such consequential amendments to the Agency Agreement and these Conditions as may be required to give effect to this Condition 5(b)(ii)(C)(*Benchmark Replacement*). Noteholders' consent shall not be required in connection with effecting any such changes, including the execution of any documents or any steps to be taken by any of the Agents (if required). Further, none of the Agents shall be responsible or liable for any determinations, decisions or elections made by the Issuer or its designee with respect to any Benchmark Replacement or any other changes and shall be entitled to rely conclusively on any certifications provided to each of them in this regard.

*(z)* *Decisions and Determinations*

Any determination, decision or election that may be made by the Issuer or its designee pursuant to this Condition 5(b)(ii)(C), including any determination with respect to a tenor, rate or adjustment or of the occurrence or non-occurrence of an event, circumstance or date and any decision to take or refrain from taking any action or any selection: (i) will be conclusive and binding absent manifest error, (ii) will be made in the sole discretion of the Issuer or its designee, as applicable, and (iii) notwithstanding anything to the contrary in the documentation relating to the Notes, shall become effective without consent from the holders of the Notes or any other party.

For purposes of Condition 5(b)(ii)(A) (*Screen Rate Determination for Floating Rate Notes*) and this Condition 5(b)(ii)(C)(*Benchmark Replacement*):

"**Benchmark**" means, initially, the relevant SOFR Benchmark specified hereon; provided that if the Issuer or its designee determines on or prior to the Reference Time that a Benchmark Event and its related Benchmark Replacement Date have occurred with respect to the relevant Benchmark (including any daily published component used in the calculation thereof) or the then-current Benchmark, then "**Benchmark**" means the applicable Benchmark Replacement;

"**Benchmark Event**" means the occurrence of one or more of the following events with respect to the then-current Benchmark (including any daily published component used in the calculation thereof):

(i) a public statement or publication of information by or on behalf of the administrator of the Benchmark (or such component) announcing that such administrator has ceased or will cease to provide the Benchmark (or such component), permanently or indefinitely, provided that, at the time of such statement or publication, there is no successor administrator that will continue to provide the Benchmark (or such component); or

(ii) a public statement or publication of information by the regulatory supervisor for the administrator of the Benchmark (or such component), the central bank for the currency of the Benchmark (or such component), an insolvency official with jurisdiction over the administrator for the Benchmark (or such component), a resolution authority with jurisdiction over the administrator for the Benchmark (or such component) or a court or an entity with similar insolvency or resolution authority over the administrator for the Benchmark, which states that the administrator of the Benchmark (or such component) has ceased or will cease to provide the Benchmark (or such component) permanently or indefinitely, provided that, at the time of such statement or publication, there is no successor administrator that will continue to provide the Benchmark (or such component); or

(iii) a public statement or publication of information by the regulatory supervisor for the administrator of the Benchmark announcing that the Benchmark is no longer representative;

"**Benchmark Replacement**" means the first alternative set forth in the order below that can be determined by the Issuer or its designee as of the Benchmark Replacement Date:

(i) the sum of:

(a) the alternate reference rate that has been selected or recommended by the Relevant Governmental Body as the replacement for the then-current Benchmark (including any daily published component used in the calculation thereof); and

(b) the Benchmark Replacement Adjustment;

(ii) the sum of:

(a) the ISDA Fallback Rate; and

(b) the Benchmark Replacement Adjustment; or

(iii) the sum of:

(a) the alternate reference rate that has been selected by the Issuer or its designee as the replacement for the then-current Benchmark (including any daily published component used in the calculation thereof) giving due consideration to any industry-accepted reference rate as a replacement for the then-current Benchmark (including any daily published component used in the calculation thereof) for U.S. dollar-denominated Floating Rate Notes at such time; and

(b) the Benchmark Replacement Adjustment;

"**Benchmark Replacement Adjustment**" means the first alternative set forth in the order below that can be determined by the Issuer or its designee as of the Benchmark Replacement Date:

