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

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

CNY1,750,000,000 2.90 per cent. Bonds due 2024
CNY1,700,000,000 3.05 per cent. Bonds due 2026
CNY550,000,000 3.35 per cent. Bonds due 2031

Issue Price for the CNY1,750,000,000 2.90 per cent. Bonds due 2024: 100.00 per cent.

Issue Price for the CNY1,700,000,000 3.05 per cent. Bonds due 2026: 100.00 per cent.

Issue Price for the CNY550,000,000 3.35 per cent. Bonds due 2031: 100.00 per cent.

The 2.90 per cent. bonds due 2024 in the aggregate principal amount of CNY1,750,000,000 (the "**2024 Bonds**"), the 3.05 per cent. bonds due 2026 in the aggregate principal amount of CNY1,700,000,000 (the "**2026 Bonds**") and the 3.35 per cent. bonds due 2031 in the aggregate principal amount of CNY550,000,000 (the "**2031 Bonds**") will be issued by Agricultural Development Bank of China (the "**Bank**") or the "**Issuer**". The 2024 Bonds, the 2026 Bonds and the 2031 Bonds are collectively referred to as the "**Bonds**" and each constitutes a series of Bonds.

The 2024 Bonds will bear interest from (and including) the Issue Date at the rate of 2.90 per cent. per annum payable semi-annually in arrear on 2 May and 2 November each year commencing on 2 May 2022, **provided that**, if any interest payment date would otherwise fall on a date which is not a business day (as defined in the terms and conditions of the 2024 Bonds (the "**Terms and Conditions of the 2024 Bonds**")), it will be postponed to the next day which is a business day unless it would thereby fall into the next calendar month, in which case it will be brought forward to the immediately preceding business day.

The 2026 Bonds will bear interest from (and including) the Issue Date at the rate of 3.05 per cent. per annum payable semi-annually in arrear on 2 May and 2 November each year commencing on 2 May 2022, **provided that**, if any interest payment date would otherwise fall on a date which is not a business day (as defined in the terms and conditions of the 2026 Bonds (the "**Terms and Conditions of the 2026 Bonds**")), it will be postponed to the next day which is a business day unless it would thereby fall into the next calendar month, in which case it will be brought forward to the immediately preceding business day.

The 2031 Bonds will bear interest from (and including) the Issue Date at the rate of 3.35 per cent. per annum payable semi-annually in arrear on 2 May and 2 November in each year commencing on 2 May 2022, **provided that**, if any interest payment date would otherwise fall on a date which is not a business day (as defined in the terms and conditions of the 2031 Bonds (the "**Terms and Conditions of the 2031 Bonds**", and together with the Terms and Conditions of the 2024 Bonds and the Terms and Conditions of the 2026 Bonds, the "**Terms and Conditions of the Bonds**")), it will be postponed to the next day which is a business day unless it would thereby fall into the next calendar month, in which case it shall be brought forward to the immediately preceding business day.

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

On giving not less than 30 nor more than 60 days' notice to the holders of the Bonds (which notice shall be irrevocable), the Bank may redeem the Bonds at any time in whole, but not in part, at their principal amount, together with interest accrued to the date fixed for redemption, if, immediately before giving such notice, the Bank has or will become obliged to pay Additional Amounts (as defined in the Terms and Conditions of the Bonds) as a result of any change in, or amendment to, the laws or regulations of the PRC or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after 26 October 2021, and such obligation cannot be avoided by the Bank taking reasonable measures available to it.

Unless previously redeemed, or purchased and cancelled, the Bank will redeem each (i) 2024 Bond at its principal amount on the Interest Payment Date (as defined in the Terms and Conditions of the 2024 Bonds) falling on, or nearest to, 2 November 2024, (ii) 2026 Bond at its principal amount on the Interest Payment Date (as defined in the Terms and Conditions of the 2026 Bonds) falling on, or nearest to, 2 November 2026 and (iii) 2031 Bond at its principal amount on the Interest Payment Date (as defined in the Terms and Conditions of the 2031 Bonds) falling on, or nearest to, 2 November 2031.

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

The Bonds will be issued in denominations of CNY1,000,000 and integral multiples of CNY10,000 in excess thereof.

Investing in the Bonds involves certain risks. See "*Risk Factors*" beginning on page 20 for a discussion of certain factors to be considered in connection with an investment in the Bonds.

The Bonds have not been and will not be registered under the Securities Act and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act of 1933, as amended (the "Securities Act"). The Bonds are being offered only outside the United States in reliance on Regulation S. For a description of these and certain further restrictions on offers and sales of the Bonds and the distribution of this Offering Circular, see "*Subscription and Sale*".

An application has been made to the Luxembourg Stock Exchange (the "**LuxSE**") in its capacity as competent authority under Part IV of the Luxembourg Law dated as of 16 July 2019 on prospectus for securities (the "**Prospectus Law**") and the rules and regulations of the LuxSE (the "**LuxSE Rules**") to approve this document as a prospectus. An application has also been made for the Bonds to be admitted to trading on the Euro MTF market, which is a market operated by the LuxSE, and listed on the Official List of the LuxSE (the "**Official List**"). The Euro MTF market is not a regulated market pursuant to the provisions of the Directive 2014/65/EU of the European Parliament and of the Council on markets in financial instruments. This Offering Circular comprises information about the Bank and the Bonds for the purposes of Part 2 of the LuxSE Rules.

This document includes particulars given in compliance with the Guideline on Provision and Distribution of Financial Products (Circular 033/B/2010-DSB/AMCM) for the purpose of giving information with regard to the Issuer. The Issuer accepts full responsibility for the accuracy of the information contained in this document 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. This document does not constitute a prospectus for the purposes of article 3 of Regulation (EU) 2017/1129, as amended (the "**Prospectus Regulation**"). This Offering Circular may only be used for the purposes for which it has been published.

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

This Offering Circular will be published on the website of the LuxSE (www.bourse.lu). For the avoidance of doubt, the content of the website(s) included in this Offering Circular are for information purposes only and does not form part of this Offering Circular.

The LuxSE assumes no responsibility on the correctness of any of the statements made or opinions expressed or reports contained in this Offering Circular. Admission to trading on the Euro MTF market and listing on the Official List of the LuxSE is not to be taken as an indication of the merits of the Bank or the Bonds.

This document is for distribution to professional investors (as defined in Section 11 of the Guideline on Provision and Distribution of Financial Products (Circular 033/B/2010-DSB/AMCM)) (the "**MOX Professional Investors**") only. **Investors should not purchase the Bonds in the primary or secondary markets unless they are MOX Professional Investors and understand the risks involved. The Bonds are only suitable for MOX Professional Investors.**

Chongwa (Macao) Financial Asset Exchange Co., Ltd. (the "MOX") 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 MOX Professional Investors only have been reproduced in this document. Listing of the Bonds on MOX is not to be taken as an indication of the commercial merits or credit quality of the Bonds, the Issuer or the quality of disclosure in this document. MOX takes no responsibility for the contents of this document, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this document.

Application will be made to the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) (the "**Frankfurt Stock Exchange**") for the Bonds to be admitted to trading in the Quotation Board of the Open Market (*Freiverkehr*) at the Frankfurt Stock Exchange and the Bonds will be available for trading on the China Europe International Exchange AG (CEINEX).

Application has also been made to the London Stock Exchange plc (the "**London Stock Exchange**") for the Bonds to be admitted to trading on the London Stock Exchange's International Securities Market (the "**ISM**"). This Offering Circular comprises admission particulars for the purposes of admission to trading of the Bonds on the ISM. The ISM is not a regulated market for the purposes of the Markets in Financial Instruments Directive 2014/65/EU (as amended, "**MiFID II**").

Approval in-principle has been received from the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") for the listing of and quotation for the Bonds on the Official List of the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any of the statements made or opinions expressed or reports contained herein. Admission to the Official List of the SGX-ST and quotation of the Bonds on the SGX-ST is not to be taken as an indication of the merits of the Issuer, its subsidiaries, its associated companies or the Bonds.

The ISM is a market designated for professional investors. Bonds admitted to trading on the ISM are not admitted to the Official List of the United Kingdom Listing Authority. The London Stock Exchange has not approved or verified the contents of this Offering Circular.

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

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

Each series of the Bonds will be represented by beneficial interests in a global bond certificate (each a "**Global Bond Certificate**" and together, the "**Global Bond Certificates**") in registered form, which will be registered in the name of, and lodged with a sub-custodian for, the Hong Kong Monetary Authority as operator (the "**Operator**") of the Central Moneymarkets Unit Service ("**CMU**"). Beneficial interests in the Global Bond Certificates will be shown on, and transfer thereof will be effected only through, records maintained by the CMU. For persons seeking to hold a beneficial interest in the Bonds through Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking S.A.("**Clearstream**"), such persons will hold their interest through an account opened and held by Euroclear or Clearstream with CMU. Except as described herein, individual certificates for the Bonds will not be issued in exchange for interests in the relevant Global Bond Certificate. The Bonds constitute freely transferable securities.

The Issuer is duly incorporated under the laws of the PRC and operates in conformity with its constitution. The Bonds conform with the laws of the PRC and are duly authorised according to the requirements of the Issuer's constitution. All necessary statutory and other consents have been obtained.

Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

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

Joint Bookrunners and Joint Lead Managers

Agricultural Bank of China Limited Hong Kong Branch	**China Construction Bank**	**SPDB International**	**CLSA**
ICBC (Asia)	**CMB Wing Lung Bank Limited**	**China International Capital Corporation**	**DBS Bank Ltd.**
Crédit Agricole CIB	**Mizuho Securities**	**KGI Asia**	**CTBC Bank**

The date of this Offering Circular is 26 October 2021

NOTICE TO INVESTORS

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

This Offering Circular includes particulars given in compliance with the rules and regulations of the LuxSE, the Frankfurt Stock Exchange, the London Stock Exchange, the MOX and SGX-ST for the purpose of giving information with regard to the Bank. In respect of the Bonds to be admitted to trading on the ISM, the Bank accepts full responsibility for the accuracy of the information contained in this document and confirms, having taken all reasonable care to ensure that such is the case, the information contained in this Offering Circular is, to the best of its knowledge, in accordance with the facts and does not omit anything likely to affect its import.

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

The Bank has prepared this Offering Circular solely for use in connection with the proposed offering of the Bonds described in this Offering Circular. This Offering Circular does not constitute an offer of, or an invitation by or on behalf of Bank of China Limited ("**BOCL**"), Bank of China (Hong Kong) Limited ("**BOCHK**", together with BOCL, Bank of China), Standard Chartered Bank and Bank of Communications Co., Ltd. Hong Kong Branch (the "**Joint Global Coordinators**") and Agricultural Bank of China Limited Hong Kong Branch, China Construction Bank (Asia) Corporation Limited, SPDB International Capital Limited, CLSA Limited, Industrial and Commercial Bank of China (Asia) Limited, CMB Wing Lung Bank Limited, China International Capital Corporation Hong Kong Securities Limited, DBS Bank Ltd., Crédit Agricole Corporate and Investment Bank, Mizuho Securities Asia Limited, KGI Asia Limited and CTBC Bank Co., Ltd. (the "**Joint Bookrunners**", together with Joint Global Coordinators, the "**Joint Lead Managers**") or the Bank to subscribe for or purchase any of the Bonds. The distribution of this Offering Circular and the offering of the Bonds in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular comes are required by the Bank and the Joint Lead Managers to inform themselves about and to observe any such restrictions. No action is being taken to permit a public offering of the Bonds or the distribution of this Offering Circular in any jurisdiction where action would be required for such purposes. There are restrictions on the offer and sale of the Bonds, and the circulation of documents relating thereto, in certain jurisdictions including the United States, Hong Kong, Mainland China, Japan, the United Kingdom, Singapore, Taiwan Region and Macau and to persons connected therewith. For a description of certain further restrictions on offers and sales of the Bonds, and distribution of this Offering Circular, see "*Subscription and Sale*". By purchasing the Bonds, investors represent and agree to all of those provisions contained in that section of this Offering Circular.

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

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

To the fullest extent permitted by law, none of the Joint Lead Managers or the Agents or any of their respective directors, officers, employees, representatives, agents or advisers accepts any responsibility for the contents of this Offering Circular and assume no responsibility for the contents, accuracy, completeness or sufficiency of any such information or for any other statement, made or purported to be made by the Joint Lead Managers or the Agents or any of their respective directors, officers, employees, representatives, agents or advisers or on their behalf in connection with the Bank or the issue and offering of the Bonds. Each of the Joint Lead Managers and the Agents and their respective directors, officers, employees, representatives, agents or advisers accordingly disclaims all and any liability, whether arising in tort or contract or otherwise, which it might otherwise have in respect of this Offering Circular or any such statement. None of the Joint Lead Managers or the Agents or any of their respective directors, officers, employees, representatives, agents or advisers undertakes to review the results of operations, financial condition or affairs of the Bank during the life of the arrangements contemplated by this Offering Circular nor to advise any investor or potential investor in the Bonds of any information coming to the attention of the Joint Lead Managers or the Agents or their respective directors, officers, employees, representatives, agents or advisers.

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

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

Any of the Joint Lead Managers and their respective affiliates may purchase the Bonds for its or their own account and enter into transactions, including credit derivatives, such as asset swaps, repackaging and credit default swaps relating to the Bonds and/or other securities of the Bank or its associates at the same time as the offer and sale of the Bonds or in secondary market transactions. Such transactions may be carried out as bilateral trades with selected counterparties and separately from any existing sale or resale of the Bonds to which this Offering Circular relates (notwithstanding that such selected counterparties may also be purchasers of the Bonds). Furthermore, investors in the Bonds may include entities affiliated with the Bank.

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

Industry and Market Data

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

Presentation of Financial Information

The Group's audited consolidated financial information as at and for the years ended 31 December 2019 and 2020 included in this Offering Circular has been extracted from the consolidated financial statements of the Group's 2020 audited consolidated financial statements audited by PricewaterhouseCoopers Zhong Tian LLP ("**PwC**"), the current independent auditor of the Bank, (the "**Audited Financial Statements**"). The Audited Financial Statements have been prepared by the Bank in accordance with the Accounting Standards for Business Enterprises – Basic Standards and 38 concrete accounting standards issued on 15 February 2006 by the MOF, as well as the Accounting Standards for Business Enterprises-Application Guidelines, and the Accounting Standards for Business Enterprises – Interpretations issued subsequently and other relevant provisions (collectively known as the "**Accounting Standards for Business Enterprises**", or the "**PRC GAAP**").

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

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

CERTAIN DEFINITIONS, CONVENTIONS AND CURRENCY PRESENTATION

This Offering Circular includes a translation of certain Renminbi amounts into U.S. dollars at specified rates solely for the convenience of the reader. Unless otherwise specified, where financial information in relation to the Bank has been translated into U.S. dollars, it has been so translated, for convenience only, at the rate of CNY6.5250 to U.S.$1.00 (the noon buying rate in New York City on 31 December 2020 as set forth in the weekly H.10 statistical release of the Federal Reserve Board of the Federal Reserve Bank of New York). Further information regarding exchange rate is set forth in "*Exchange Rates*" in this Offering Circular. No representation is made that the Renminbi amounts referred to in this Offering Circular could have been or could be converted into U.S. dollars at any particular rate or at all.

In this Offering Circular, where information has been presented in thousands or millions of units, amounts may have been rounded up or down. Accordingly, totals of columns or rows of numbers in tables may not be equal to the apparent total of the individual items and actual numbers may differ from those contained herein due to rounding. References to information in billions of units are to the equivalent of a thousand million units.

Unless the context otherwise requires, references in this Offering Circular to the "Terms and Conditions of the 2024 Bonds", the "Terms and Conditions of the 2026 Bonds" and the "Terms and Conditions of the 2031 Bonds" are to the terms and conditions governing the 2024 Bonds, the 2026 Bonds and the 2031 Bonds, as respectively set out in the "Terms and Conditions of the 2024 Bonds", the "Terms and Conditions of the 2026 Bonds" and the "Terms and Conditions of the 2031 Bonds" in this Offering Circular. Terms and Conditions of the 2024 Bonds, Terms and Conditions of the 2026 Bonds and Terms and Conditions of the 2031 Bonds are collectively referred to as "Terms and Conditions of the Bonds".

In this Offering Circular, unless otherwise specified or the context otherwise requires, all references to "**Renminbi**", "**RMB**" and "**CNY**" are to the lawful currency of the PRC, and all references to "**U.S.$**", "**USD**" and "**U.S. dollars**" are to the lawful currency of the United States of America. Historical amounts translated into Renminbi have been translated at historical rates of exchange. Such translations should not be construed as representations that the amounts referred to herein could have been or could be converted into Renminbi at those rates or any other rate at all.

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

FORWARD-LOOKING STATEMENTS

Certain statements under "*Risk Factors*", "*Description of the Business*" and elsewhere in this Offering Circular constitute "forward-looking statements". The words including "believe", "expect", "plan", "anticipate", "schedule", "estimate", "may", "will" and similar words or expressions identify forward-looking statements. In addition, all statements other than statements of historical facts included in this Offering Circular, including, but without limitation, those regarding the financial position, business strategy, prospects, capital expenditure and investment plans of the Bank and the plans and objectives of the Bank's management for its future operations, are forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results or performance of the Bank to differ materially from those expressed or implied by such forward-looking statements. Reliance should not be placed on these forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding the Bank's present and future business strategies and the environment in which the Bank will operate in the future. The Bank expressly disclaims any obligation or undertaking to release any updates or revisions to any forward-looking statements contained herein to reflect any change in its expectations with regard thereto or any change of events, conditions or circumstances, on which any such statements were based. This Offering Circular discloses, under "*Risk Factors*" and elsewhere, important factors that could cause actual results to differ materially from the Bank's expectations. All subsequent written and forward-looking statements attributable to the Bank or persons acting on behalf of the Bank are expressly qualified in their entirety by such cautionary statements.