(i) the spread adjustment, or method for calculating or determining such spread adjustment, (which may be a positive or negative value or zero) that has been selected or recommended by the Relevant Governmental Body for the applicable Unadjusted Benchmark Replacement;

(ii) if the applicable Unadjusted Benchmark Replacement is equivalent to the ISDA Fallback Rate, the ISDA Fallback Adjustment; or

(iii) the spread adjustment (which may be a positive or negative value or zero) that has been selected by the Issuer or its designee giving due consideration to any industry-accepted spread adjustment, or method for calculating or determining such spread adjustment, for the replacement of the then-current Benchmark (including any daily published component used in the calculation thereof) with the applicable Unadjusted Benchmark Replacement for U.S. dollar-denominated Floating Rate Notes at such time;

"**Benchmark Replacement Conforming Changes**" means, with respect to any Benchmark Replacement, any technical, administrative or operational changes (including changes to the timing and frequency of determining rates and making payments of interest, rounding of amounts or tenors, and other administrative matters) that the Issuer or its designee decides may be appropriate to reflect the adoption of such Benchmark Replacement in a manner substantially consistent with market practice (or, if the Issuer or its designee decides that adoption of any portion of such market practice is not administratively feasible or if the Issuer or its designee determine that no market practice for use of the Benchmark Replacement exists, in such other manner as the Issuer or its designee determines is reasonably necessary);

"**Benchmark Replacement Date**" means the earliest to occur of the following events with respect to the then-current Benchmark (including any daily published component used in the calculation thereof):

(i) in the case of sub-paragraph (i) or (ii) of the definition of "Benchmark Event", the later of:

(a) the date of the public statement or publication of information referenced therein; and

(b) the date on which the administrator of the Benchmark permanently or indefinitely ceases to provide the Benchmark (or such component); or

(ii) in the case of sub-paragraph (iii) of the definition of "Benchmark Event", the date of the public statement or publication of information referenced therein.

For the avoidance of doubt, if the event giving rise to the Benchmark Replacement Date occurs on the same day as, but earlier than, the Reference Time in respect of any determination, the Benchmark Replacement Date will be deemed to have occurred prior to the Reference Time for such determination;

"**designee**" means a designee as selected and separately appointed by the Issuer in writing;

"**ISDA Definitions**" means the 2006 ISDA Definitions published by the International Swaps and Derivatives Association, Inc. or any successor thereto, as amended or supplemented from time to time, or any successor definitional booklet for interest rate derivatives published from time to time, including the 2021 ISDA Interest Rate Derivatives Definitions (as amended or supplemented from time to time);

"**ISDA Fallback Adjustment**" means the spread adjustment (which may be a positive or negative value or zero) that would apply for derivatives transactions referencing the ISDA Definitions to be determined upon the occurrence of an index cessation event with respect to the Benchmark;

"**ISDA Fallback Rate**" means the rate that would apply for derivatives transactions referencing the ISDA Definitions to be effective upon the occurrence of an index cessation date with respect to the Benchmark (including any daily published component used in the calculation thereof) for the applicable tenor excluding the applicable ISDA Fallback Adjustment;

"**Reference Time**" with respect to any determination of the Benchmark means (i) if the Benchmark is Compounded Daily SOFR, the SOFR Determination Time, and (ii) if the Benchmark is not Compounded Daily SOFR, the time determined by the Issuer or its designee after giving effect to the Benchmark Replacement Conforming Changes;

"**Relevant Governmental Body**" means the Federal Reserve Board and/or the Federal Reserve Bank of New York, or a committee officially endorsed or convened by the Federal Reserve Board and/or the Federal Reserve Bank of New York or any successor thereto; and

"**Unadjusted Benchmark Replacement**" means the Benchmark Replacement excluding the Benchmark Replacement Adjustment.