DEFINITIONS AND CONVENTIONS

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

2024 Bonds	CNY1,750,000,000 in aggregate principal amount of 2.90 per cent. bonds due 2024
2026 Bonds	CNY1,700,000,000 in aggregate principal amount of 3.05 per cent. bonds due 2026
2031 Bonds	CNY550,000,000 in aggregate principal amount of 3.35 per cent. bonds due 2031
Articles of Association	Articles of Association of the Bank, as constituted and amended from time to time. Except where the context otherwise requires, the Articles of Association refers to the Articles of Association of the Bank approved by the State Council on July 2018
Bank	Agricultural Development Bank of China
Bonds	the 2024 Bonds, the 2026 Bonds and the 2031 Bonds
CBIRC	China Banking and Insurance Regulatory Commission (中國銀行保險監督管理委員會), the predecessor of China Banking Regulatory Commission (中國銀行業監督管理委員會) (the "**CBRC**")
China or PRC	the People's Republic of China
CPC	Communist Party of China (中國共產黨)
CSRC	China Securities Regulatory Commission (中國證券監督管理委員會)
FATCA	Foreign Account Tax Compliance Act
Fiscal Agent	Bank of Communications Co., Ltd. Hong Kong Branch
GDP	gross domestic product
Group	the Bank and its subsidiaries taken as a whole
Hong Kong	the Hong Kong Special Administrative Region of the People's Republic of China
Hong Kong Stock Exchange	The Stock Exchange of Hong Kong Limited

IAS	International Accounting Standards
IASB	International Accounting Standards Board
IFRS	International Financial Reporting Standards
Jin	a unit of weight (= 0.5 kilogram)
Macau	the Macau Special Administrative Region of the People's Republic of China
Mainland China	the People's Republic of China (excluding Hong Kong, the Macau and Taiwan Region)
MOF	Ministry of Finance of the PRC (中華人民共和國財政部)
Mu	a unit of area (= 0.0667 hectares)
NDRC	the National Development and Reform Commission of the PRC (國家發展和改革委員會)
NPL	non-performing loan
Party Committee	the highest governing body with the Bank
PBOC	People's Bank of China (中國人民銀行)
PBOC Document	the document issued by the PBOC on 20 December 2004 in relation to the provision of loans by the PBOC in the event the Bank experiences any liquidity shortfall, which is in effect as of the date of issue of the Bonds
PRC Government	the central government of the PRC and its political subdivisions, including provincial, municipal and other regional or local government entities, and instrumentalities thereof, or where the context requires, any of them
Regulation S	Regulation S under the Securities Act
SAFE	State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
SAT	State Administration of Taxation of the PRC (中華人民共和國國家稅務總局)
Securities Act	the U.S. Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder

SFO	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (as amended from time to time)
Special Decree	the Special Decree of the State Council regarding the establishment of the Bank (Guo Fa [1994] No. 25) (國務院關於組建中國農業發展銀行的通知 (國發[1994]25號)) dated 19 April 1994, which is in effect as of the date of issue of the Bonds
State Council	the PRC State Council (中華人民共和國國務院)

CONTENTS

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

OVERVIEW

The Bank was incorporated on 19 October 1994 pursuant to the Notice of the State Council on the Establishment of Agricultural Development Bank of China (國務院關於組建中國農業發展銀行的通知) issued on 19 April 1994 by the State Council. It is a policy-oriented statutory bank under the direct authority of the State Council, and the only agricultural policy-oriented bank in the PRC. The Bank was incorporated as the enterprise under ownership by the whole people of the PRC with limited liabilities according the *Law of the People's Republic of China of Industrial Enterprises Owned by the Whole People (2009 Amendment)* (《中華人民共和國全民所有制工業企業法(2009修正)》) and has since been converted into a limited liability company (wholly state-owned).

Pursuant to the relevant documents, the Bank operates on an autonomous basis as an economically independent entity with the goal of preserving its capital. The Bank's business is subject to the supervision and direction of the PBOC and CBIRC.

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

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

- Providing loans for purchase, stockpiling, regulation, and distribution of key agricultural products such as grain, cotton, edible oil, sugar, pork, and chemical fertiliser;
- Providing loans in support of the construction of agricultural and rural infrastructure projects, water conservancy projects and circulation systems;
- Providing loans for projects in support of integrated agricultural development, means of production and agricultural science and technology;
- Providing loans for projects in support of renovation of shack settlements and construction of concentrated housing for farmers;
- Providing loans in support of poverty alleviation through relocation, infrastructure in poor areas, development of special industries and special poverty alleviation projects;
- Providing loans in support of town construction, land purchase and stockpiling in counties;

- Providing loans in support of small agricultural enterprises and leading industrial enterprises;
- Organizing and participating in syndicated loans, bill acceptance and discounting and other credit businesses;
- Absorbing deposits from client enterprises and public institutions within the business scope, public deposits in counties other than residents' savings and fiscal balances;
- Issuing financial bonds, conducting settlement, foreign exchange settlement and sale, and foreign exchange trading for customers;
- Opening special accounts for fiscal funds for assisting agriculture as required and disbursing fiscal agriculture-related subsidies;
- Trading, acting as an agent to trade and underwriting bonds;
- Conducting inter-bank borrowing and placement, agency collection and payment, agency insurance, asset securitisation, corporate finance advisory service, and agriculture-related business by way of cooperation with any lease company, agriculture-related guarantee company and agriculture-related investment company or through other methods upon approval; and
- Other services approved by the banking regulatory authority under the State Council.

With particular focus on "Agriculture, Rural Areas and Farmers", the State Council has adopted a series of agriculture-friendly policies to support poverty alleviation and rural revitalization, to modernise agriculture, to increase incomes of farmers, and to promote integration between urban and rural regions. As the only agricultural policy-oriented bank in the PRC under the direct authority of the State Council, the Bank always implements the national agricultural policies as its top priority and further makes full use of its role as a policy bank to serve nationwide macroeconomic control and promotes the development of "Agriculture, Rural Areas and Farmers".

As at 31 December 2020, the outstanding amount of loans granted by the Bank was CNY6,145.156 billion[1], representing an increase of 10.07 per cent., or CNY562.206 billion, from CNY5,582.950 billion[2] as at 31 December 2019. As at 31 December 2020, the outstanding amount of bonds issued by the Bank was CNY5,258.742 billion, representing an increase of 16.60 per cent. from 31 December 2019. As at 31 December 2020, the Bank's balance of deposits was CNY1,197.470 billion, representing a decrease of CNY111.122 billion compared to 31 December 2019. As at 31 December 2020, the Bank's financial self-sufficiency rate in relation to those funds (outstanding amount of the bonds plus the amount of each types of deposit of the Bank, including the customers' deposits in the Bank and the Bank's deposits with other financial institutions, other than the loans from the PBOC) that are raised by the Bank in the capital market and the risks of which are borne solely by the Bank/the aggregate amount of all interest-bearing liabilities was 89.26 per cent.[3], representing a decrease of 0.7 per cent. from 31 December 2019.

As at 31 December 2020, the Bank's outstanding amount of NPL decreased by CNY11.855 billion from 31 December 2019 to CNY21.949 billion and the ratio of non-performing loans was 0.36 per

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

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

3 Note: Calculated in the Bank's level.

cent., representing a decrease of 0.25 per cent. from 31 December 2019. As at 31 December 2020, the outstanding amount of the loan loss provisions was CNY235.277 billion, representing an increase of CNY31.194 billion from the year ended 31 December 2019; the loan provision rate as at 31 December 2020 was 3.83 per cent. representing an increase of 0.17 per cent. from 3.66 per cent. as at 31 December 2019. The Group's cost to income ratio[1] for the year ended 31 December 2020 was 26.59 per cent., representing a decrease of 1.47 per cent. from the year ended 31 December 2019.

RECENT DEVELOPMENTS

The COVID-19 outbreak in early 2020 has caused substantial disruption in international economies and markets, including in the PRC where most of the Bank's businesses, assets and operations are located in. While the PRC domestic economy has remained generally stable in recent years, it is facing mounting downward pressure, especially due to the sudden outbreak of COVID-19. The PRC government and many governments across the world have imposed a number of measures in an effort to contain the spread of COVID-19, including mandatory business closures, travel restrictions, quarantines, lockdowns, limitations on public gatherings and the suspension of major events. These containment measures have caused disruptions across the PRC and a majority of the countries globally. Nevertheless, the PRC has implemented a series of practical and effective measures to support the resumption of work and production as well as facilitate economic and social recovery.

In order to support prevention and control of COVID-19 as well as aid the resumption of work and production, the Bank promptly initiated emergency response for epidemic prevention and control, established a fault-tolerant lending mechanism, simplified lending procedures and delegated authority of approval. It created two emergency credit channels labelled "urgency" and "green" and put in place policies specifically favouring credit recourse allocation, interest pricing and credit management policies.

To combat the COVID-19 pandemic, the Bank, as the only agricultural policy-oriented statutory bank in the PRC, has endeavoured to continue to lead in its COVID-19 prevention efforts, to plug funding gaps as well as provide counter-cyclical funding in this extraordinary period.

At this stage, there is no material adverse impact arising from the COVID-19 outbreak on the Bank's financial position and operating results. The Bank is still able to preserve capital and achieve moderate profits. Despite the adverse situations around the globe, assets of the Bank are largely based onshore and thus there is no material adverse impact drawn on its business. However, notwithstanding the headwinds in the global environment, the Bank believes that it will be able to weather the downturn. The Bank will continue to closely monitor the progression of this pandemic, evaluate and proactively assess and respond to its impact on the financial position and operating results of the Group. For more information on the impact of COVID-19, please refer to the risk factors entitled "*Risks Relating to the PRC – The PRC's economic, political and social conditions, as well as government policies, could affect the Bank's business, financial condition and results of operations.*" and "*Risks Relating to the PRC – Any force majeure events, including future occurrence of natural disasters or outbreaks of contagious diseases in the PRC, may affect the Bank's business operations, financial condition and results of operations to certain extent.*".

In addition, since 2021, as an important participant in the market construction, the Bank issued several tranches of theme bonds in the domestic market. For more details, please refer to the section entitled "*Description of the Business – Credit Strengths – Important Participant in the Market Construction*".

1 Note: The cost to income ratio is calculated by dividing operating and administrative expense by operating income.

CREDIT STRENGTHS

The Bank believes that it has the following credit strengths:

Strong Credit Profile

As the only agricultural policy-oriented statutory bank in the PRC under the direct authority of the State Council, the Bank always implements the national agricultural policies as its top priority and further makes full use of its role as a policy bank to exercise nationwide macroeconomic control and promotes the development of "Agriculture, Rural Areas and Farmers".

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

The Bank enjoys the same recognition in terms of ratings as China's sovereign debt. Please refer to "*Principal Businesses – International Business*".

Unique Position as the Sole Agricultural Policy Bank

As the PRC has the largest population in the world, agriculture plays a key role in the economic development and stability of society in the country. As the sole agricultural policy bank in the PRC, the Bank plays an important role in maintaining national food security, stability of the grain and cotton markets, protecting farmers' interests as well as serving rural revitalisation strategy. This is reflected in the Rural Revitalisation Strategic Plan from 2018 to 2022 released by the Central Committee of CPC and the State Council which outlines the major targets for agricultural output over the next five years and No. 1 Central Document issued by the Central Committee of CPC and the State Council from 2015 to 2018. In No. 1 Central Document issued in 2015, the Central Committee of CPC and the State Council have specified that the Bank should strengthen its policy function as well as increase lending to construction of agricultural and rural infrastructure including conservancy and roads in poor areas. In No. 1 Central Document issued in 2016, the Central Committee of CPC and the State Council have stressed that the Bank should strengthen its medium to long term credit loans in "Agriculture, Rural Areas and Farmers". In No. 1 Central Document issued in 2017, the Central Committee of CPC and the State Council have in particular specified that the Bank will improve the risk compensation mechanism and capital supplement system and increase credit support for the acquisition of entities in the diversified food market. In No. 1 Central Document issued in 2018, the Central Committee of CPC and the State Council have in particular specified that the Bank will clarify its positioning of responsibilities in rural revitalisation, strengthen innovation in financial services and increase medium to long term credit support for rural revitalisation. In No. 1 Central Document issued in 2019, the Central Committee of CPC and the State Council have specified that the Bank shall adhere to its functional position of agricultural policy-oriented bank and play the main and role in weak areas such as food security and poverty alleviation.

Serving Significant National Strategies

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

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

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

One of the Main Onshore Issuers

The Bank is one of the largest bond-issuing entities in the PRC bond market. As at 31 December 2020, the Bank issued financial bonds of 1,643 tranches in total in the PRC, in an aggregated amount of CNY10.65 trillion. For the year ended 2020, the Bank issued financial bonds in the PRC in an aggregated amount of CNY1.51 trillion, along with a total worth of CNY5.24 trillion of onshore bonds outstanding, solidifying the Bank's position as the third largest issuer in China's bond market. In addition, all the payments under the bonds issued by the Bank are on schedule, and no breach occurred in respect of the bonds.

Important Participant in the Market Construction

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

- In February 2020, the Bank issued a tap of a CNY1.5 billion five-year fixed rate bonds, which are listed and/or traded on five stock exchanges internationally, including the Hong Kong Stock Exchange, the LuxSE, the Frankfurt Stock Exchange, the London Stock Exchange and Chongwa (Macao) Financial Asset Exchange Co., Ltd.;

- In May 2020, the Bank initiated its regular issuance of seven-year ecological and environmental protection themed bonds at the Shanghai Clearing House;

- As at 13 July 2020, the Bank has issued 1,519 batches of policy financial bonds in the PRC and raised more than CNY10 trillion in total;

- In August 2020, the Bank issued a CNY2.5 billion three-year fixed rate bonds and a CNY1.8 billion five-year fixed rate bonds, both of which are listed and/or traded on five stock exchanges internationally, including the Hong Kong Stock Exchange, the LuxSE, the Frankfurt Stock Exchange, the London Stock Exchange and Chongwa (Macao) Financial Asset Exchange Co., Ltd.;

- In August 2020, the Bank successfully issued the CNY5 billion five-year financial bonds and CNY5 billion seven-year financial bonds on the Shanghai Stock Exchange on the theme of supporting the construction of high-standard farmland, with CNY10 billion in total;

- In October 2020, the Bank priced and issued CNY2.2 billion three-year fixed rate bonds, CNY1.5 billion five-year fixed rate bonds and CNY2.0 billion ten-year fixed rate bonds, which used ePrime for its book-building of bond issuance for the first time;

- In October 2020, the Bank launched a standard bond forward product together with the Foreign Exchange Trade Center and Shanghai Clearing House for agricultural development bonds, 35 financial institutions participated in the transaction on the day of launch, and 369 transactions were made with a final amount of CNY8.01 billion;

- On 8 April 2021, the Bank issued a tap of CNY10 billion 5-year and 7-year themed bonds on the Shanghai Stock Exchange to support high-standard farmland;

- On 26 May 2021, the Bank issued CNY5 billion one-year themed financial bonds to support cold chain logistics construction, which is the first issuance in the market; and the proceeds from the bonds will be mainly used for loan provision on cold chain logistics construction in agricultural frozen processing, frozen storage, frozen transportation, and frozen sales;

- On 19 July 2021, the Bank issued CNY3 billion three-year themed financial bonds to support the construction of the "Southern Silicon Valley", which is the first issuance in the market; and

- In September 2021, the Bank issued CNY3 billion bonds, which is the first domestic carbon neutral bonds for forest carbon sinks, with a subscription rate of 8.61 times, and simultaneously issued CNY600 million over-the-counter bonds.

Awards

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

- "National Poverty Alleviation Award" issued by the Leading Group for Poverty Alleviation and Development of the State Council for five consecutive years from 2016 to 2020;

- "Success of Three Critical Battles Awards" and "Best Targeted Poverty Alleviation Contributor" by China Banking Association;

- "Professional Financial Institutions Service Awards" and "Professional Bond Issuance Award of Innovation" of 2019 by Hong Kong Commercial Daily, Economic Herald, Hong Kong 020 E-commerce Federation ("**HKOEF**") and China Enterprise Reputation & Credibility Association (Overseas);

- Selected and ranked 8th as "the safest bank in the global 50 emerging market countries in 2020" by the US financial magazine Global Finance;

- "Excellent Issuer of Bond Connect" and "Bond Connect Market Promotion" selected by Bond Connect Company Limited;

- "Outstanding Policy Financial Bond Issuer" and "The Social-responsive Issuer" of 2020 by China Central Depository & Clearing Co., Ltd.;

- "Top 300 Interbank Local Currency Market Traders of 2020" and "Active Interbank Local Currency Market Traders of 2020" by China Foreign Exchange Trade Center;

- "Financial Anti-epidemic Excellence Award", "Outstanding Issuer (Banking Institution)", "Outstanding Innovative Business Promotion Institution" by the Clearing House Financial Market Co., Ltd.;

- "Best Bank in Providing Financial Service for Agriculture, Rural Areas, and Farmers" and "Best Bond Market Social Responsibility Institution of the Year" by the Financial Times, and the "Agricultural Development Bank of China successfully piloted the 'New Debt ePrime' overseas issuance system of the Bond Exchange Company in 2020" as one of the hottest ten pieces of news in the Chinese capital markets in 2020;

- "Evergreen Award – Contribution to Poverty Alleviation through Sustainable Development" by Finance and Economics;

- "Best Policy Bank in 2020" by Sina Finance; and

- "Special Contribution to the Fight against Epidemics in China's Financial Sector in 2020" jointly awarded by The Hong Kong Business Journal, the Hong Kong Financial Development Association, the Global Business Journal Alliance and the Hong Kong Chamber of Commerce in China.

Experienced Management Team Appointed by the State Council

Pursuant to the Bank's Articles of Association, the chairman, vice chairman, president and vice-presidents of the Bank are appointed by the State Council. The Bank believes that its management team (comprising of the chairman and executive director, Mr. Qian Wenhui, the vice chairman, the executive director and president, Mr. Zhan Dongsheng, the head of the discipline inspection team of the central commission for discipline inspection and the state commission for discipline inspection, Mr. Wang Zhaohe, the executive director and vice-president, Mr. Sun Lansheng, the vice-president, Mr. Xu Yiding, the vice-president, Mr. Zhao Peng, the vice-president, Mr. Zhang Wencai, the assistant to president, Mr. Zhu Yuanyang, the secretary of the board, Mr. Zhou Liangwei and the chief risk officer, Mr. Li Xiaohui) is well experienced in the banking industry and capable of providing expertise to achieve the Bank's business development objectives.

Comprehensive Risk Management System and Improved Internal Operational Mechanism

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

As at 31 December 2020, the outstanding amount of NPL of the Bank decreased by CNY11.9 billion from 31 December 2019 to CNY21.9 billion. The NPL ratio was 0.36 per cent., representing a decrease of 0.25 per cent. from 31 December 2019.

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

The net profits of the Group increased from CNY19.213 billion for the year ended 31 December 2019 to CNY20.531 billion for the year ended 31 December 2020. The Group's cost to income ratio for the year ended 31 December 2020 was 26.59 per cent., representing a decrease of 1.47 per cent. from the year ended 31 December 2019.

ORGANISATIONAL STRUCTURE

The headquarters of the Bank is located in Beijing. As at 31 December 2020, there was a business outlet of the headquarters of the Bank, 31 provincial branches, 338 regional/municipal branches (including the business outlets equivalent to provincial branches) and 1,830 sub-branches at the county/township-level (including the business outlets equivalent to regional/municipal branches), with a network covering all regions in the PRC.

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

THE OFFERING

The following summary contains some basic information about the Bonds and is qualified in its entirety by the remainder of this Offering Circular. Some of the terms described below are subject to important limitations and exceptions. Words and expressions defined in the "Terms and Conditions of the 2024 Bonds", "Terms and Conditions of the 2026 Bonds" and "Terms and Conditions of the 2031 Bonds" shall have the same meanings in this summary. For a complete description of the terms of the Bonds, see "Terms and Conditions of the 2024 Bonds", "Terms and Conditions of the 2026 Bonds" and "Terms and Conditions of the 2031 Bonds" in this Offering Circular.

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

Issuer	Agricultural Development Bank of China.
Legal Entity Identifier of the Issuer	300300C1020311000158.
2024 Bonds	CNY1,750,000,000 in aggregate principal amount of 2.90 per cent. bonds due 2024.
2026 Bonds	CNY1,700,000,000 in aggregate principal amount of 3.05 per cent. bonds due 2026.
2031 Bonds	CNY550,000,000 in aggregate principal amount of 3.35 per cent. bonds due 2031.
Issue Price	100.00 per cent. for the 2024 Bonds. 100.00 per cent. for the 2026 Bonds. 100.00 per cent. for the 2031 Bonds.
Form and Denomination	The Bonds will be issued in registered form in denominations of CNY1,000,000 and integral multiples of CNY10,000 in excess thereof.
Interest	The 2024 Bonds will bear interest from (and including) 2 November 2021 at the rate of 2.90 per cent. per annum payable semi-annually in arrear on 2 May and 2 November in each year commencing on 2 May 2022, **provided that** if any Interest Payment Date would otherwise fall on a day which is not a business day, it shall be postponed to the next day which is a business day unless it would thereby fall into the next calendar month in which event it shall be brought forward to the immediately preceding business day.

The 2026 Bonds will bear interest from (and including) 2 November 2021 at the rate of 3.05 per cent. per annum payable semi-annually in arrear on 2 May and 2 November each year commencing on 2 May 2022, **provided that** if any Interest Payment Date would otherwise fall on a date which is not a business day, it will be postponed to the next business day unless it would thereby fall into the next calendar month, in which case it will be brought forward to the immediate preceding business day.

The 2031 Bonds will bear interest from (and including) 2 November 2021 at the rate of 3.35 per cent. per annum payable semi-annually in arrear on 2 May and 2 November each year commencing on 2 May 2022, **provided that** if any Interest Payment Date would otherwise fall on a date which is not a business day, it will be postponed to the next business day unless it would thereby fall into the next calendar month, in which case it will be brought forward to the immediate preceding business day.

Issue Date. . . . . 2 November 2021.

Maturity Date. . . . . 2024 Bonds: The Interest Payment Date falling on, or nearest to, 2 November 2024.

2026 Bonds: The Interest Payment Date falling on, or nearest to, 2 November 2026.

2031 Bonds: The Interest Payment Date falling on, or nearest to, 2 November 2031.

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

Negative Pledge . . . . Each series of the Bonds will contain a negative pledge provision as further described in Condition 3(a) (*Negative Pledge*) of the Terms and Conditions of the Bonds.

Events of Default	Each series of the Bonds will contain certain events of default provisions as further described in Condition 8 (*Events of Default*) of the Terms and Conditions of the Bonds.
Redemption at Maturity	Unless previously redeemed, or purchased and cancelled, the 2024 Bonds will be redeemed at their principal amount on the Interest Payment Date falling on, or nearest to, 2 November 2024. Unless previously redeemed, or purchased and cancelled, the 2026 Bonds will be redeemed at their principal amount on the Interest Payment Date falling on, or nearest to, 2 November 2026. Unless previously redeemed, or purchased and cancelled, the 2031 Bonds will be redeemed at their principal amount on the Interest Payment Date falling on, or nearest to, 2 November 2031.
Redemption for Tax Reasons . . .	Each series of the Bonds may be redeemed at the option of the Bank in whole, but not in part, at any time at their principal amount, together with interest accrued to the date fixed for redemption, in the event of certain changes affecting taxes of the PRC or any political subdivision or any authority thereof or therein having power to tax, as further described in Condition 5(b) (*Redemption for tax reasons*) of the Terms and Conditions of the Bonds.
Taxation	All payments of principal and/or interest in respect of each series of the Bonds will be made free and clear of, and without deduction or withholding for or on account of any present or future taxes, duties, assessment or governmental charges of whatever nature imposed or levied by or on behalf of the PRC or by or within any of its political subdivisions or authorities having power to tax (a "**PRC Tax**"), unless deduction or withholding of such PRC Tax is compelled by law. In that event, the Bank shall (except in certain circumstances as set out in the Terms and Conditions of the Bonds) pay such additional amounts as will result in the receipt by the Bondholders of such amounts which would otherwise have been receivable in respect of principal and/or interest had no such deduction or withholding been required. See "*Terms and Conditions of the 2024 Bonds – Taxation*", "*Terms and Conditions of the 2026 Bonds – Taxation*" and "*Terms and Conditions of the 2031 Bonds – Taxation*".

Clearing Systems	Each series of the Bonds will be represented by beneficial interests in Global Bond Certificate in registered form, which will be registered in the name of, and lodged with a sub-custodian for the Hong Kong Monetary Authority as operator of the CMU. Beneficial interests in the Global Bond Certificates will be shown on and transfers thereof will be effected only through records maintained by the CMU. For persons seeking to hold a beneficial interest in the Bonds through Euroclear and Clearstream, such persons will hold their interest through an account opened and held by Euroclear or Clearstream with CMU. Except in the limited circumstances described in the Global Bond Certificates, individual certificates for the Bonds will not be issued in exchange for beneficial interests in the relevant Global Bond Certificate.
Clearance and Settlement	The 2024 Bonds have been accepted for clearance through CMU under the following securities codes: CMU Instrument Number: BCMKFB21006 ISIN: HK0000778198 Common Code: 238986290 The 2026 Bonds have been accepted for clearance through CMU under the following securities codes: CMU Instrument Number: BCMKFB21007 ISIN: HK0000778206 Common Code: 238986346 The 2031 Bonds have been accepted for clearance through CMU under the following securities codes: CMU Instrument Number: BCMKFB21008 ISIN: HK0000778214 Common Code: 238986362
Governing Law.	English law.

Arbitration	Any dispute, controversy or claim arising out of or relating to the Bonds, including any question regarding the breach, termination, existence or invalidity thereof, shall be settled by arbitration administered by the Hong Kong International Arbitration Centre (the "**HKIAC**") in accordance with the HKIAC Administered Arbitration Rules then in force when the notice of arbitration is submitted in accordance with such Rules. The seat of arbitration shall be in Hong Kong and the language of the arbitration shall be English. The governing law of the arbitration agreement shall be English law.
Fiscal Agent, Registrar and Transfer Agent	Bank of Communications Co., Ltd. Hong Kong Branch.
Listing	An application has been made to the Luxembourg Stock Exchange for the Bonds to be admitted to trading on the EuroMTF market and listed on the Official List of the Luxembourg Stock Exchange. Application has also been made to the London Stock Exchange for the Bonds to be admitted to trading on the ISM. The ISM is not a regulated market for the purposes of MiFID II. Such admission to trading is expected to be effective on or immediately following the Issue Date. Application will be made to the MOX for the listing of the Bonds by way of debt issues to MOX Professional Investors only. Admission to the listing of the Bonds on the MOX shall not be taken as an indication of the merits of the Issuer or the Bonds. Application will be made to the Frankfurt Stock Exchange for the Bonds to be admitted to trading in the Quotation Board of the Open Market (*Freiverkehr*) at the Frankfurt Stock Exchange and the Bonds will be available for trading on the China Europe International Exchange AG (CEINEX). Approval in-principle has been received from the SGX-ST for the listing of and quotation for the Bonds on the Official List of the SGX-ST. The Bonds will be traded on the SGX-ST in a minimum board lot size of S$200,000 (or its equivalent in other currencies) for so long as the Bonds are listed on the SGX-ST and the rules of the SGX-ST so require.

Rating	Each series of the Bonds are expected to be rated "A+" by S&P. Security ratings are not recommendations to buy, sell or hold the Bonds. Such rating is subject to revision or withdrawal at any time by the relevant rating agency.
Further Issues	The Bank may from time to time, without the consent of the Bondholders, create and issue further bonds having the same terms and conditions as the Bonds in all respects, except for the issue date, issue price and the first payment of interest thereon. Additional bonds issued in this manner will be consolidated with and will form a single series with the Bonds.
Use of Proceeds	The net proceeds from the issue of the Bonds will be used for funding the general credit business, working capital and general corporate purposes. See "*Use of Proceeds*".

SELECTED FINANCIAL INFORMATION

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

The selected consolidated financial information as at and for the years ended 31 December 2019 and 2020, as set forth below, has been derived from and should be read in conjunction with, the Group's 2020 Audited Consolidated Financial Statements which have been audited by PwC, the English translation of which was prepared by the Bank and is included elsewhere in this Offering Circular for reference. The Group's 2020 Audited Consolidated Financial Statements have been prepared by the Bank in accordance with the PRC GAAP.

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

CONSOLIDATED STATEMENT OF THE GROUP'S FINANCIAL POSITION

	As at 31 December	
	2020	**2019**
	(Audited)	*(Audited)*
	CNY	
Assets		
Cash and deposits with the Central Bank	121,383,671,368.80	237,890,696,689.38
Deposits with banks and non-bank financial institutions	342,149,228,689.79	254,623,960,060.61
Placements with banks and non-bank financial institutions	65,626,560,000.00	83,125,409,553.60
Financial assets at fair value through profit or loss	265,806,625,303.43	296,626,650,655.12
Financial assets held under resale agreements	148,495,684,956.00	98,529,555,608.80
Interest receivable	20,518,326,830.40	19,881,905,927.61
Loans and advances to customers	5,909,879,121,007.90	5,378,867,574,165.61
Available-for-sale financial assets	1,226,788,400.00	1,242,902,900.00
Held-to-maturity investment	114,105,056,353.55	122,586,995,344.00
Investment classified as receivables	391,322,588,297.61	441,998,711,371.16
Long-term equity investment	3,911,512,818.64	2,559,839,022.57
Fixed assets	15,964,204,830.65	15,933,587,087.55
Intangible assets	807,141,975.48	661,684,603.27
Goodwill	17,503,168.89	17,503,168.89
Deferred tax assets	56,912,260,625.51	48,175,097,949.31
Other assets	2,098,182,873.29	5,813,915,976.12
Total Assets	7,460,224,457,499.94	7,008,535,990,083.60

	As at 31 December	
	2020	**2019**
	(Audited)	*(Audited)*
	CNY	
Liabilities		
Borrowings from the Central Bank	777,337,280,000.00	681,400,000,000.00
Deposits from banks and non-bank financial institutions	1,430,859,452.94	285,564,263,156.59
Placements from banks and non-bank financial institutions	–	78,155,000.00
Derivative financial liabilities	308,429,979.47	159,709,623.78
Due to customers	1,069,903,682,324.02	1,213,706,527,830.24
Employee benefits payable	9,648,947,209.45	9,702,361,262.45
Tax payable	13,754,461,042.17	7,872,378,181.55
Interest payable	122,218,810,530.11	113,916,821,218.99
Provisions	11,158,687,442.48	9,484,204,492.99
Debt securities issued	5,258,742,301,325.81	4,509,905,875,174.76
Other liabilities	2,204,212,890.99	3,791,438,382.74
Total Liabilities	7,266,707,672,197.44	6,835,581,734,324.09
Equity		
Share capital	133,000,000,000.00	57,000,000,000.00
Capital reserve	12,482,132.35	12,397,525.36
Other comprehensive income	53,964,523.20	22,053,507.22
Surplus reserve	17,531,075,726.59	15,478,874,965.07
General risk reserve	24,000,000,000.00	24,000,000,000.00
Retained earnings	18,894,330,633.19	76,418,811,155.31
Attributable to equity shareholders of the Bank	193,491,853,015.33	172,932,137,152.96
Minority interests	24,932,287.17	22,118,606.55
Total Equity	193,516,785,302.50	172,954,255,759.51
Total Liabilities and Equity	7,460,224,457,499.94	7,008,535,990,083.60

CONSOLIDATED STATEMENT OF THE GROUP'S COMPREHENSIVE INCOME

	For the year ended 31 December	
	2020	**2019**
	(Audited)	*(Audited)*
	CNY	
Operating Income	95,510,420,334.09	88,845,691,803.10
Net interest income	81,587,089,051.04	71,720,445,441.08
Interest income	285,773,660,531.88	265,162,153,110.44
Interest expenses	(204,186,571,480.84)	(193,441,707,669.36)
Net fee and commission income	(130,710,428.48)	204,099,740.38
Fee and commission income	53,112,906.72	368,944,893.30
Fee and commission expenses	(183,823,335.20)	(164,845,152.92)
Investment income	19,624,885,437.20	22,162,068,674.07
Including: Share of profit in associates and joint ventures	46,506,573.10	60,385,889.50
Net losses on fair value changes	(5,942,683,199.40)	(5,504,399,413.77)
Foreign exchange gains and losses	84,448,628.58	95,322,915.11
Other operating income	46,031,026.09	43,531,775.26
Assets disposal income	186,251,819.61	88,591,011.56
Other income	55,107,999.45	36,031,659.41
Operating Expenses	(72,116,442,411.33)	(67,334,090,333.39)
Taxes and surcharges	(1,302,545,981.38)	(1,156,007,376.12)
Operating and administrative expenses	(25,395,932,295.26)	(24,931,335,392.63)
Impairment losses on assets	(45,125,561,160.45)	(40,927,341,109.66)
Other operating expenses	(292,402,974.24)	(319,406,454.98)
Operating Profit	23,393,977,922.76	21,511,601,469.71
Add: Non-operating income	146,972,496.80	197,526,260.98
Less: Non-operating expenses	(237,105,458.08)	(349,716,346.44)
Profit before Income Tax	23,303,844,961.48	21,359,411,384.25
Less: Income tax expense	(2,773,311,041.46)	(2,146,482,935.25)
Net Profit	20,530,533,920.02	19,212,928,449.00
Attributable to equity shareholders of the Bank	20,527,720,239.40	19,212,084,277.77
Minority interests	2,813,680.62	844,171.23
Other Comprehensive Income, Net of Tax	31,911,015.98	53,274,693.28
Attributable to equity shareholders of the Bank	31,911,015.98	53,274,693.28
Other comprehensive income that may be reclassified to profit or loss in subsequent periods		
– Share of other comprehensive income in investee under equity method that may be reclassified to profit or loss	55,129,806.86	8,931,793.28
– Net gains on fair value changes of available-for-sale financial assets	(23,171,600.00)	44,342,900.00
Attributable to minority interests	(47,190.88)	–
Total Comprehensive Income	20,562,444,936.00	19,266,203,142.28
Total comprehensive income attributable to:		
Equity shareholders of the Bank	20,559,631,255.38	19,265,358,971.05
Minority interests	2,813,680.62	844,171.23

CONSOLIDATED STATEMENT OF THE GROUP'S CASH FLOWS

	For the year ended 31 December	
	2020	**2019**
	(Audited)	*(Audited)*
	CNY	
1. Cash Flows from Operating Activities:		
Net decrease in deposits with the Central Bank, banks and non-bank financial institutions	11,392,389,855.68	190,832,069,919.46
Net increase in borrowings from the Central Bank	95,937,280,000.00	3,000,000,000.00
Net decrease in placements with other financial institutions	–	119,700,000,000.00
Net increase in placements from other financial institutions	–	78,155,000.00
Cash received from interest, fee and commission	293,518,164,709.55	268,066,016,960.85
Cash received from other operating activities	3,969,146,746.85	1,886,148,331.65
Subtotal of Cash Inflow from Operating Activities	404,816,981,312.08	583,562,390,211.96
Net increase in loans and advances to customers	(572,670,436,901.96)	(500,939,455,256.46)
Net decrease in deposits from customers and from banks and non-bank financial institutions	(427,936,249,209.87)	(174,588,168,198.10)
Net decrease in placements with other financial institutions	(78,155,000.00)	–
Net increase in financial assets held under resale agreements	(50,041,772,000.00)	(9,542,402,000.00)
Cash paid for interest, fee and commission	(34,163,121,816.41)	(38,824,643,043.69)
Cash paid to and for employees	(19,496,367,372.86)	(17,481,421,746.27)
Payments of all types of taxes	(16,414,232,931.20)	(22,800,912,216.96)
Cash paid relating to other operating activities	(6,960,850,989.52)	(8,041,151,315.50)
Subtotal of Cash Outflow from Operating Activities	(1,127,761,186,221.82)	(772,218,153,776.98)
Net Cash Flows from Operating Activities	(722,944,204,909.74)	(188,655,763,565.02)

	For the year ended 31 December	
	2020	**2019**
	(Audited)	*(Audited)*
	CNY	
2. Cash Flows From Investing Activities:		
Proceeds from sale and redemption of investment	599,284,308,425.24	651,526,446,628.99
Proceeds from investment income	20,389,164,603.42	28,449,354,355.55
Proceeds from other investing activities	332,435,985.44	461,533,781.01
Subtotal of Cash Inflow from Investing Activities	620,005,909,014.10	680,437,334,765.55
Purchase of investments	(516,200,000,000.00)	(599,515,000,000.00)
Purchase of fixed assets, intangible assets and other long-term assets	(1,642,765,436.91)	(1,588,093,323.55)
Acquisition of subsidiaries, associates and joint ventures	(1,250,000,000.00)	(704,789,315.49)
Subtotal of Cash Outflow from Investing Activities	(519,092,765,436.91)	(601,807,882,639.04)
Net Cash Flows from Investing Activities	100,913,143,577.19	78,629,452,126.51
3. Cash Flows from Financing Activities:		
Proceeds from debt securities issued	1,523,729,067,236.11	1,163,469,068,123.16
Subtotal of Cash Inflow from Financing Activities	1,523,729,067,236.11	1,163,469,068,123.16
Repayments of debts	(776,323,573,848.95)	(856,505,011,294.01)
Cash payments for interest	(160,327,236,363.73)	(153,856,810,526.07)
Subtotal of Cash Outflow from Financing Activities	(936,650,810,212.68)	(1,010,361,821,820.08)
Net Cash Flows from Financing Activities	587,078,257,023.43	153,107,246,303.08
4. Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents	(52,227,555.76)	17,282,500.66
5. Net Increase/(Decrease) in Cash and Cash Equivalents	(35,005,031,864.88)	43,098,217,365.23
Add: Opening balance of cash and cash equivalents	229,251,923,897.33	186,153,706,532.10
6. Closing Balance of Cash and Cash Equivalents	194,246,892,032.45	229,251,923,897.33

RISK FACTORS

An investment in the Bonds is subject to a number of risks. The following highlights some key characters of the Bank's role as the only agricultural policy-oriented statutory bank in the PRC under the direct authority of the State Council and some risks relating to the Group, its business, financial condition and the results of operations. All of these factors are contingencies which may or may not occur and the Bank is not in a position to express a view on the likelihood of any such contingency occurring.

The Bank does not represent that the statements below regarding the risk factors are exhaustive. Prospective investors should carefully consider all the detailed information set out elsewhere in this Offering Circular and reach their own views prior to making any investment decision.