## ANNEX 2
## ADDITIONAL RISK FACTORS

*The section entitled "Risk Factors" in the Offering Circular shall be supplemented by the following risk factors as Notes will use SOFR as reference rate. Please also refer to "Risk Factors" in the Offering Circular for other risk factors relating to the Notes.*

***The use of SOFR as a reference rate is subject to important limitations***

In June 2017, the New York Federal Reserve's Alternative Reference Rates Committee (the "**ARRC**") announced SOFR as its recommended alternative to US dollar LIBOR. However, the composition and characteristics of SOFR are not the same as those of LIBOR. SOFR is a broad US Treasury repo financing rate that represents overnight secured funding transactions. This means that SOFR is fundamentally different from LIBOR for two key reasons. First, SOFR is a secured rate, while LIBOR is an unsecured rate. Second, SOFR is an overnight rate, while LIBOR represents interbank funding over different maturities. As a result, there can be no assurance that SOFR will perform in the same way as LIBOR would have at any time, including, without limitation, as a result of changes in interest and yield rates in the market, market volatility or global or regional economic, financial, political, or regulatory events. For example, since publication of SOFR began in April 2018, daily changes in SOFR have, on occasion, been more volatile than daily changes in comparable benchmark or other market rates. As SOFR is an overnight funding rate, interest on SOFR-based notes with interest periods longer than overnight will be calculated on the basis of either the arithmetic mean of SOFR over the relevant interest period or compounding SOFR during the relevant interest period. As a consequence of this calculation method, the amount of interest payable on each interest payment date will only be known a short period of time prior to the relevant interest payment date. Noteholders therefore will not know in advance the interest amount which will be payable on such Notes.

Although the Federal Reserve Bank of New York has published historical indicative SOFR information going back to 2014, such prepublication of historical data inherently involves assumptions, estimates and approximations. Noteholders should not rely on any historical changes or trends in SOFR as an indicator of future changes in SOFR.

The Federal Reserve Bank of New York notes on its publication page for SOFR that use of SOFR is subject to important limitations and disclaimers, including that the Federal Reserve Bank of New York may alter the methods of calculation, publication schedule, rate revision practices or availability of SOFR at any time without notice. In addition, SOFR is published by the Federal Reserve Bank of New York based on data received from other sources, and the Issuer has no control over its determination, calculation or publication. There can be no guarantee that SOFR will not be discontinued or fundamentally altered in a manner that is materially adverse to the interests of the Noteholders. If the manner in which SOFR is calculated is changed or if SOFR is discontinued, that change or discontinuance may result in a reduction or elimination of the amount of interest payable on the Notes and a reduction in the trading prices of the Notes which would negatively impact the Noteholders who could lose part of their investment.

The Conditions also provide for certain fallback arrangements in the event that a SOFR Benchmark Event occurs, which is based on the ARRC recommended language. There is however no guarantee that the fallback arrangements will operate as intended at the relevant time or operate on terms commercially acceptable to all Noteholders. Any of the fallbacks may result in interest payments that are lower than, or do not otherwise correlate over time with, the payments that would have been made on the Notes if SOFR had been provided by the Federal Reserve Bank of New York in its current form. Investors should consult their own independent advisers and make their own assessment about the potential risks in making any investment decision with respect to any Notes linked to SOFR.

***The market continues to develop in relation to SOFR as a reference rate for Floating Rate Notes***

Investors should be aware that the market continues to develop in relation to SOFR as a reference rate in the capital markets and its adoption as an alternative to U.S. dollar LIBOR. Market participants and relevant working groups are exploring alternative reference rates based on SOFR (which seek to measure the market's forward expectation of a SOFR rate over a designated term). The market or a significant part thereof may adopt an application of SOFR that differs significantly from that set out in the Conditions. In addition, the manner of adoption or application of SOFR in the bond markets may differ materially compared with the application and adoption of SOFR in other markets, such as the derivatives and loan markets. Investors should carefully consider how any mismatch between the adoption of SOFR in the bond, loan and derivatives markets may impact any hedging or other financial arrangements which they may put in place in connection with any acquisition, holding or disposal of Notes referencing SOFR. In addition, the development of SOFR as an interest reference rate for the bond markets, as well as continued development of SOFR-based rates, indices and averages for such markets and the market infrastructure for adopting such rates, could result in reduced liquidity or increased volatility or could otherwise affect the market price of Notes referencing SOFR. Similarly, if SOFR do not prove widely used in securities such as the Notes referencing SOFR, investors may not be able to sell such Notes referencing SOFR at all or the trading price of the Notes referencing SOFR may be lower than those of bonds linked to indices that are more widely used. The use of SOFR as a reference rate for bonds is nascent, and may be subject to change and development, both in terms of the substance of the calculation and in the development and adoption of market infrastructure for the issuance and trading of bonds referencing such rates. Notes referencing SOFR may have no established trading market when issued, and an established trading market may never develop or may not be very liquid which, in turn, may reduce the trading price of such Notes or mean that investors in such Notes may not be able to sell such Notes at all or may not be able to sell such Notes at prices that will provide them with a yield comparable to similar investments that have a developed secondary market, and may consequently suffer from increased pricing volatility and market risk. Investors should consider these matters when making their investment decision with respect to Notes referencing SOFR.

# APPENDIX III

## EUR NOTES PRICING SUPPLEMENT DATED 9 APRIL 2024

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

This Pricing Supplement is for distribution to professional investors (as defined in Chapter 37 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**")) ("**Professional Investors**") only.

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

**The Hong Kong Stock Exchange has not reviewed the contents of this Pricing Supplement, other than to ensure that the prescribed form disclaimer and responsibility statements, and a statement limiting distribution of this Pricing Supplement to Professional Investors only have been reproduced in this Pricing Supplement. Listing of the Programme or the Notes on the Hong Kong Stock Exchange is not to be taken as an indication of the commercial merits or credit quality of the Programme, the Notes, the Issuer, the Group (as defined in the Offering Circular) or quality of disclosure in this Pricing Supplement.** Hong Kong Exchanges and Clearing Limited and the Hong Kong Stock Exchange take no responsibility for the contents of this Pricing Supplement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Pricing Supplement.

This Pricing Supplement, together with the Offering Circular (as defined below), include particulars given in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Issuer and the Group. The Issuer accepts full responsibility for the accuracy of the information contained in this Pricing Supplement and confirms, having made all reasonable enquiries, that to the best of its knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

**Pricing Supplement dated 9 April 2024**

**China Development Bank**

*(a limited liability company incorporated under the laws of the People's Republic of China)*

**Issue of EUR500,000,000 3.375 per cent. Notes due 2027 (the "Notes")**
**under the US$30,000,000,000 Debt Issuance Programme (the "Programme")**

This document constitutes the Pricing Supplement relating to the issue of Notes described herein.

Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions of the Notes (the "**Conditions**") set forth in the offering circular dated 3 April 2024 relating to the Programme (the "**Offering Circular**"). This Pricing Supplement contains the final terms of the Notes and must be read in conjunction with the Offering Circular.

| | | |
|---|---|---|
| 1 | Issuer: | China Development Bank (LEI Code: 300300C1020111000029) |