RISKS RELATING TO THE BANK

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

As the only agricultural policy-oriented statutory bank in the PRC under the direct authority of the State Council, the Bank plays a significant role in implementing the national agricultural policies, exercising nationwide macro-economic control and promoting the development of "Agriculture, Rural Areas and Farmers". Relying on the credit support provided by the PRC government, the Bank's primary purpose is to raise funds for agricultural supporting credit business. The Bank plays a fundamental and major role in the rural agricultural financial system, and continues to place a strong emphasis in its support for key areas in agricultural industry and rural areas to promote sustainable and healthy economic and social development.

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

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

In order to implement the PRC government's agricultural policies, the Bank undertakes its agricultural policy-oriented financial businesses required by the PRC government in accordance with the laws, regulations and policies of the PRC. As a policy-oriented financial institution, the credit profile of borrowers is one of the principal considerations of the Bank when deciding to extend credits in its policy-oriented financial businesses.

Notwithstanding its policy functions, the Banks strives to preserve its capital and achieves moderate profits. For example, it was able to maintain a relatively low historical non-performing loan ratio in the past. As at 31 December 2020, the balance of the non-performing loans of the Bank was CNY21.9 billion, and the non-performing loan ratio is 0.36 per cent. The Bank cannot assure that its credit quality will remain unchanged, that the balance of its non-performing loans will not increase.

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

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

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

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

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

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

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

RISKS RELATING TO THE PRC

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

A substantial majority of the Bank's businesses, assets and operations are located in the PRC. Accordingly, the Bank's financial condition, results of operations and business prospects are, to a significant degree, subject to the economic, political and legal developments in the PRC. The PRC's economy differs from the economies of most developed countries in many respects, including, among other things, government involvement, level of development, growth rate, control of foreign exchange and allocation of resources.

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

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

Separately, the outbreak of the coronavirus disease in 2019 ("**COVID-19**") and its recent variant virus such as Delta virus, and their spread worldwide is expected to introduce more uncertainty and volatility in global markets. Although the rollout of vaccines for the COVID-19 is making progress worldwide, it remains unknown when the ongoing situation will improve and whether any effective containment of the spread of the coronavirus can be achieved. The ongoing outbreak of COVID-19 has also resulted in increased travel restrictions and extended delay or suspension of some business activities on a global level. Please refer to "*Risk Factors – Risks Relating to the PRC – Any force majeure events, including future occurrence of natural disasters or outbreaks of contagious diseases in the PRC, may affect the Bank's business operations, financial condition and results of operations to certain extent*".

In addition, as the COVID-19 outbreak hampers business activities in the world, including China, CBIRC has promulgated a series of measures to relax credit controls and increase financial support to small and medium-sized enterprises to combat the challenges arising from the COVID-19 outbreak. In particular, it has encouraged banking institutions to increase lending to small and medium-sized enterprises by lowering loan rates and increasing the amounts these enterprises could borrow. However, small and medium-sized enterprises are more vulnerable to fluctuations in the macro-economy and the adverse impact brought by major economic crisis or regulatory changes. In addition, these enterprises may not be able to provide reliable information necessary for the Bank to assess the credit risks involved. In the absence of accurate assessment of the relevant credit risks, the non-performing loans of the Bank may be slightly increased if its small and medium-sized enterprise clients are affected by major economic crisis or regulatory changes. Such adverse effects are limited in scope and manageable considering the low proportion of loans to small and micro-sized businesses of the Bank. However, this may still have an impact on the Bank's overall risk profile and quality of the loan portfolio, which could in turn materially and adversely affect its business, financial condition and results of operations.

The Group has duly implemented various policies issued by the PRC central government, as well as requirements of the Notice on Further Enhancing Financial Support for the Prevention and Control of the Novel Coronavirus Pneumonia Outbreak, which was jointly published by the PBOC, the MOF, the CBIRC, the CSRC and the State Administration of Foreign Exchange, and strengthened financial support for the prevention and control of the pandemic. COVID-19 has affected the operation of businesses in certain areas and industries to varying degrees. This in turn may affect the quality or the yields of the Group's credit assets and investment assets, which could in turn materially and adversely affect its business, financial condition and results of operations. For further information, please refer to the section entitled "*Description of the Business – Recent Developments*".

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

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

The Bank is a statutory bank organised under the laws of the PRC. The PRC legal system is based on written statutes. The PRC government has promulgated laws and regulations dealing with economic matters as the issuance and trading of securities, shareholder rights, foreign investment, corporate organisation and governance, commerce, taxation and trade. However, many of these laws and regulations may continue to evolve, may be subject to different interpretation and may be inconsistently enforced. In addition, there is only a limited volume of published court decisions which may be cited for reference, and such cases have limited precedential value as they are not binding on subsequent cases. These uncertainties relating to the interpretation of PRC laws and regulations can affect the legal remedies and protection that are available to investors and can adversely affect the value of an investment.

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

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

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

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

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

The value of the Renminbi against the U.S. dollar and other currencies fluctuates and is affected by, among other things, changes in the PRC's and international political and economic conditions and the PRC government's fiscal and currency policies. Since 1994, the conversion of Renminbi into foreign currencies, including Hong Kong and U.S. dollars, has been based on rates set by the PBOC, which are set daily based on the previous business day's inter-bank foreign exchange market rates and current exchange rates on the world financial markets. From 1994 to 20 July 2005, the official exchange rate for the conversion of Renminbi to U.S. dollars was generally stable. On 21 July 2005, the PRC government adopted a more flexible managed floating exchange rate system to allow the value of the Renminbi to fluctuate within a regulated band that is based on market supply and demand and reference to a basket of currencies. On the same day, the value of the Renminbi appreciated by approximately 2.1 per cent. against the U.S. dollar. In August 2008, the PRC revised the PRC Foreign Exchange Administration Regulations (中華人民共和國外匯管理條例) to promote the reform of its exchange rate regime. In June 2010, the PBOC decided to further reform the PRC's exchange rate system in order to make it more flexible. Any appreciation of the Renminbi against the U.S. dollar or any other foreign currencies may result in the decrease in the value of the Bank's foreign currency-denominated assets. In addition, there are limited instruments available for the Bank to reduce its foreign currency risk exposure at reasonable costs. Any appreciation of the Renminbi against the U.S. dollar or any other foreign currencies may materially and adversely affect the financial conditions of certain of the Bank's customers, particularly those deriving substantial income from exporting products or engaging in related businesses, and in turn affect their abilities to service their obligations to the Bank. Furthermore, the Bank is also currently required to obtain the approval of the SAFE before converting significant sums of foreign currencies into Renminbi. All of these factors could materially and adversely affect the Bank's financial condition, results of operations and compliance with capital adequacy ratios and operational ratios.

The outbreak of contagious diseases in the PRC and/or around the world may lead to higher volatility in the global capital markets, which may affect the Bank's business, financial condition and results of operations to certain extent.

The outbreak of communicable diseases such as the COVID-19 outbreak on a global scale may affect investment sentiment and result in sporadic volatility in global capital markets. In addition, such outbreaks may result in restrictions on travel and public transport and prolonged closures of workplaces which may have a material adverse effect on the global economy. Any material change in the financial markets or the PRC economy or regional economies as a result of these events or developments may affect the Bank's business, financial condition and results of operations to certain extent.

Any force majeure events, including future occurrence of natural disasters or outbreaks of contagious diseases in the PRC, may affect the Bank's business operations, financial condition and results of operations to certain extent.

Any future force majeure events, such as the occurrence of natural disasters or outbreaks of health epidemics and contagious diseases, including COVID-19, avian influenza, severe acute respiratory syndrome ("**SARS**") and swine flu caused by H1N1 virus, or H1N1 Flu or variants thereof, may affect the Bank's business, financial condition and results of operations. Possible force majeure events may give rise to additional costs to be borne by the Bank and have adverse effects on the quality of its assets, business, financial condition and results of operations. An outbreak of a health epidemic or contagious disease could result in a widespread health crisis and restrict the level of business activity in affected areas, which may affect the Bank's business to certain extent. Moreover, the PRC has experienced natural disasters like earthquakes, floods and drought in the past few years. In particular, the COVID-19 epidemic may further create negative economic impact and increase volatility in the PRC and global market and continue to cause increasing concerns over the prospects of the financial market in PRC. Starting from February 2020, the COVID-19 outbreak has caused stock markets worldwide to lose significant value and impacted economic activities in Asia and worldwide. A number of governments revised GDP growth forecasts downward in response to the economic slowdown caused by the spread of COVID-19, and it is possible that the outbreak of COVID-19 may cause a prolonged global economic crisis or recession.

Any future occurrence of severe natural disasters in the PRC may adversely affect its economy and in turn the Bank's business. There can be no guarantee that any future occurrence of natural disasters or outbreak of avian influenza, SARS, COVID-19, H1N1 Flu or other epidemics, or the measures taken by the PRC government or other countries in response to a future outbreak of avian influenza, SARS, COVID-19, H1N1 Flu or other epidemics, will not seriously interrupt the Bank's operations or those of its customers, which may possibly have effects on its business, financial condition and results of operations.

RISKS RELATING TO THE BONDS

The Bonds are not guaranteed by the PRC government.

The Bank is a statutory bank organised under the laws of the PRC. Although the Bank is wholly owned by the PRC central government and the PBOC is authorised and obligated pursuant to the PBOC Document to provide loans to the Bank if it experiences any liquidity shortfall, its borrowings and other obligations, including the Bonds, are not guaranteed by the PRC government. When purchasing the Bonds, the Bondholders will be relying upon the Bank's creditworthiness. There is no assurance that the Bank's creditworthiness will not decline as a result of either internal or external factors, such as the Bank's results of operations or general macroeconomic factors. If the Bank becomes insolvent or defaults on its obligations under the Bonds, the Bondholders can only claim against the Bank as an unsecured creditor as the liquidity support obligation of the PBOC does not constitute a guarantee with respect to the obligations of the Bank under the Bonds. The Bondholders may not enforce such liquidity support obligation against the PBOC or the PRC government, nor does it confer upon the Bondholders any other right under or in respect of the PBOC Document. In the worst case scenario, the Bondholders may lose part of the value of their investment.

The Bonds are unsecured obligations.

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

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

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

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

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

Additionally, the investment activities of some investors are subject to legal investment laws and regulations, or review or regulations by relevant authorities. Each potential investor should consult its legal advisers whether any restrictions apply to its purchase of the Bonds.

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

- have sufficient knowledge and experience to make a meaningful evaluation of the Bonds, the merits and risks of investing in the Bonds and the information contained or incorporated by reference in this Offering Circular or any applicable supplement;

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

- have sufficient financial resources and liquidity to bear all of the risks of an investment in the Bonds, including where the currency of the principal, interest or distribution payments is different from the potential investor's currency;

- understand thoroughly the terms of the Bonds and be familiar with the behaviour of any relevant indices and financial markets; and

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

An active trading market for the Bonds may not develop.

The Bonds are a new issue of securities for which there is currently no trading market. Although an application has been made to the Luxembourg Stock Exchange for the Bonds to be admitted to trading on the EuroMTF market and listed on the Official List of the Luxembourg Stock Exchange and an application will be made to the Frankfurt Stock Exchange for the Bonds to be admitted to trading in the Quotation Board of the Open Market (*Freiverkehr*) at the Frankfurt Stock Exchange and the Bonds will be available for trading on the China Europe International Exchange AG (CEINEX), and an application has been made for the Bonds to be admitted to trading on the ISM, and an application has been made to the MOX for the listing of the Bonds by way of debt issues to MOX Professional Investors only, and an application has been made to the SGX-ST for the listing of and quotation for the Bonds on the Official List of the SGX-ST, no assurance can be given that such application will be approved, or even if the Bonds become so listed, an active trading market for the Bonds will develop or be sustained. No assurance can be given as to the ability of holders to sell their Bonds or the price at which holders will be able to sell their Bonds or that a liquid market will develop. The liquidity of the Bonds will be adversely affected if the Bonds are held or allocated to limited investors. In addition, the Bonds are being offered pursuant to exemptions from registration under the Securities Act and, as a result, holders will only be able to resell their Bonds in transactions that have been registered under the Securities Act or in transactions not subject to or exempt from registration under the Securities Act.

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

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

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

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

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

The market price of the Bonds may be adversely affected by declines in the international financial markets and world economic conditions. The market for the Bonds is, to varying degrees, influenced by economic and market conditions in other markets, especially those in Asia. Although economic conditions are different in each country, investors' reactions to developments in one country can affect the securities markets and the securities of issues in other countries, including the PRC. Since the global financial crisis in 2008 and 2009, the international financial markets have experienced, and continue to experience, uncertainty brought on by various political events such as Brexit and monetary policies among the world's major economies, which may prompt a new round of volatility in capital flows. As the United Kingdom officially withdrew from the European Union on 31 January 2020 and the transition period for Brexit ended on 31 December 2020, Brexit may result in volatility in global financial markets and economic uncertainty to not only the economies of the United Kingdom and the European Union but also globally. If similar developments occur in the international financial markets in the future, the market price of the Bonds could be adversely affected.

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

The Bondholders may suffer unforeseen losses due to fluctuations in interest rates. Generally, a rise in interest rates may cause a fall in the prices of the Bonds, resulting in a capital loss for the Bondholders. However, the Bondholders may reinvest the interest payments at higher prevailing interest rates. Conversely, when interest rates fall, the prices of the Bonds may rise. The Bondholders may enjoy a capital gain but interest payments received may be reinvested at lower prevailing interest rates.

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

The Bank may be unable to redeem the Bonds.

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

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

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

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

The Bonds are the Bank's unsecured obligations and will (i) rank equally in right of payment with all the Bank's other present and future unsubordinated and unsecured indebtedness; (ii) be effectively subordinated to all of the Bank's present and future secured indebtedness to the extent of the value of the collateral securing such obligations; and (iii) be senior to all of the Bank's present and future subordinated obligations. As a result, claims of secured lenders, whether senior or junior, with respect to assets securing their loans will be prior with respect to those assets. In the event of the Bank's bankruptcy, insolvency, liquidation, reorganisation, dissolution or other winding up, or upon any acceleration of the Bonds, these assets will be available to pay obligations on the Bonds only after all other debt secured by these assets has been repaid in full. Any remaining assets will be available to the Bondholders rateably with all of the Bank's other unsecured and unsubordinated creditors, including trade creditors. If there are not sufficient assets remaining to pay all these creditors, then all or a portion of the Bonds then outstanding would remain unpaid.

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

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

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

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

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

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

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

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

Each series of the Bonds will initially be represented by a Global Bond Certificate and will be held in CMU ("**Clearing System**"), which is a clearing system run by the Hong Kong Monetary Authority. The relevant Global Bond Certificate will be deposited for safekeeping with a sub-custodian of CMU. Except in the circumstances described in the Global Bond Certificate, investors will not be entitled to receive individual Bond Certificates. The Clearing System will maintain records of the beneficial interests in the relevant Global Bond Certificate.

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

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

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

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

Under the Enterprise Income Tax Law of the PRC (the "**EIT Law**") which took effect on 1 January 2008, and was amended 24 February 2017 and 29 December 2018, and its implementation rules, any gains realised on the transfer of the Bonds by holders who are deemed under the EIT Law as non-resident enterprises may be subject to PRC enterprise income tax if such gains are regarded as income derived from sources within the PRC. Under the EIT Law, a "**non-resident enterprise**" means an enterprise established under the laws of a jurisdiction other than the PRC and whose actual administrative organisation is not in the PRC, which has established offices or premises in the PRC, or which has not established any offices or premises in the PRC but has obtained income derived from sources within the PRC. There remains uncertainty as to whether the gains realised on the transfer of the Bonds by enterprise holders would be treated as incomes derived from sources within the PRC and be subject to PRC enterprise income tax. In addition, there is uncertainty as to whether gains realised on the transfer of the Bonds by individual holders who are not PRC citizens or residents will be subject to PRC individual income tax. If such gains are subject to PRC income tax, the 10 per cent. enterprise income tax rate in the case of non-resident enterprise without offices or premises inside the PRC or with offices or premises within PRC but such gains have no actual connection to the offices or premises, 25 per cent. enterprise income tax rate in the case of non-resident enterprise holders with offices or premises inside the PRC and such gains are obtained by the offices or premises and 20 per cent. individual income tax rate will apply respectively unless there is an applicable tax treaty or arrangement that reduces or exempts such income tax. The taxable income will be the balance of the total income obtained from the transfer of the Bonds minus all costs and expenses that are permitted under PRC tax laws to be deducted from the income. According to the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》) which was promulgated on 21 August 2006, Bondholders who are Hong Kong residents, including both enterprise holders and individual holders, will be exempted from PRC income tax on capital gains derived from a sale or exchange of the Bonds if such capital gains are not connected with an office or establishment that the Bondholders have in the PRC and all the other relevant conditions are satisfied.

Pursuant to the EIT Law, the PRC Individual Income Tax Law (the "**IIT Law**") which was amended on 30 June 2011 and took effect on 1 September 2011, and further amended on 31 August 2018 and took effect on 1 January 2019, and the implementation regulations in relation to both the EIT Law and IIT Law, PRC income tax at a rate of 10 per cent., 25 per cent. or 20 per cent. is normally applicable to PRC-source income derived by non-resident enterprises or individuals respectively, subject to adjustment by applicable treaty. As the Bank is a PRC resident enterprise for tax purposes, interest paid to non-resident Bondholders may be regarded as PRC-sourced, and therefore be subject to PRC income tax at a rate of 10 per cent. for non-resident enterprise Bondholders in the case of non-resident enterprise without offices or premises inside the PRC or with offices or premises within PRC but such gains have no actual connection to the offices or premises, 25 per cent. enterprise income tax rate for non-resident enterprise Bondholders in the case of non-resident enterprise holders with offices or premises inside the PRC and such gains are obtained by the offices or premises and at a rate of 20 per cent. for non-resident individual Bondholders (or a lower treaty rate, if any).

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

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

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

There can be no assurance as to whether or not payments on the Bonds may be made without withholding taxes or deductions applying from the Issue Date on account of any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within the PRC or any subdivision or authority therein or thereof having power to tax. Although pursuant to the Terms and Conditions of the Bonds, the Bank is required to gross up payments on account of any such withholding taxes or deductions (whether by way of enterprise income tax, VAT or otherwise), the Bank also has the right to redeem the Bonds at any time in the event (i) it has or will become obliged to pay additional tax amounts on account of any existing or future withholding or deduction for any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within the PRC in excess of the rate which is applicable on 26 October 2021 as a result of any change in, or amendment to, the laws or regulations of the PRC or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or 26 October 2021, and (ii) such obligation cannot be avoided by the Bank taking reasonable measures available to it.

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

The Bank may issue additional Bonds in the future.

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

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

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

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

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

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

Credit ratings may not reflect all risks.

Each series of the Bonds are expected to be rated "A+" by S&P. Such rating may not reflect the potential impact of all risks related to structure, market and additional factors discussed above, and other factors that may affect the value of the Bonds. A downgrade or potential downgrade in a rating may reduce the number of investors in the Bonds and adversely affect the price and liquidity of the Bonds. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time.

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

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

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

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

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

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

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

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

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

As a result of the restrictions by the PRC government on cross-border Renminbi fund flows, the availability of Renminbi outside the PRC is limited. While the PBOC has entered into agreements (the "**Settlement Arrangements**") on the clearing of Renminbi business with financial institutions (the "**Renminbi Clearing Banks**") in a number of financial centres and cities, including but not limited to Hong Kong, has established the Cross-Border Inter-Bank Payments System ("**CIPS**") to facilitate cross-border Renminbi settlement and is further in the process of establishing Renminbi clearing and settlement mechanisms in several other jurisdictions, the current size of Renminbi denominated financial assets outside the PRC is limited.

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

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

Investment in the Bonds is subject to exchange rate risks.

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

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

All payments to investors in respect of the Bonds will be made solely (i) for so long as the Bonds are represented by the Global Bond Certificate deposited with a sub-custodian for CMU or any alternative clearing system, by transfer to a Renminbi bank account maintained in Hong Kong and (ii) for so long as the Bonds are in definitive form, by transfer to a Renminbi bank account maintained in Hong Kong in accordance with prevailing rules and regulations. The Bank cannot be required to make payment by any other means (including in any other currency or by transfer to a bank account in the PRC).

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

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

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

USE OF PROCEEDS

The estimated net proceeds of the issue of the 2024 Bonds will be CNY1,744,000,000.

The estimated net proceeds of the issue of the 2026 Bonds will be CNY1,694,000,000.

The estimated net proceeds of the issue of the 2031 Bonds will be CNY548,000,000.

The Bank intends to use the proceeds from the issue of the Bonds for funding the general credit business, working capital and general corporate purposes.

EXCHANGE RATES

The PBOC sets and publishes daily a base exchange rate with reference primarily to the supply and demand of Renminbi against a basket of currencies in the market during the prior day. The PBOC also takes into account other factors, such as the general conditions existing in the international foreign exchange markets. Since 1994, the conversion of CNY into foreign currency, including Hong Kong dollars and U.S. dollars, has been based on rates set by the PBOC, which are set daily based on the previous day's inter-bank foreign exchange market rates and current exchange rates in the world financial markets. On 21 July 2005, the PRC government introduced a managed floating exchange rate system to allow the value of the Renminbi to fluctuate within a regulated band based on market supply and demand and by reference to a basket of currencies. On the same day, the value of the Renminbi appreciated by 2 per cent. against the U.S. dollar. The PRC government has since made and in the future may make further adjustments to the exchange rate system. On 18 May 2007, the PBOC enlarged, effective on 21 May 2007, the floating band for the trading prices in the inter-bank spot exchange market of Renminbi against the U.S. dollar from 0.3 per cent. to 0.5 per cent. around the central parity rate. This allows the Renminbi to fluctuate against the U.S. dollar by up to 0.5 per cent. above or below the central parity rate published by the PBOC. The floating band was further widened to 1.0 per cent. on 16 April 2012. On 17 March 2014, the PBOC further widened the floating band against the U.S. dollar to 2.0 per cent. On 11 August 2015, the PBOC announced to improve the central parity quotations of Renminbi against the U.S. dollar by authorizing market-makers to provide central parity quotations to the China Foreign Exchange Trading Centre daily before the opening of the interbank foreign exchange market with reference to the interbank foreign exchange market closing rate of the previous day, the supply and demand for foreign exchange as well as changes in major international currency exchange rates. Following the announcement by the PBOC on 11 August 2015, Renminbi depreciated significantly against the U.S. dollar. On 11 December 2015, the China Foreign Exchange Trade System ("**CFETS**"), a sub-institutional organisation of the PBOC, published the CFETS Renminbi exchange rate index for the first time which weighs the Renminbi based on 13 currencies, to guide the market in order to measure the Renminbi exchange rate from a new perspective. On 30 September 2016, the International Monetary Fund announced that Renminbi joins its Special Drawing Rights currency basket. Although PRC governmental policies were introduced in 1996 to reduce restrictions on the convertibility of Renminbi into foreign currencies for current account items, conversion of Renminbi into foreign currencies for capital items, such as foreign direct investment, loans or security, requires the approval of SAFE and other relevant authorities. The PRC government may in the future make further adjustments to the exchange rate system.

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

	Renminbi per U.S Dollar Noon Buying Rate[1]			
Period	**End**	**Average[2]**	**High**	**Low**
		(CNY per U.S.$1.00)		
2014	6.2046	6.1620	6.2591	6.0402
2015	6.4778	6.2827	6.4896	6.1870
2016	6.9430	6.6400	6.9580	6.4480
2017	6.5063	6.7569	6.9575	6.4773
2018	6.8755	6.6090	6.9737	6.2649
2019	6.9618	7.0137	7.0609	6.9618
2020	6.5250	6.9042	7.1681	6.5208

Period	Renminbi per U.S Dollar Noon Buying Rate[1]			
	End	Average[2]	High	Low
	(CNY per U.S.$1.00)			
2021				
January	6.4282	6.4672	6.4822	6.4282
February	6.4730	6.4601	6.4869	6.4344
March	6.5518	6.5109	6.5716	6.4648
April	6.4749	6.5186	6.5649	6.4710
May	6.3674	6.4321	6.4749	6.3674
June	6.4566	6.4250	6.4811	6.3796
July	6.4609	6.4763	6.5104	6.4562
August	6.4604	6.4768	6.5012	6.4604
September	6.4434	6.4563	6.4702	6.4320
October (through to 15th October 2021)	6.4340	6.4407	6.4485	6.4262

Notes:

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

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

CAPITALISATION AND INDEBTEDNESS

The following table sets forth the consolidated capitalisation and indebtedness of the Group at 31 December 2020 on an actual basis and as adjusted to give effect to the issuance of the Bonds, before the deduction of fees, commissions and the estimated transaction expenses payable in connection with the offering of the Bonds. The following table should be read in conjunction with "*Selected Financial Information*" and the Group's consolidated financial statements and related notes, the English translation of which is included elsewhere in this Offering Circular.

	As at 31 December 2020			
	Actual	**Actual**	**As adjusted**	**As adjusted**
	(CNY in billions)	**(U.S.$ in billions)**(1)	**(CNY in billions)**	**(U.S.$ in billions)**(1)
Liabilities:				
Borrowings from PBOC	777.3	119.1	777.3	119.1
Due to banks and financial institutions	1.4	0.2	1.4	0.2
Deposits received	1,069.9	164.0	1,069.9	164.0
Bonds payable(2)	5,258.7	805.9	5,258.7	805.9
Other liabilities	2.2	0.3	2.2	0.3
2024 Bonds to be issued	–	–	1.75	0.27
2026 Bonds to be issued	–	–	1.70	0.26
2031 Bonds to be issued	–	–	0.55	0.08
Total liabilities	7,266.7	1,113.7	7,270.7	1,114.3
Paid-in capital	133.0	20.4	133.0	20.4
Surplus reserve	17.5	2.7	17.5	2.7
General risk reserve	24.0	3.7	24.0	3.7
Retained earnings	18.9	2.9	18.9	2.9
Total owner's equity	193.5	29.7	193.5	29.7
Total capitalisation(3)	7,460.2	1,143.3	7,464.2	1,143.9

Notes:

(1) For convenience only, all translation from Renminbi into U.S. dollars are made at the rate of CNY6.5250 to U.S.$1.00, the exchange rate as at 31 December 2020 as set forth in the H.10 weekly statistical release of the Board of Governors of the Federal Reserve System of the United States.

(2) As at 30 September 2021, the Bank has issued onshore bonds in the total aggregate amount of approximately CNY1.36 trillion.

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

Other than as disclosed above, there has been no material change in the capitalisation and indebtedness of the Group since 31 December 2020.

TERMS AND CONDITIONS OF THE 2024 BONDS

The following other than the words in italics is the text of the terms and conditions of the Bonds which will appear on the reverse of each of the individual bond certificates evidencing the Bonds:

The CNY1,750,000,000 2.90 per cent. bonds due 2024 (the "**Bonds**", which expression includes any further bonds issued pursuant to Condition 13 (*Further Issues*) and forming a single series therewith) of Agricultural Development Bank of China (the "**Bank**") are subject to, and have the benefit of, a deed of covenant dated on or about 2 November 2021 (as amended or supplemented from time to time, the "**Deed of Covenant**") entered into by the Bank and are the subject of an agency agreement dated on or about 2 November 2021 (as amended or supplemented from time to time, the "**Fiscal Agency Agreement**") between Bank of Communications Co., Ltd. Hong Kong Branch as registrar (the "**Registrar**", which expression includes any successor registrar appointed from time to time in connection with the Bonds) and as fiscal agent (the "**Fiscal Agent**", which expression includes any successor Fiscal Agent appointed from time to time in connection with the Bonds), Bank of Communications Co., Ltd. Hong Kong Branch as CMU lodging agent (the "**CMU Lodging Agent**", which expression includes any successor CMU lodging agent appointed from time to time in connection with the Bonds), the transfer agents named therein (the "**Transfer Agents**", which expression includes any successor or additional transfer agents appointed from time to time in connection with the Bonds) and the paying agents named therein (together with the Fiscal Agent, the "**Paying Agents**", which expression includes any successor or additional paying agents appointed from time to time in connection with the Bonds). References herein to the "Agents" are to the Registrar, the Paying Agents, the CMU Lodging Agent and the Transfer Agents and any reference to an "**Agent**" is to any one of them.

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

1. FORM, DENOMINATION AND STATUS

(a) *Form and denomination*: The Bonds are in registered form in the denomination of CNY1,000,000 and integral multiples of CNY10,000 in excess thereof (each, an "**Authorised Denomination**").

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

*The Bonds will be represented by a global bond certificate (the "**Global Bond Certificate**") substantially in the form scheduled to the Fiscal Agency Agreement. The Global Bond Certificate will be registered in the name of, and lodged with a sub-custodian for, the Hong Kong Monetary Authority as operator (the "**Operator**") of the Central Moneymarkets Unit Service ("**CMU**"), and will be exchangeable for Individual Bond Certificates only in the circumstances set out therein.*

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

Notwithstanding the above, if the Global Bond Certificate is held by or on behalf of the CMU, any payments that are made in respect of the Global Bond Certificate shall be made to the account holder and such payments shall discharge the obligation of the Issuer in respect of that payment. For these purposes, a notification from the CMU shall be conclusive evidence of the records of the CMU (save in the case of manifest error). Bonds which are represented by the Global Bond Certificate will be transferable only in accordance with the rules and procedures for the time being of the Operator.

2. REGISTER, TITLE AND TRANSFERS

(a) *Register:* The Registrar will maintain a register (the "**Register**") in respect of the Bonds in accordance with the provisions of the Fiscal Agency Agreement. In these Conditions, the "**Holder**" of a Bond means the person in whose name such Bond is for the time being registered in the Register (or, in the case of a joint holding, the first named thereof) and "**Bondholder**" shall be construed accordingly. A certificate (each, a "**Bond Certificate**") will be issued to each Bondholder in respect of its registered holding. Each Bond Certificate will be numbered serially with an identifying number which will be recorded in the Register.

(b) *Title:* The Holder of each Bond shall (except as otherwise required by law) be treated as the absolute owner of such Bond for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing on the Bond Certificate relating thereto (other than the endorsed form of transfer) or any notice of any previous loss or theft of such Bond Certificate) and no person shall be liable for so treating such Holder. No person shall have any right to enforce any term or condition of the Bonds under the Contracts (Rights of Third Parties) Act 1999.

(c) *Transfers*: Subject to paragraphs (f) (*Closed periods*) and (g) (*Regulations concerning transfers and registration*) below, a Bond may be transferred upon surrender of the relevant Bond Certificate, with the endorsed form of transfer duly completed, at the Specified Office of the Registrar or any Transfer Agent, together with such evidence as the Registrar or (as the case may be) such Transfer Agent may reasonably require to prove the title of the transferor and the authority of the individuals who have executed the form of transfer; provided, however, that a Bond may not be transferred unless the principal amount of Bonds transferred and (where not all of the Bonds held by a Holder are being transferred) the principal amount of the balance of Bonds not transferred are Authorised Denominations. Where not all the Bonds represented by the surrendered Bond Certificate are the subject of the transfer, a new Bond Certificate in respect of the balance of the Bonds will be issued to the transferor. No transfer of title to a Bond will be valid unless and until entered on the Register.

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

(d) *Registration and delivery of Bond Certificates*: Within five business days of the surrender of a Bond Certificate in accordance with paragraph (c) (*Transfers*) above, the Registrar will register the transfer in question and deliver a new Bond Certificate of a like principal amount to the Bonds transferred to each relevant Holder at its Specified Office or (as the case may be) the Specified Office of any Transfer Agent or (at the request and risk of any such relevant Holder) by uninsured first class mail (airmail if overseas) (free of charge to the Holder and at the Bank's expenses) to the address specified for the purpose by such relevant Holder. In this paragraph, "**business day**" means a day on which commercial banks are open for general business (including dealings in foreign currencies) in the city where the Registrar or (as the case may be) the relevant Transfer Agent has its Specified Office.

(e) *No charge*: The transfer of a Bond will be effected without charge by or on behalf of the Bank, the Registrar or any Transfer Agent but (i) against such indemnity as the Registrar or (as the case may be) such Transfer Agent may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such transfer, (ii) the Registrar or (as the case may be) such Transfer Agent being satisfied in its absolute discretion with the documents of title or identity of the person making the application, and (iii) the Bank and/or the Registrar and/or the relevant Transfer Agent being satisfied that the Regulations (as defined in the Fiscal Agency Agreement) concerning the transfer of Bonds have been complied with.

(f) *Closed periods*: Bondholders may not require transfers to be registered,

(i) during the period of 10 days before any date on which the Bonds may be called for redemption by the Bank at its option pursuant to Condition 5(b) (*Redemption for tax reasons*); and

(ii) during the period of 10 days ending on the due date for any payment of principal or interest in respect of the Bonds.

(g) *Regulations concerning transfers and registration*: All transfers of Bonds and entries on the Register are subject to the detailed regulations concerning the transfer of Bonds scheduled to the Fiscal Agency Agreement. The regulations may be changed by the Bank with the prior written approval of the Registrar. A copy of the current regulations will be mailed (free of charge to the Holder and at the Bank's expense) by the Registrar to any Bondholder who requests in writing a copy of such regulations.

3. COVENANTS

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

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

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

In these Conditions:

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

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

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

"**PRC**" or "**China**" means the People's Republic of China;

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

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

4. INTEREST

(a) *Accrual of interest and payments*: The Bonds bear interest from (and including) 2 November 2021 (the "**Issue Date**"), at the Rate of Interest (as defined below) payable semi-annually in arrear on 2 May and 2 November in each year (each, an "**Interest Payment Date**") commencing on 2 May 2022; *provided that* if any Interest Payment Date would otherwise fall on a day which is not a business day, it shall be postponed to the next day which is a business day unless it would thereby fall into the next calendar month in which event it shall be brought forward to the immediately preceding business day. Each period beginning on (and including) the Issue Date or any Interest Payment Date and ending on (and excluding) the next Interest Payment Date is herein referred to as an "**Interest Period**".

(b) *Cessation of interest*: Each Bond will cease to bear interest from the due date for redemption unless, upon due presentation, payment of principal is improperly withheld or refused, in which case it will continue to bear interest at such rate (both before and after judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Bond up to that day are received by or on behalf of the relevant Bondholder and (ii) the day which is seven days after the Fiscal Agent has notified the Bondholders that it has received all sums due in respect of the Bonds up to such seventh day (except to the extent that there is any subsequent default in payment).

(c) *Rate of Interest*: The Bonds bear interest at 2.90 per cent. per annum and references to "**Rate of Interest**" in these Conditions shall be to the rate of interest applicable to the Bonds in question.

(d) *Calculations of Interest*: Interest in respect of any Bonds shall be calculated per Calculation Amount. The amount of interest payable per Calculation Amount (the "**Interest Amount**") shall be calculated by multiplying the Rate of Interest, the Calculation Amount and the actual number of days elapsed in such Interest Period and then dividing the product thereof by 365, and rounding the resulting figure to the nearest CNY0.01 (CNY0.005 being rounded upwards), where "**Calculation Amount**" means CNY10,000. The Fiscal Agent shall notify the Bank, the Paying Agents and the Bondholders, of the Interest Amount payable in respect of the Bonds on the business day prior to the relevant Interest Payment Date for each Interest Period.

In this Condition:

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

5. REDEMPTION AND PURCHASE

(a) *Scheduled redemption*: Unless previously redeemed, or purchased and cancelled, the Bonds will be redeemed at their principal amount on the Interest Payment Date falling on, or nearest to, 2 November 2024.

(b) *Redemption for tax reasons*: The Bonds may be redeemed at the option of the Bank in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice to the Bondholders (which notice shall be irrevocable) at their principal amount, together with interest accrued to the date fixed for redemption, if:

(i) the Bank has or will become obliged to pay Additional Amounts as provided or referred to in Condition 7 (*Taxation*) as a result of any change in, or amendment to, the laws or regulations of the PRC or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after 26 October 2021; and

(ii) such obligation cannot be avoided by the Bank taking reasonable measures available to it;

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

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

(A) a certificate signed by an authorised representative of the Bank stating that the Bank is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Bank so to redeem have occurred; and

(B) an opinion of independent legal advisers of recognised standing to the effect that the Bank has or will become obliged to pay such Additional Amounts as a result of such change or amendment.

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

(c) *Notice of redemption*: All Bonds in respect of which any notice of redemption is given under this Condition 5 (*Redemption and Purchase*) shall be redeemed on the date specified in such notice in accordance with this Condition 5 (*Redemption and Purchase*).

(d) *No Other Redemption*: the Bank shall not be entitled to redeem the Bonds otherwise than as provided in Condition 5(a) (*Scheduled redemption*) to Condition 5(b) (*Redemption for tax reasons*) above.

(e) *Purchase*: Subject to applicable laws and regulations, the Bank may at any time purchase Bonds in the open market or otherwise and at any price. Any Bonds purchased by the Bank may, at their discretion, be held, resold or surrendered to the Fiscal Agent for cancellation.

(f) *Cancellation*: All Bonds redeemed by the Bank shall be cancelled and may not be reissued or resold.

6. PAYMENTS

(a) *Principal*: Payments of principal shall (subject as provided below) be made in Renminbi only by transfer to a Renminbi account maintained by the payee with, a bank in Hong Kong and (in the case of redemption) (*provided that* payment is made in full) upon surrender of the relevant Bond Certificates at the Specified Office of any Paying Agent.

(b) *Interest*: Payments of interest shall (subject as provided below) be made in Renminbi only by transfer to a Renminbi account maintained by the payee with, a bank in Hong Kong and (in the case of interest payable on redemption) (*provided that* payment is made in full) upon surrender of the relevant Bond Certificates at the Specified Office of any Paying Agent.