| | | | |
|---|---|---|---|
| 2 | (i) | Series Number: | 120 |
| | (ii) | Tranche Number: | 001 |
| 3 | Specified Currency or Currencies: | | Euro (“**EUR**”) |
| 4 | Aggregate Principal Amount: | | |
| | (i) Series: | | EUR500,000,000 |
| | (ii) Tranche: | | EUR500,000,000 |
| 5 | (i) | Issue Price: | 99.480 per cent. of the Aggregate Principal Amount |
| 6 | (i) | Specified Denominations: | EUR100,000 and integral multiples of EUR1,000 in excess thereof |
| | (ii) | Calculation Amount: | EUR1,000 |
| 7 | (i) | Issue Date: | 16 April 2024 |
| | (ii) | Interest Commencement Date: | Issue Date |
| 8 | Maturity Date: | | 16 April 2027 |
| 9 | Interest Basis: | | 3.375 per cent. per annum Fixed Rate<br>(further particulars specified below) |
| 10 | Redemption/Payment Basis: | | Redemption at par |
| 11 | Change of Interest or Redemption/Payment Basis: | | Not Applicable |
| 12 | Put/Call Options: | | Not Applicable |
| 13 | Listing: | | Application will be made to the Hong Kong Stock Exchange for the listing of, and permission to deal in, the Notes by way of debt issues to Professional Investors only. The listing of the Notes is expected to become effective on 17 April 2024. |
| 14 | (i) Date of Board approval for the issuance of Notes obtained: | | 27 April 2023 |
| | (ii) Date of NDRC certificate: | | 3 July 2023 |
| 15 | Method of distribution: | | Syndicated |

**PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE**

| | | | |
|---|---|---|---|
| 16 | Fixed Rate Note Provisions | | Applicable |
| | (i) | Rate of Interest: | 3.375 per cent. per annum payable annually in arrear |
| | (ii) | Interest Payment Date(s):<br>(*Relating to interest period end dates for interest amount calculation*) | 16 April in each year, not adjusted |
| | (iii) | Fixed Coupon Amount:<br>*(Applicable to Notes in definitive form)* | EUR33.75 per Calculation Amount |
| | (iv) | Broken Amount(s):<br>*(Applicable to Notes in definitive form)* | Not Applicable |
| | (v) | Day Count Fraction (Condition 5(h)): | Actual/Actual – ICMA |

| | | | |
|---|---|---|---|
| | (vi) | Determination Date(s) (Condition 5(h)): | Interest Payment Date |
| | (vii) | Other terms relating to the method of calculating interest for Fixed Rate Notes: | Not Applicable |
| 17 | Floating Rate Note Provisions | | Not Applicable |
| 18 | Zero Coupon Note Provisions: | | Not Applicable |

**PROVISIONS RELATING TO REDEMPTION**

| | | |
|---|---|---|
| 19 | Call Option: | Not Applicable |
| 20 | Put Option: | Not Applicable |
| 21 | Final Redemption Amount of each Note: | EUR1,000 per Calculation Amount |
| 22 | Early Redemption Amount(s) per Calculation Amount payable on redemption for taxation reasons or on event of default or other early redemption and/or the method of calculating the same (if required or if different from that set out in the Conditions): | EUR1,000 per Calculation Amount |

**GENERAL PROVISIONS APPLICABLE TO THE NOTES**

| | | |
|---|---|---|
| 23 | **Form of Notes:** | **Registered Notes:**<br>Global Certificate exchangeable for definitive Certificates in the limited circumstances specified in the Global Certificate |
| 24 | Additional Financial Centre(s) (Condition 7(h)) or other special provisions relating to payment dates:<br>(*Relating to the actual date for payment in respect of any Note*) | Hong Kong and TARGET Business Day<br>(*For the avoidance of doubt, pursuant to the Conditions, if any date for payment in respect of any Note (determined in item 16) is not a business day, the holder shall not be entitled to payment until the next following business day nor to any interest or other sum in respect of such postponed payment.*) |
| 25 | Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature): | No |
| 26 | Redenomination, renominalisation and reconventioning provisions: | Not Applicable |
| 27 | Consolidation provisions: | Not Applicable |
| 28 | Other terms or special conditions: | Not Applicable |