Payments of principal and interest in respect of the Bonds represented by the Global Bond Certificate will (subject as provided below) be made in Renminbi by transfer to a Settlement Account in accordance with the rules and procedures of the Operator in the manner specified below and otherwise in the manner specified in the Global Bond Certificate, against presentation or surrender, as the case may be, of the Global Bond Certificate during normal business hours, at the Specified Office of any Paying Agent.

A record of each such payment of principal will be made on the Global Bond Certificate by any Paying Agent and of each such payment of interest either on the Global Bond Certificate or in the records of any Paying Agent and such record shall be prima facie evidence that the payment in question has been made.

*For the purpose of this Condition, "**Settlement Account**" means, in relation to a payee which is a licensed bank, the account maintained by that payee with the Operator through which its own clearing balance is settled or, in relation to a payee which is not a licensed bank, the account maintained by its designated correspondent bank with the Operator for the purpose of settling, inter alia, interbank payments.*

(c) *Payments Subject to Fiscal Laws*: All payments in respect of the Bonds are subject in all cases to (i) any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 7 (*Taxation*) and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the "**Code**") or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 7 (*Taxation*)) any law implementing an intergovernmental approach thereto. No commissions or expenses shall be charged to the Bondholders in respect of such payments.

(d) *Payments on business days*: Payment instructions (for value the due date, or, if the due date is not a business day, for value the next succeeding business day) will be initiated (i) (in the case of payments of principal and interest payable on redemption) on the later of the due date for payment and the day on which the relevant Bond Certificate is surrendered (or, in the case of part payment only, endorsed) at the Specified Office of a Paying Agent and (ii) (in the case of payments of interest payable other than on redemption) on the due date for payment. A Holder of a Bond shall not be entitled to any interest or other payment in respect of any delay in payment resulting from the due date for a payment not being a business day. In this paragraph, "**business day**" means any day on which commercial banks in Hong Kong settle Renminbi payments and, in the case of surrender (or, in the case of part payment only, endorsement) of a Bond Certificate, in the place in which the Bond Certificate is surrendered (or, as the case may be, endorsed).

(e) *Partial Payments*: If a Paying Agent makes a partial payment in respect of any Bond, the Bank shall procure that the amount and date of such payment are noted on the Register and, in the case of partial payment upon presentation of a Bond Certificate, that a statement indicating the amount and the date of such payment is endorsed on the relevant Bond Certificate.

(f) *Record date*: Each payment in respect of a Bond will be made to the person shown as the Holder in the Register at the opening of business in the place of the Registrar's Specified Office on the tenth day before the due date for such payment (the "**Record Date**").

For so long as any of the Bonds are represented by the Global Bond Certificate, payments of interest or principal will be made to the persons for whose account a relevant interest in the Global Bond Certificate is credited as being held by the Operator at the relevant time, as notified to the Fiscal Agent by the Operator in a relevant CMU instrument position report (as defined in the rules of the CMU) or in any other relevant notification by the Operator. Any payments by the CMU participants to indirect participants will be governed by arrangements agreed between the CMU participants and the indirect participants and will continue to depend on the inter-bank clearing system and traditional payment methods. Such payments will be the sole responsibility of such CMU participants.

7. TAXATION

All payments of principal and/or interest in respect of the Bonds will be made free and clear of, and without deduction or withholding for or on account of any present or future taxes, duties, assessment or governmental charges of whatever nature imposed or levied by or on behalf of the PRC or by or within any of its political subdivisions or authorities having power to tax (a "**PRC Tax**"), unless deduction or withholding of such PRC Tax is compelled by law. Where such withholding or deduction is made by the Bank within the PRC at the rate applicable on 26 October 2021 (the "**Applicable Rate**"), the Bank shall pay such additional amounts as will result in receipt by the Bondholders of such amounts after such withholding or deduction as would have been received by them had no such withholding or deduction been required.

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

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

(b) held by a Holder who would not be liable for or subject to such withholding or deduction by making a declaration of identity, non-residence or other similar claim for exemption to the relevant tax authority if, after having been requested to make such a declaration or claim, such holder fails to do so; or

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

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

The obligation of the Bank to pay additional amounts in respect of taxes, duties, assessments and other governmental charges shall not apply to (a) any estate, inheritance, gift, sales, transfer, personal property or any similar tax, duty, assessment or other governmental charge or (b) any tax, duty, assessment or other governmental charge which is payable otherwise than by deduction or withholding from payments of principal of or interest on the Bonds; *provided* the Bank shall pay all stamp or other taxes, duties, assessments or other governmental charges, if any, which may be imposed by the PRC or any PRC political subdivision or taxing authority, with respect to the Fiscal Agency Agreement or as a consequence of the issue of the Bonds.

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

8. EVENTS OF DEFAULT

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

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

(b) *Breach of other obligations*: default by the Bank in the performance or observance of any of its other obligations under or in respect of the Bonds or the Fiscal Agency Agreement or the Deed of Covenant and such default remains unremedied for 60 days following receipt by the Bank of written notice of such default (with a copy to the Fiscal Agent), by holders of an aggregate principal amount of not less than 10 per cent. of the Outstanding (as defined in Condition 12(d) ("*Outstanding" Defined*)) Bonds, to remedy such failure; or

(c) *Cross-default*: failure by the Bank to make any payment when due of principal or interest in excess of U.S.$100,000,000 (or its equivalent in any other currency or currencies) (whether upon maturity, acceleration or otherwise) on or in connection with Public External Indebtedness (other than that represented by the Bonds) or guarantees given by the Bank in respect of Public External Indebtedness of others, and such failure by the Bank to make payment or to validly reschedule the payment (with the consent of the persons to which such Public External Indebtedness is owed) of such Public External Indebtedness continues for 30 days or more after the expiry of any applicable grace period following the date on which such payment became due; or

(d) *Dissolution, Merger, etc.*: an order is issued or any other action is taken by appropriate authorities of or in the PRC for the Bank's dissolution or merger or consolidation (except where the Bank is the continuing entity) or for the transfer or assignment of the whole or a material part of the Bank's assets except, in either case, where all the Bank's obligations under the Bonds then Outstanding are legally assumed by another agency designated by the State Council of the PRC; *provided* that (i) such agency is a solvent financial institution organised and existing under the laws of the PRC, (ii) such agency is controlled, directly or indirectly, by the PRC, (iii) such agency assumes in writing all of the Bank's obligations under the Bonds, and (iv) immediately after giving effect to such transaction no Event of Default or event or condition that, with the giving of notice or the lapse of time or both, would become an event of default has occurred and is continuing; or

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

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

9. PRESCRIPTION

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

10. REPLACEMENT OF BOND CERTIFICATES

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

11. FISCAL AGENT AND AGENTS

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

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

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

12. MEETINGS, MODIFICATION OF CONDITIONS AND WAIVER

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

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

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

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

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

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

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

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

(d) *"Outstanding" Defined*: For purposes of the provisions of the Bonds, any Bond authenticated and delivered pursuant to the Fiscal Agency Agreement shall, as of any date of determination, be deemed to be "**Outstanding**", *except*:

(i) Bonds duly cancelled by the Fiscal Agent or duly delivered to the Fiscal Agent for cancellation;

(ii) Bonds which have become due and payable at maturity or otherwise, and with respect to which, in each case, monies sufficient to pay the principal thereof and any interest thereon shall have been paid or duly provided for; or

(iii) Bonds in lieu of or in substitution for which other Bonds shall have been authenticated and delivered pursuant to the Fiscal Agency Agreement,

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

13. FURTHER ISSUES

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

14. NOTICES

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

Until such time as any Bond Certificates are issued and so long as the Global Bond Certificate is held in its entirety on behalf of the Operator, any notice to the Bondholders shall be validly given by the delivery of the relevant notice to the accountholder shown in a CMU instrument position report issued by the Operator on the business day preceding the date of despatch of such notice as holding interests in the Global Bond Certificate. Any such notice shall be deemed to have been given to the Bondholders on the second business day on which such notice is delivered to the persons shown in the CMU instrument position report.

15. GOVERNING LAW AND ARBITRATION

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

(b) *Arbitration*:

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

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

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

(iv) The parties agree that any provisions in the Rules relating to applications for emergency relief, consolidation of arbitrations and/or single arbitrations under multiple contracts shall apply to any arbitral proceedings commenced pursuant to this Condition and under any of the subscription agreement dated 26 October 2021 between the Bank and the joint lead managers set out therein, the Fiscal Agency Agreement and the Deed of Covenant.

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

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

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

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

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

TERMS AND CONDITIONS OF THE 2026 BONDS

The terms and conditions of the 2026 Bonds will be identical to those under "*Terms and Conditions of the 2024 Bonds*" except as set out below. References to "**Bonds**" shall be construed as references to the 2026 Bonds and references to "**Deed of Covenant**" shall be construed as references to the deed of covenant to be dated on or about 2 November 2021 (as amended or supplemented from time to time) entered into by the Bank in respect of the 2026 Bonds.

1. The principal amount of the 2026 Bonds shall be CNY1,700,000,000.

2. The rate of interest shall be 3.05 per cent. per annum.

3. Unless previously redeemed, or purchased and cancelled, the 2026 Bonds will be redeemed at their principal amount on the Interest Payment Date falling on, or nearest to, 2 November 2026.

TERMS AND CONDITIONS OF THE 2031 BONDS

The terms and conditions of the 2031 Bonds will be identical to those under "*Terms and Conditions of the 2024 Bonds*" except as set out below. References to "**Bonds**" shall be construed as references to the 2031 Bonds and references to "**Deed of Covenant**" shall be construed as references to the deed of covenant to be dated on or about 2 November 2021 (as amended or supplemented from time to time) entered into by the Bank in respect of the 2031 Bonds.

1. The principal amount of the 2031 Bonds shall be CNY550,000,000.

2. The rate of interest shall be 3.35 per cent. per annum.

3. Unless previously redeemed, or purchased and cancelled, the 2031 Bonds will be redeemed at their principal amount on the Interest Payment Date falling on, or nearest to, 2 November 2031.

SUMMARY OF PROVISIONS RELATING TO THE BONDS WHILE IN GLOBAL FORM

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

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

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

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

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

If:

(1) Individual Bond Certificates have not been issued and delivered by 5.00 p.m. (local time) on the thirtieth day after the date on which the same are due to be issued and delivered in accordance with the terms of the relevant Global Bond Certificate; or

(2) any of the Bonds evidenced by the relevant Global Bond Certificate has become due and payable in accordance with the Terms and Conditions of the Bonds or the date for final redemption of the Bonds has occurred and, in either case, payment in full of the amount of principal falling due with all accrued interest thereon has not been made to the holders of the relevant Global Bond Certificate on the due date for payment in accordance with the terms of the relevant Global Bond Certificate,

then, at 5.00 p.m. (local time) on such thirtieth day (in the case of (a) above) or at 5.00 p.m. (local time) on such due date (in the case of (b) above) each person shown in the records of CMU (or any other relevant clearing system) as being entitled to interest in the Bonds (each an "**Accountholder**") shall acquire under the deed of covenant dated 2 November 2021 with respect to the relevant series of the Bonds (the "**Deed of Covenant**") rights of enforcement against the Bank ("**Direct Rights**") to compel the Bank to perform its obligations to the Holder of the respective Global Bond Certificate in respect of the Bonds represented by such Global Bond Certificate, including the obligation of the Bank to make all payments when due at any time in respect of the relevant series of the Bonds in accordance with the Terms and Conditions of the Bonds as if the Bonds had (where required by the Terms and Conditions of the Bonds) been duly presented and surrendered on the due date in accordance with the Terms and Conditions of the Bonds.

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

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

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

Payment Record Date: For so long as any of the Bonds are represented by a Global Bond Certificate, payments of interest or principal will be made to the persons for whose account a relevant interest in such Global Bond Certificate is credited as being held by the Operator at the relevant time, as notified to the Fiscal Agent by the Operator in a CMU instrument position report (as defined in the rules of the CMU) or in any other relevant notification by the Operator. Any payments by the CMU participants to indirect participants will be governed by arrangements agreed between the CMU participants and the indirect participants and will continue to depend on the inter-bank clearing system and traditional payment methods. Such payments will be the sole responsibility of such CMU participants and the Issuer shall have no obligation or liability in connection therewith.

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

Notices: Until such time as any Bond Certificates are issued and so long as each of the Global Bond Certificates is held in its entirety on behalf of the Operator, any notice to the Bondholders shall be validly given by the delivery of the relevant notice to the accountholder shown in a CMU instrument position report issued by the Operator on the business day preceding the date of despatch of such notice as holding interests in such Global Bond Certificate. Any such notice shall be deemed to have been given to the Bondholders on the second business day on which such notice is delivered to the persons shown in the CMU instrument position report.

DESCRIPTION OF THE BUSINESS

OVERVIEW

The Bank was incorporated on 19 October 1994 pursuant to the Notice of the State Council on the Establishment of Agricultural Development Bank of China (國務院關於組建中國農業發展銀行的通知) issued on 19 April 1994 by the State Council. It is a policy-oriented statutory bank under the direct authority of the State Council, and the only agricultural policy-oriented bank in the PRC. The Bank was incorporated as the enterprise under ownership by the whole people of the PRC with limited liabilities according the *Law of the People's Republic of China of Industrial Enterprises Owned by the Whole People (2009 Amendment)* (《中華人民共和國全民所有制工業企業法(2009修正)》) and has since been converted into a limited liability company (wholly state-owned).

Pursuant to the relevant documents, the Bank operates on an autonomous basis as an economically independent entity with the goal of preserving its capital. The Bank's business is subject to the supervision and direction of the PBOC and CBIRC.

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

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

- Providing loans for purchase, stockpiling, regulation, and distribution of key agricultural products such as grain, cotton, edible oil, sugar, pork, and chemical fertiliser;
- Providing loans in support of the construction of agricultural and rural infrastructure projects, water conservancy projects and circulation systems;
- Providing loans for projects in support of integrated agricultural development, means of production and agricultural science and technology;
- Providing loans for projects in support of renovation of shack settlements and construction of concentrated housing for farmers;
- Providing loans in support of poverty alleviation through relocation, infrastructure in poor areas, development of special industries and special poverty alleviation projects;
- Providing loans in support of town construction, land purchase and stockpiling in counties;
- Providing loans in support of small agricultural enterprises and leading industrial enterprises;
- Organizing and participating in syndicated loans, bill acceptance and discounting and other credit businesses;

- Absorbing deposits from client enterprises and public institutions within the business scope, public deposits in counties other than residents' savings and fiscal balances;

- Issuing financial bonds, conducting settlement, foreign exchange settlement and sale, and foreign exchange trading for customers;

- Opening special accounts for fiscal funds for assisting agriculture as required and disbursing fiscal agriculture-related subsidies;

- Trading, acting as an agent to trade and underwriting bonds;

- Conducting inter-bank borrowing and placement, agency collection and payment, agency insurance, asset securitisation, corporate finance advisory service, and agriculture-related business by way of cooperation with any lease company, agriculture-related guarantee company and agriculture-related investment company or through other methods upon approval; and

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

With particular focus on "Agriculture, Rural Areas and Farmers", the State Council has adopted a series of agriculture-friendly policies to support poverty alleviation and rural revitalization, to modernise agriculture, to increase incomes of farmers, and to promote integration between urban and rural regions. As the only agricultural policy-oriented bank in the PRC under the direct authority of the State Council, the Bank always implements the national agricultural policies as its top priority and further makes full use of its role as a policy bank to serve nationwide macroeconomic control and promotes the development of "Agriculture, Rural Areas and Farmers".

As at 31 December 2020, the outstanding amount of loans granted by the Bank was CNY6,145.156 billion[1], representing an increase of 10.07 per cent., or CNY562.206 billion, from CNY5,582.950 billion[2] as at 31 December 2019. As at 31 December 2020, the outstanding amount of bonds issued by the Bank was CNY5,258.742 billion, representing an increase of 16.60 per cent. from 31 December 2019. As at 31 December 2020, the Bank's balance of deposits was CNY1,197.470 billion, representing a decrease of CNY111.122 billion compared to 31 December 2019. As at 31 December 2020, the Bank's financial self-sufficiency rate in relation to those funds (outstanding amount of the bonds plus the amount of each types of deposit of the Bank, including the customers' deposits in the Bank and the Bank's deposits with other financial institutions, other than the loans from the PBOC) that are raised by the Bank in the capital market and the risks of which are borne solely by the Bank/the aggregate amount of all interest-bearing liabilities was 89.26 per cent.[3], representing a decrease of 0.7 per cent. from 31 December 2019.

As at 31 December 2020, the Bank's outstanding amount of NPL decreased by CNY11.855 billion from 31 December 2019 to CNY21.949 billion and the ratio of non-performing loans was 0.36 per cent., representing a decrease of 0.25 per cent. from 31 December 2019. As at 31 December 2020, the outstanding amount of the loan loss provisions was CNY235.277 billion, representing an increase of CNY31.194 billion from the year ended 31 December 2019; the loan provision rate as at

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

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

3 Note: Calculated in the Bank's level.

31 December 2020 was 3.83 per cent. representing an increase of 0.17 per cent. from 3.66 per cent. as at 31 December 2019. The Group's cost to income ratio[1] for the year ended 31 December 2020 was 26.59 per cent., representing a decrease of 1.47 per cent. from the year ended 31 December 2019.

RECENT DEVELOPMENTS

The COVID-19 outbreak in early 2020 has caused substantial disruption in international economies and markets, including in the PRC where most of the Bank's businesses, assets and operations are located in. While the PRC domestic economy has remained generally stable in recent years, it is facing mounting downward pressure, especially due to the sudden outbreak of COVID-19. The PRC government and many governments across the world have imposed a number of measures in an effort to contain the spread of COVID-19, including mandatory business closures, travel restrictions, quarantines, lockdowns, limitations on public gatherings and the suspension of major events. These containment measures have caused disruptions across the PRC and a majority of the countries globally. Nevertheless, the PRC has implemented a series of practical and effective measures to support the resumption of work and production as well as facilitate economic and social recovery.

In order to support prevention and control of COVID-19 as well as aid the resumption of work and production, the Bank promptly initiated emergency response for epidemic prevention and control, established a fault-tolerant lending mechanism, simplified lending procedures and delegated authority of approval. It created two emergency credit channels labelled "urgency" and "green" and put in place policies specifically favouring credit recourse allocation, interest pricing and credit management policies.

To combat the COVID-19 pandemic, the Bank, as the only agricultural policy-oriented statutory bank in the PRC, has endeavoured to continue to lead in its COVID-19 prevention efforts, to plug funding gaps as well as provide counter-cyclical funding in this extraordinary period.

At this stage, there is no material adverse impact arising from the COVID-19 outbreak on the Bank's financial position and operating results. The Bank is still able to preserve capital and achieve moderate profits. Despite the adverse situations around the globe, assets of the Bank are largely based onshore and thus there is no material adverse impact drawn on its business. However, notwithstanding the headwinds in the global environment, the Bank believes that it will be able to weather the downturn. The Bank will continue to closely monitor the progression of this pandemic, evaluate and proactively assess and respond to its impact on the financial position and operating results of the Group. For more information on the impact of COVID-19, please refer to the risk factors entitled "*Risks Relating to the PRC – The PRC's economic, political and social conditions, as well as government policies, could affect the Bank's business, financial condition and results of operations.*" and "*Risks Relating to the PRC – Any force majeure events, including future occurrence of natural disasters or outbreaks of contagious diseases in the PRC, may affect the Bank's business operations, financial condition and results of operations to certain extent.*".

In addition, since 2021, as an important participant in the market construction, the Bank issued several tranches of theme bonds in the domestic market. For more details, please refer to the section entitled "*Description of the Business – Credit Strengths – Important Participant in the Market Construction*".

1 Note: The cost to income ratio is calculated by dividing operating and administrative expense by operating income.

CREDIT STRENGTHS

The Bank believes that it has the following credit strengths:

Strong Credit Profile

As the only agricultural policy-oriented statutory bank in the PRC under the direct authority of the State Council, the Bank always implements the national agricultural policies as its top priority and further makes full use of its role as a policy bank to exercise nationwide macroeconomic control and promotes the development of "Agriculture, Rural Areas and Farmers".

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

The Bank enjoys the same recognition in terms of ratings as China's sovereign debt. Please refer to "*Principal Businesses – International Business*".

Unique Position as the Sole Agricultural Policy Bank

As the PRC has the largest population in the world, agriculture plays a key role in the economic development and stability of society in the country. As the sole agricultural policy bank in the PRC, the Bank plays an important role in maintaining national food security, stability of the grain and cotton markets, protecting farmers' interests as well as serving rural revitalisation strategy. This is reflected in the Rural Revitalisation Strategic Plan from 2018 to 2022 released by the Central Committee of CPC and the State Council which outlines the major targets for agricultural output over the next five years and No. 1 Central Document issued by the Central Committee of CPC and the State Council from 2015 to 2018. In No. 1 Central Document issued in 2015, the Central Committee of CPC and the State Council have specified that the Bank should strengthen its policy function as well as increase lending to construction of agricultural and rural infrastructure including conservancy and roads in poor areas. In No. 1 Central Document issued in 2016, the Central Committee of CPC and the State Council have stressed that the Bank should strengthen its medium to long term credit loans in "Agriculture, Rural Areas and Farmers". In No. 1 Central Document issued in 2017, the Central Committee of CPC and the State Council have in particular specified that the Bank will improve the risk compensation mechanism and capital supplement system and increase credit support for the acquisition of entities in the diversified food market. In No. 1 Central Document issued in 2018, the Central Committee of CPC and the State Council have in particular specified that the Bank will clarify its positioning of responsibilities in rural revitalisation, strengthen innovation in financial services and increase medium to long term credit support for rural revitalisation. In No. 1 Central Document issued in 2019, the Central Committee of CPC and the State Council have specified that the Bank shall adhere to its functional position of agricultural policy-oriented bank and play the main and role in weak areas such as food security and poverty alleviation.

Serving Significant National Strategies

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

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

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

One of the Main Onshore Issuers

The Bank is one of the largest bond-issuing entities in the PRC bond market. As at 31 December 2020, the Bank issued financial bonds of 1,643 tranches in total in the PRC, in an aggregated amount of CNY10.65 trillion. For the year ended 2020, the Bank issued financial bonds in the PRC in an aggregated amount of CNY1.51 trillion, along with a total worth of CNY5.24 trillion of onshore bonds outstanding, solidifying the Bank's position as the third largest issuer in China's bond market. In addition, all the payments under the bonds issued by the Bank are on schedule, and no breach occurred in respect of the bonds.

Important Participant in the Market Construction

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

- In February 2020, the Bank issued a tap of a CNY1.5 billion five-year fixed rate bonds, which are listed and/or traded on five stock exchanges internationally, including the Hong Kong Stock Exchange, the LuxSE, the Frankfurt Stock Exchange, the London Stock Exchange and Chongwa (Macao) Financial Asset Exchange Co., Ltd.;

- In May 2020, the Bank initiated its regular issuance of seven-year ecological and environmental protection themed bonds at the Shanghai Clearing House;

- As at 13 July 2020, the Bank has issued 1,519 batches of policy financial bonds in the PRC and raised more than CNY10 trillion in total;

- In August 2020, the Bank issued a CNY2.5 billion three-year fixed rate bonds and a CNY1.8 billion five-year fixed rate bonds, both of which are listed and/or traded on five stock exchanges internationally, including the Hong Kong Stock Exchange, the LuxSE, the Frankfurt Stock Exchange, the London Stock Exchange and Chongwa (Macao) Financial Asset Exchange Co., Ltd.;

- In August 2020, the Bank successfully issued the CNY5 billion five-year financial bonds and CNY5 billion seven-year financial bonds on the Shanghai Stock Exchange on the theme of supporting the construction of high-standard farmland, with CNY10 billion in total;

- In October 2020, the Bank priced and issued CNY2.2 billion three-year fixed rate bonds, CNY1.5 billion five-year fixed rate bonds and CNY2.0 billion ten-year fixed rate bonds, which used ePrime for its book-building of bond issuance for the first time;

- In October 2020, the Bank launched a standard bond forward product together with the Foreign Exchange Trade Center and Shanghai Clearing House for agricultural development bonds, 35 financial institutions participated in the transaction on the day of launch, and 369 transactions were made with a final amount of CNY8.01 billion;

- On 8 April 2021, the Bank issued a tap of CNY10 billion 5-year and 7-year themed bonds on the Shanghai Stock Exchange to support high-standard farmland;

- On 26 May 2021, the Bank issued CNY5 billion one-year themed financial bonds to support cold chain logistics construction, which is the first issuance in the market; and the proceeds from the bonds will be mainly used for loan provision on cold chain logistics construction in agricultural frozen processing, frozen storage, frozen transportation, and frozen sales;

- On 19 July 2021, the Bank issued CNY3 billion three-year themed financial bonds to support the construction of the "Southern Silicon Valley", which is the first issuance in the market; and

- In September 2021, the Bank issued CNY3 billion bonds, which is the first domestic carbon neutral bonds for forest carbon sinks, with a subscription rate of 8.61 times, and simultaneously issued CNY600 million over-the-counter bonds.

Awards

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

- "National Poverty Alleviation Award" issued by the Leading Group for Poverty Alleviation and Development of the State Council for five consecutive years from 2016 to 2020;

- "Success of Three Critical Battles Awards" and "Best Targeted Poverty Alleviation Contributor" by China Banking Association;

- "Professional Financial Institutions Service Awards" and "Professional Bond Issuance Award of Innovation" of 2019 by Hong Kong Commercial Daily, Economic Herald, Hong Kong 020 E-commerce Federation ("**HKOEF**") and China Enterprise Reputation & Credibility Association (Overseas);

- Selected and ranked 8th as "the safest bank in the global 50 emerging market countries in 2020" by the US financial magazine Global Finance;

- "Excellent Issuer of Bond Connect" and "Bond Connect Market Promotion" selected by Bond Connect Company Limited;

- "Outstanding Policy Financial Bond Issuer" and "The Social-responsive Issuer" of 2020 by China Central Depository & Clearing Co., Ltd.;

- "Top 300 Interbank Local Currency Market Traders of 2020" and "Active Interbank Local Currency Market Traders of 2020" by China Foreign Exchange Trade Center;

- "Financial Anti-epidemic Excellence Award", "Outstanding Issuer (Banking Institution)", "Outstanding Innovative Business Promotion Institution" by the Clearing House Financial Market Co., Ltd.;

- "Best Bank in Providing Financial Service for Agriculture, Rural Areas, and Farmers" and "Best Bond Market Social Responsibility Institution of the Year" by the Financial Times, and the "Agricultural Development Bank of China successfully piloted the 'New Debt ePrime' overseas issuance system of the Bond Exchange Company in 2020" as one of the hottest ten pieces of news in the Chinese capital markets in 2020;

- "Evergreen Award – Contribution to Poverty Alleviation through Sustainable Development" by Finance and Economics;

- "Best Policy Bank in 2020" by Sina Finance; and

- "Special Contribution to the Fight against Epidemics in China's Financial Sector in 2020" jointly awarded by The Hong Kong Business Journal, the Hong Kong Financial Development Association, the Global Business Journal Alliance and the Hong Kong Chamber of Commerce in China.

Experienced Management Team Appointed by the State Council

Pursuant to the Bank's Articles of Association, the chairman, vice chairman, president and vice-presidents of the Bank are appointed by the State Council. The Bank believes that its management team (comprising of the chairman and executive director, Mr. Qian Wenhui, the vice chairman, the executive director and president, Mr. Zhan Dongsheng, the head of the discipline inspection team of the central commission for discipline inspection and the state commission for discipline inspection, Mr. Wang Zhaohe, the executive director and vice-president, Mr. Sun Lansheng, the vice-president, Mr. Xu Yiding, the vice-president, Mr. Zhao Peng, the vice-president, Mr. Zhang Wencai, the assistant to president, Mr. Zhu Yuanyang, the secretary of the board, Mr. Zhou Liangwei and the chief risk officer, Mr. Li Xiaohui) is well experienced in the banking industry and capable of providing expertise to achieve the Bank's business development objectives.

Comprehensive Risk Management System and Improved Internal Operational Mechanism

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

As at 31 December 2020, the outstanding amount of NPL of the Bank decreased by CNY11.9 billion from 31 December 2019 to CNY21.9 billion. The NPL ratio was 0.36 per cent., representing a decrease of 0.25 per cent. from 31 December 2019.

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

The net profits of the Group increased from CNY19.213 billion for the year ended 31 December 2019 to CNY20.531 billion for the year ended 31 December 2020. The Group's cost to income ratio for the year ended 31 December 2020 was 26.59 per cent., representing a decrease of 1.47 per cent. from the year ended 31 December 2019.

ORGANISATIONAL STRUCTURE

The headquarters of the Bank is located in Beijing. As at 31 December 2020, there was a business outlet of the headquarters of the Bank, 31 provincial branches, 338 regional/municipal branches (including the business outlets equivalent to provincial branches) and 1,830 sub-branches at the county/township-level (including the business outlets equivalent to regional/municipal branches), with a network covering all regions in the PRC.

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

RELATIONSHIP WITH THE PRC GOVERNMENT

Government Ownership

As a policy-oriented statutory bank led by the State Council, no person other than the PRC government has, or can obtain, an ownership interest or equity participation in the Bank. The Bank has a registered capital of CNY57 billion, all of which has been contributed by the PRC government through the MOF. The Bank's financial accounts are also subject to the approval of the MOF. In addition, because of the Bank's role in the implementation of the PRC's agricultural policies, the MOF has confirmed that it will compensate the Bank for any losses incurred by the Bank in its policy-oriented banking operations. In the event of any funding shortfall of the Bank, the PBOC will provide financial support by, among others, granting loans in the form of re-lending to the Bank.

Government Supervision

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

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

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

Government Support

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

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

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

PRINCIPAL BUSINESSES

The Bank's principal businesses include the credit business, investment business, international business and funding business. The credit business is the Bank's key assets business, the funding business is the Bank's liability business and interbank assets business to ensure liquidity of the Bank, while investment business and international business are not material in terms of the Bank's profits or losses and assets.

Credit Business

For the year ended 2020, the Bank has granted an aggregate CNY2.01 trillion of loans, with a total loan balance of CNY6.15 trillion, representing an increase of 10.07 per cent. compared to 31 December 2019.

The Bank provides a full range of lending support and services to agriculture-related corporate and institutional customers and other economic entities. The credit business of the Bank mainly includes serving to fight against poverty, maintaining national food security, supporting agricultural modernization, agricultural and rural construction, coordinating regional development and ecological civilization construction.

Help Win the Final Battle Against Poverty

The Bank coordinated various tasks for poverty alleviation, focused on lifting the remaining impoverished counties out of poverty, and fully supported the resolution of the "ensure food, clothing, healthcare, education and accommodation" issue. The Bank has accumulated CNY524.355 billion in poverty alleviation loans throughout the year, with a loan balance of CNY1.501136 trillion. During the "13th Five-Year Plan" period, the Bank's cumulative amount and balance of poverty alleviation loans ranked first in the nation's financial system.

(1) *Fully support the efforts to eliminate poverty*

On the basis of fully utilizing the original 38 differentiated policies to support highly impoverished areas, the Bank has introduced 11+10 preferential policies, focusing on supporting 52 poor counties and "three districts and three states" and other highly impoverished areas. In key areas such as epidemic prevention and control, "three guarantees" (healthcare, education and accommodation), and relocation follow-up support, the Bank has given a package of preferential policies in terms of interest rates and deadlines. The Bank issued CNY104.421 billion in poverty alleviation loans to highly impoverished areas throughout the year. The balance of poverty alleviation loans to highly impoverished areas was CNY298.068 billion as at 31 December 2020, reflecting a net increase of approximately CNY41.2 billion from the beginning of the year (excluding the effect of policy factors) which exceeded the average growth rate of the Bank's poverty alleviation loans.

(2) Support poverty alleviation by industry in an innovative manner

The Bank increased its support for grain, cotton and edible oil purchase and storage, agricultural industrialization development and characteristic industries in poverty-stricken areas, adhered to the support of poverty alleviation industries led by the government, and highlighted the establishment of a linkage mechanism for the benefit of the poor, gave priority to supporting the cultivation of leading enterprises, advantageous industries and characteristic brands that have obvious radiation-driven effects. The Bank adhered to innovation and accelerated the transformation of the "Luliang Model" from institutionalization to template-based, vigorously promoted the implementation of new business forms such as industrialization consortia, "headquarters economy", and poverty alleviation factories. The Bank issued CNY347.863 billion in industrial poverty alleviation loans throughout the year, accounting for 66.34 per cent. of the total amount of poverty alleviation loans in the same period which is a record high, with a loan balance of CNY615.072 billion.

(3) Address the "three guarantees" and drinking water safety issues

The Bank has launched a special action to address the "three guarantees" and drinking water safety issues through credit support, and launched a full coverage marketing connection to the national-level poverty-stricken counties. The Bank has optimized the credit policies of loans for education, health, and upgrading projects in impoverished villages, and relaxed customer and project access standards. The Bank has vigorously promoted typical model cases such as "education-based poverty alleviation + land income", "health-based poverty alleviation + rental income", and "poor village improvement projects + project income". The Bank issued CNY75.006 billion of poverty alleviation loans to support the "three guarantees" and drinking water supply safety throughout the year, with a loan balance of CNY424.293 billion.

(4) Fully support poverty alleviation and relocation

The Bank has launched a special action to provide credit support for poverty alleviation and relocation, jointly issued with the National Development and Reform Commission the Notice on Follow-up Credit Support for Poverty Alleviation and Relocation, which made it clear that a special loan line of CNY120 billion will be arranged within 5 years. The Bank has taken special actions, special policies, special quotas, and a variety of products as the starting point to comprehensively promote the follow-up support. The Bank issued CNY44.2 billion in follow-up support loans throughout the year, with a loan balance of CNY59.951 billion.

(5) Continue to support infrastructure poverty alleviation

The Bank organically integrated services for poverty alleviation with support for the protection of the Yangtze River and the ecological protection of the Yellow River Basin, increased support for water conservancy construction in poverty-stricken areas, improvement of rural settlements, rural road networks, ecological and environmental protection, screened and promoted PPP model and corporate model cases to promote transformation and development. The Bank issued CNY131.995 billion in infrastructure poverty alleviation loans throughout the year, with a loan balance of CNY618.606 billion.

(6) Efficiently promote targeted poverty alleviation by central units

The Bank deepened the "Four Integrations" assistance system, made every effort to help Longlin county eradicate poverty, and consolidated the poverty alleviation achievements in Da'an, Jinping and Maguan counties. The Bank highlighted financing support and issued CNY1.796 billion in loans throughout the year. The Bank strengthened the training of wisdom and intelligence, trained 1,739 grassroots cadres and 4,241 leaders in becoming affluent. It has intensified financing and attracted 10 projects, with an actual investment of CNY393 million, helping more than 35,000 poor people. The Bank provided assistance by donating CNY38.16 million and raising CNY23.60 million throughout the year. The Bank launched a special education program for poverty alleviation and invested CNY19.40 million to support 3,076 poor students; carried out special health poverty alleviation actions, investing CNY2.92 million to improve medical infrastructure and benefiting 103,368 poor people; carried out Longlin's special poverty alleviation action.

(7) Actively support the poverty alleviation cooperation between the east and the west and the targeted poverty alleviation action of "Ten Thousand Enterprises Helping Ten Thousand Villages"

The Bank established a new "one-to-one" assistance relationship between east and west branches. Nine eastern provincial branches held special meetings with the assisted branches to carry out poverty alleviation cooperation through multiple channels. The Bank issued CNY33.058 billion of loans for the poverty alleviation cooperation between the east and the west, with a loan balance of CNY49.31 billion. The Bank deepened the four-party cooperation mechanism with the Federation of Industry and Commerce, the Poverty Alleviation Office and the China Glory Society, supported 2,503 enterprises in the "Ten Thousand Enterprises Helping Ten Thousand Villages" project, with a loan balance of CNY167.272 billion, which achieved full coverage of 31 provinces, autonomous regions, and municipalities directly under the PRC Government.

Contribute to Maintaining National Food Security

The Bank focused on grain, cotton and edible oil credit business, ensured the national food security and the supply of important agricultural products, and earnestly fulfilled the responsibility and mission of the policy bank, continued to consolidate the Bank's main role in the field of grain, cotton and edible oil credit. The Bank accumulated CNY578.6 billion in grain, cotton, and edible oil loans in 2020, reflecting a year-on-year decrease of CNY75.3 billion. As at 31 December 2020, with steady increase in policy responsiveness and market adaptability, the Bank's grain, cotton and edible oil loan balance was CNY1.7803 trillion, reflecting a year-on-year decrease of CNY93.4 billion.

(1) Continue to play its role as the main channel for the supply of funds for grain and cotton purchases

The Bank has always put the supply of grain, cotton and edible oil storage funds in first place, and actively supported the purchase of grain, cotton and edible oil. The Bank issued a total of CNY299.9 billion in loans for the purchase of grain, cotton and edible oil, an increase of CNY7.1 billion year-on-year; supported enterprises to purchase 402.3 billion jin of grain and edible oil, an increase of 37.2 billion jin year-on-year; supported the purchase of 3.16 million tons of cotton, a year-on-year increase of 560,000 tons. The main grain production area supports the acquisition of a market share of 50.2 per cent., the main grain sales area has a market supply share of 58.6 per cent., and the grain production and sales balance area had a market share of 60.2 per cent. The supported cotton purchases accounted for 62 per cent. of Xinjiang's cotton production.