**DISTRIBUTION**

| | | | |
|---|---|---|---|
| 29 | (i) | If syndicated, names of Managers: | Agricultural Bank of China Limited Hong Kong Branch, Bank of China Limited, Bank of China (Hong Kong) Limited, Bank of Communications Co., Ltd. Hong Kong Branch, China Construction Bank (Europe) S.A., Industrial and Commercial Bank of China (Europe) S.A., CMB |

| | | |
|---|---|---|
| | | Wing Lung Bank Limited, BNP Paribas, Crédit Agricole Corporate and Investment Bank, DBS Bank Ltd., DZ BANK AG Deutsche Zentral-Genossenschaftsbank, Frankfurt am Main and The Hongkong and Shanghai Banking Corporation Limited (together the "**Managers**" and each a "**Manager**") |
| | (ii) Stabilisation Manager(s) (if any): | Any of the Manager(s) appointed and acting in its capacity as Stabilisation Manager(s) |
| 30 | If non-syndicated, name of Dealer: | Not Applicable |
| 31 | U.S. Selling Restrictions: | Reg. S Category 2; TEFRA Not Applicable |
| 32 | Prohibition of Sales to EEA Retail Investors: | Not Applicable |
| 33 | Prohibition of Sales to UK Retail Investors: | Not Applicable |
| 34 | Additional selling restrictions: | Singapore Selling Restriction on page 104-105 of the Offering Circular shall be deleted in its entirety and be replaced by the below:<br>"Each Dealer has acknowledged that the Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Dealer has represented, warranted and agreed that it has not offered or sold any Notes or caused the Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell any Notes or cause the Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, the Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes, 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 2001 of Singapore, as modified or amended from time to time (the "SFA")) pursuant to Section 274 of the SFA or (ii) to an accredited investor (as defined in Section 4A of the SFA) pursuant to and in accordance with the conditions specified in Section 275 of the SFA." |

**OPERATIONAL INFORMATION**

| | | |
|---|---|---|
| 35 | ISIN: | XS2800342318 |
| 36 | Common Code: | 280034231 |
| 37 | CMU Instrument Number: | Not Applicable |

| | | |
|---|---|---|
| 38 | Any clearing system(s) other than Euroclear, Clearstream and the CMU and the relevant identification number(s): | Not Applicable |
| 39 | Delivery: | Delivery against payment |
| 40 | Additional Paying Agents (if any): | None |
| **HONG KONG SFC CODE OF CONDUCT** | | |
| 41 | Rebate: | Not Applicable |
| 42 | Contact email addresses where underlying investor information in relation to omnibus orders should be sent: | abchk.dcm@abchina.com; cdbmtn@bochk.com; dcmhk@bocgroup.com; dcm@bankcomm.com.hk; dcm@eu.ccb.com; bondissuance@cmbwinglungbank.com; Project.Blossom2024@ca-cib.com; HKG-Syndicate@ca-cib.com; toby.croasdell@ca-cib.com; ghislain.chavanon@ca-cib.com; Dean.Fogg@ca-cib.com; DCMOmnibus@dbs.com |
| **GENERAL** | | |
| 43 | The aggregate principal amount of Notes issued has been translated into US$ at the rate of US$1.0908:EUR1, producing a sum of (for Notes not denominated in US$): | US$545,400,000 |
| 44 | Expected Rating: | S&P: A+ |

## STABILISATION

In connection with this issue, any of the Manager(s) appointed and acting in its capacity as Stabilisation Manager(s) (the "**Stabilisation Manager**") (or persons acting on behalf of any Stabilisation Manager) may over-allot the Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, stabilisation may not necessarily occur. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Notes is made and, if begun, may cease at any time, but it must end no later than the earlier of 30 days after the Issue Date of the Notes and 60 days after the date of the allotment of the Notes. Such stabilisation shall be in compliance with all applicable laws, regulations and rules.

## PURPOSE OF THIS PRICING SUPPLEMENT

This Pricing Supplement comprises the final terms required for the issue and listing of Notes described herein pursuant to the US$30,000,000,000 Debt Issuance Programme.

## RESPONSIBILITY

The Issuer accepts responsibility for the information contained in this Pricing Supplement.

Signed on behalf of the Issuer:

By:

_______________________________

Duly authorised