(2) Increase credit support for market-oriented acquisitions of grain and cotton

In response to the reform of the grain, cotton and edible oil purchasing and storage system, the Bank has taken the initiative to significantly increase market-oriented business investment and perform policy-based banking functions. The Bank issued CNY224.1 billion in grain, cotton and edible oil market loans throughout the year, an increase of CNY51.4 billion or 30 per cent. year-on-year. Among them, the Bank issued CNY115.8 billion in market-oriented grain and edible oil purchase loans, an increase of CNY34 billion over the same period last year, which is an increase of 42 per cent.; it purchased 278.4 billion jin of grain, an extra 73.9 billion jin, an increase of 36 per cent. Cotton purchase loans were CNY41.3 billion, an increase of CNY2.4 billion year-on-year; 3.16 million tons of cotton were purchased.

(3) Ensure the market supply of important national agricultural products

The Bank implemented the national macro-control, fully supported the national grain, cotton and edible oil destocking, guaranteed the grain market supply, and supported the national sales of 188.2 billion jin of grain throughout the year. The Bank fully supported special reserves of sugar, meat, and fertilizers at or above the provincial level to ensure the state's supply of important agricultural products to the market. In response to the impact of the COVID-19 pandemic, the state strengthened macro-control and increased the reserves of important agricultural products, and accumulated CNY31.4 billion of special reserve loans throughout the year. The Bank implemented the central reserve frozen pork purchasing and storage policy, with a cumulative investment of CNY10.9 billion, an increase of 18 per cent.; supported spring ploughing, increased the amount of fertilizer reserve loans, and accumulated CNY10.4 billion.

Fully Supporting Construction of Rural Infrastructure

The Bank actively accelerated the elimination of the outstanding shortcomings of agricultural and rural infrastructure, vigorously carried out the innovation of loan model, steadily increased investment while ensuring compliance. As of the end of 2020, the Bank issued a total of CNY710.987 billion in infrastructure loans, and the balance of infrastructure loans was CNY3.317948 trillion, an increase of CNY392.741 billion from the beginning of the year.

(1) Promote a new type of urbanization vigorously

The Bank implemented the decision and deployment of integrated urban-rural development and innovative urbanization, and increased credit support for infrastructure and public services. As of the end of 2020, the Bank issued a total of CNY222.433 billion in urban-rural integration loans, with a loan balance of CNY752.168 billion, an increase of CNY130.888 billion from the beginning of the year.

(2) Support the improvement of rural human settlements

The Bank actively implemented the *Three-year Action Plan for Rural Human Settlement Improvement* and the *2020 Government Work Report* to support the Bank's division of labor requirements for the improvement of human settlements, realizing the counter-cyclical development of business. As of the end of 2020, the Bank issued CNY168.953 billion in loans for the improvement of human settlements, and the balance of loans for improving rural human settlements was CNY369.094 billion.

(3) Promote ecological and environmental governance

The Bank issued CNY55.906 billion of loans for ecological and environmental construction and protection throughout the year, with a loan balance of CNY107.512 billion at the end of the year, and supported 535 ecological and environmental protection projects. The Bank loan support has achieved remarkable results.

(4) Implement the national shantytown renovation policy

The Bank adhered to its own positioning, set foot on "agriculture, farmers and rural areas", and took advantage of its wide network layout. The Bank insisted on reducing costs and benefiting the people's livelihood, and accurately supporting projects that have been confirmed by the provincial (autonomous region, municipality) housing construction departments to be included in the national shantytown renovation annual plan. As of the end of 2020, the Bank issued CNY115.998 billion of loans for housing reform, with a loan balance of CNY1.350818 trillion.

(5) Accelerate the construction of the "four good rural roads"

The Bank implemented important national strategies and promoted the connection of rural roads into a network to enter villages and households, sped up the construction of border-to-border highways, and increased the depth of traffic access in border areas. As of the end of 2020, the Bank issued CNY47.631 billion of rural road network construction loans for the whole year, with a loan balance of CNY315.889 billion.

(6) Create a featured brand of water conservancy bank

The Bank focused on the protection of the Yangtze River and the ecological protection of the Yellow River Basin, closely followed the general requirements of the major strategy of serving poverty alleviation and rural revitalization, mainly supported the construction of 172 and 150 major national water conservancy projects, continued to increase support for people's livelihood water conservancy facilities such as rural drinking water safety, small and medium-sized river management, flood prevention and disaster reduction construction, and fully supported the development of national water conservancy construction. As of the end of 2020, the Bank issued a total of CNY116.438 billion in water conservancy construction loans throughout the year, ranking first in the financial industry and the loan balance was CNY416.034 billion.

Fully supported agricultural modernization

The Bank is making multi-dimensional innovations in the fields of products, models, management and technology to build its credit brand of "serving agricultural modernization". The Bank issued a total of CNY327.8 billion of loans for the year ended 2020, with a loan balance of CNY581.1 billion, representing an increase of CNY220.6 billion over the beginning of the year.

(1) Fully Support the Strategy of "Big-Country Granary"

The Bank fully cooperated with the country to promote the construction of high-standard farmland on a large scale, and fully relied on the policy dividends of high-standard farmland construction and comprehensive land consolidation issued by the PRC central government, concentrated efforts to support a number of large-scale regional and large-scale high-standard farmland construction, medium- and low-yield farmland transformation, farmland protection and improvement, farmland reclamation, industrial and mining wasteland reclamation, comprehensive land remediation, black soil protection, and high-quality agricultural products base, and other agricultural land quality and efficiency projects. During the year, the Bank issued a total of CNY78.945 billion of loans for circulation of rural land contractual management rights and appropriately-scaled operations; the loan balance reached CNY164.47 billion, a net increase of CNY67.211 billion from the beginning of the year.

(2) Explore and Support Rural Land Reform

To further revitalize the vitality of rural land resources, the Bank closely focused on the reform of the rural land system and the rural collective property rights system, utilized the potential of agricultural land credit business, effectively increased business innovation and explored effective support models based on local conditions.

(3) Promote Agricultural Modernization Based on Technological Innovation

The Bank continued to support the transformation of scientific and technological achievements in key areas such as modern seed industry, high-end agricultural machinery equipment, smart agriculture, ecological environmental protection, and agricultural science and technology innovation platforms, as well as the promotion and application of modern agricultural science and technology innovation, gave full play to the leading role of policy-based finance, and improved the contribution rate of agricultural science and technology progress. The Bank issued a total of CNY20.501 billion in agricultural science and technology loans this year. The loan balance was CNY28.948 billion, an increase of CNY13.754 billion from the beginning of the year.

(4) *Actively Support the Transformation and Upgrading of Agriculture-Related Industries*

The Bank identified the base of the local characteristic and advantageous industries, supported a number of high-value-added intensive processing fields and high-end customers, and further exerted the leading role of leading enterprises in agriculture-related industries. During the year, the Bank issued a total of CNY55.90 billion in loans to leading non-grain, cotton and edible oil industrialized enterprises. The loan balance was CNY58.113 billion, an increase of CNY27.618 billion from the beginning of the year.

(5) *Speed Up the Construction of A Modern Circulation System in Rural Areas*

The Bank actively supported the construction of agricultural products circulation facilities and markets, supported the improvement of the rural logistics market system, cold chain logistics and logistics distribution construction, explored and supported new types of businesses such as rural e-commerce and central kitchens, which played a positive role in improving the efficiency of agricultural product circulation and solving problems such as the convergence of production and sales and information asymmetry in the circulation. The Bank issued a total of CNY64.775 billion in loans for the construction of the rural circulation system. The loan balance was CNY106.888 billion, an increase of CNY37.672 billion from the beginning of the year.

(6) *Promote the Integration of Primary, Secondary and Tertiary Industries*

The Bank provided combined support for the entire agricultural industry chain to promote the extension of the industry chain, the connection of agricultural production and sales, and the multi-functional development of agriculture. In addition, the Bank effectively increased its credit support for the "three areas and three parks in one" and various new agricultural and rural industries and formats. The Bank issued a total of CNY25.01 billion in loans to modern agricultural parks. The loan balance was CNY51.888 billion, an increase of CNY23.473 billion from the beginning of the year.

Fully Supporting the National Regional Development Strategy

The Bank actively integrated into the national strategy, focused on major national regional development strategies such as the coordinated development of Beijing-Tianjin-Hebei, the development of the Yangtze River Economic Belt, the construction of the Guangdong-Hong Kong-Macao Greater Bay Area, and the integrated development of the Yangtze River Delta, continuously increased credit loan placement, and effectively played a strategic supporting role.

The credit support for the protection of the Yangtze River and the ecological protection of the Yellow River Basin has achieved remarkable results. In 2020, 13 provincial-level branches along the Yangtze River invested a total of CNY243.795 billion in loans to support the protection of the Yangtze River, a year-on-year increase of 38.5 per cent.; 9 provincial-level branches in the Yellow River Basin invested a total of CNY60.014 billion in loans to support ecological protection in the Yellow River Basin, a year-on-year increase of 125.7 per cent.

As of the end of 2020, the balance of the Yangtze River Protection Loan was CNY604.947 billion, a net increase of CNY191.037 billion from the beginning of the year; the balance of loans for ecological protection in the Yellow River Basin was CNY153.737 billion, a net increase of CNY48.614 billion from the beginning of the year.

Investment Business

The investment business of the Bank mainly includes intermediary, bonds underwriting and equity investment business.

The Bank strived to enhance the risk control and investment management of its existing projects, and implemented mechanisms such as carrying out risk identification frequently, establishing appraisal mechanism, developing management measures and strengthening technology support, in order to guarantee a more controllable overall risk tolerance of the fund so that the fund may operate steadily.

For intermediary business, the Bank dedicated further to offer discount on service offerings through benefits sharing. Since 1 November 2017, investment and financing advisory service fee has been exempted if customers are to conduct financing through the Bank. For the year ended 31 December 2020, revenues from intermediary business amounted to CNY109 million[1], representing a decrease by 68.90 per cent. or CNY240.29 million as compared with that of 2019.

In respect of bonds underwriting, as of the end of 2020, the Bank as the lead managers had successfully issued 10 tranches of debt financing instruments for non-financial enterprises, with a total amount of CNY6.6 billion.

For equity investment business, the Bank established the following subsidiaries together with other joint entities since 2012. The Bank made equity investment in another entity in 2020 as well. As at the end of 2020, China Agriculture Industry Development Fund and Modern Seed Development Fund invested in 53 projects with an aggregated amount of CNY5.139 billion.

- China Agricultural Industry Development Fund (中國農業產業發展基金): established in December 2012, with the size of fundraising of CNY4 billion currently;

- Modern Seed Development Fund (現代種業發展基金): established in January 2013, with the size of fundraising of CNY2.5 billion currently;

1 Note: The effect of refunds of the current year has been excluded.

- National Financing Guarantee Fund Co., Ltd. (國家融資擔保基金有限責任公司): established in December 2019, with the registered capital of CNY66.1 billion;

- Beijing Xiannong Investment Management Co., Ltd. (北京先農投資管理有限公司): established in January 2013 to manage, operate and advise Modern Seed Development Fund, with the registered share capital of CNY36.36 million; and

- China Agriculture Reinsurance Corporation (中國農業再保險股份有限公司): established on 31 December 2020 to engage in the reinsurance business and reinsurance business of agricultural insurance, with the registered capital of CNY16.1 billion.

As at 31 December 2020, there were 19 stocks projects of China Agriculture Industry Development Fund, with a stock volume of CNY2.740 billion; 26 stocks projects of Modern Seed Development Fund, with a stock scale of CNY1.296 billion. In April 2018, the MOF initiated jointly with 20 financial institutions to establish National Financial Guarantee Fund Co., Ltd. The fund raised in the first phase amounted to CNY66.1 billion, among which the PRC central government injected CNY30 billion, accounting for 45.39 per cent. of the shares, and 20 financial institutions jointly invested CNY36.1 billion. The Bank has subscribed for a capital contribution of CNY1 billion, accounting for 1.51 per cent. of the shares. As at 31 December 2020, according to the requirements of the MOF, the Bank completed the payment of three phases of the capital contribution of CNY750 million in total.

China Agriculture Reinsurance Corporation is one of the Bank's affiliates with a registered capital of CNY16.1 billion. It is mainly engaged in the reinsurance business and reinsurance business of agricultural insurance. It officially opened on 31 December 2020. As of the end of 2020, China Agriculture Reinsurance Corporation had total assets of CNY16.15 billion.

International Business

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

For the year ended 2020, the Bank handled an aggregated total of 62,986 international settlements that valued a total of USD16.3 billion. In the same year, the Bank's trade finance business was valued at USD1.876 billion; and revenues from foreign exchange business were CNY124 million.

In 2020, Moody's Investors Service, Inc. ("**Moody's**") and S&P assigned to the Bank the same ratings as China's sovereign debt. Please see the table below for the ratings of the Bank in 2020:

	Rating Agency	**Rating for China's Sovereign Debt**	**Rating for the Bank**
2020	Moody's	A1(stable)	A1(stable)
	S&P	A+(stable)	A+(stable)

Funding Business

Fund-raising

In addition to capital contribution by the PRC government and the fiscal subsidies offered by the MOF, the Bank raised funds through multiple means by leveraging financial bonds as the major fund-raising channel, and supplemented by other means including re-lending from PBOC, deposits, and inter-bank activities so to provide powerful support for all areas of business development.

As at 31 December 2020, interest-bearing liabilities of the Bank reached CNY7.27 trillion, representing an increase of CNY0.43 trillion from 31 December 2019.

(1) Financial Bonds

The Bank's principal source of funds is the proceeds from issuances of domestic market-based bonds. At the end of every year, the Bank submits its application to the PBOC for its plans of bond issuance for the following year. The PBOC reviews such application of annual plans in light of the Bank's annual lending plan and the Bank's funding from other sources. The term of the bonds issued by the Bank ranges from three months to 20 years, covering all standard terms of bonds. The types of bonds issued in global public offering include discount bonds, floating-rate bonds, and bonds with options. Based on its own business characteristics, the Bank innovates and issues special bonds with characteristics and social effects such as poverty alleviation bonds and green bonds, becoming an important force leading the innovative development of the domestic bond market. In 2012, the Bank started its offshore bond issuance business, opening up a new mode of offshore financing flowing back to domestic support for agriculture.

As at 31 December 2020, the Bank issued 1,643 batches of financial bonds in the PRC and raised approximately CNY10.65 trillion in total; issued 20 batches of financial CNY bonds in Hong Kong and raised an aggregate principal amount of approximately CNY32.2 billion; issued one tranche of USD bonds and raised an aggregate principal amount of USD0.7 billion; issued one tranche of EUR bonds and raised an aggregate principal amount of EUR0.5 billion; and redeemed financial bonds in the PRC totalling CNY947.115 billion, consisting CNY761.669 billion for principal and CNY185.447 billion for interests respectively, as well as offshore financial bonds of CNY346 million, USD11 million and EUR0.4 million for interests without payment of principal. As at 31 December 2020, the weighted average maturity of bonds outstanding in the PRC was 4.00 years. For the year ended 2020, the Bank issued 279 batches of financial bonds in the PRC and raised an aggregate principal amount of approximately CNY1,513.66 billion. For the year ended 2020, the weighted average term of bonds issued by the Bank in the PRC was 5.77 years, the average issue cost was 2.94 per cent. and the average subscription rate was 4.73 times. As of 30 September 2021, the Bank issued 239 batches of financial bonds in the PRC and raised approximately CNY1,364.4 billion in total.

(2) Deposits of Enterprises

As at 31 December 2020, the balance of deposit received by the Bank reached approximately CNY1,069.904 billion, representing a decrease of CNY143.803 billion, or 11.85 per cent., from 31 December 2019. As at 31 December 2020, the balance of CNY deposits of enterprises with the Bank reached CNY1,196.2 billion, representing an increase of CNY32.766 billion, or 2.81 per cent., from 31 December 2019. As at 31 December 2020, the balance of CNY deposits with the public of the Bank amounted to approximately CNY1,196.214 billion, representing a decrease of CNY111.692 billion, or 8.54 per cent., from 31 December 2019.

(3) Re-lending by the PBOC

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

Funds Transactions Business

The funds transaction business of the Bank mainly consists of inter-bank borrowing, bond repurchase, inter-bank deposit, bill transaction, investment in bonds and other businesses. For the year ended 31 December 2020, the total amount of funds transactions business conducted by the Bank was approximately CNY28.36 trillion, representing an increase of approximately CNY4.37 trillion from the year ended 31 December 2019. The total amount of transactions includes approximately CNY26.42 trillion from the short-term currency market business (including interbank borrowings and bonds repurchase) which represents 93 per cent. of the total amount, approximately CNY291.1 billion from the note trading business which represents 1 per cent. of the total amount and approximately CNY1,648.6 billion from interbank deposits and bond trading business which represents 6 per cent. of the total amount. For the year ended 31 December 2020, the amount of the transaction in foreign exchange funds conducted by the Bank in the interbank foreign exchange market reached USD8.437 billion, representing an increase of USD2.048 billion compared to the year ended 31 December 2019.

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

The Bank was officially granted the right to engage in interbank borrowing business in October 2004. Since the official commencement of the interbank borrowing business in 2005, the business volume has been growing steadily. The deal value for the years ended 31 December 2019 and 2020 is CNY9.92 trillion and CNY9.46 trillion, respectively.

Interest Rate Management

For the year ended 31 December 2020, the Bank's weighted average interest rate of loans was 4.27 per cent. (excluding discount, rediscount, overdue loans and loans of Tibet branch, according to the PBOC's requirement on statistics reporting), representing a decrease of 63 basis points from the year ended 31 December 2019.

Credit Management

Credit Evaluation, Approval and Audit

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

Loan Responsibility Management

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

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

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

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

The approver has the right to make decisions on each aspect of the lending business. The review process of the lending business is conducted by a Loan Review Committee Meeting to review the lending business and exercise the right to vote democratically. In respect of the examination and approval process, the authorised approving persons are the president of the authorised approving branch or who has been authorised by the president of the authorised approving branch. The authorised approving person shall examine and approve the lending business independently in accordance with the decision-making system and procedures of the Bank within the approval authority.

According to the Measures for the Due Diligence Management of the Lending Business of the Agricultural Development Bank of China 2018 Amendment (No. 327 of 2018) and the Agricultural Development Bank of China General Rules of Loans 2017 Amendment (No. 140 of 2017), the loan responsibility management is divided into the following steps:

(1) *Acceptance for Handling*

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

- The vice president in charge of the customer service department of the account opening branch will act as the final reviewer to review the initial investigation comments and provide review comments and to review the application materials and provide review comments. He will be responsible for the compliance, truthfulness and completeness of the application materials.

- The president of the account opening branch will act as the verifier to verify the initial investigation comments and decide whether to report to a branch of higher level and to review the application materials and decide whether to accept and handle the loan application on a preliminary basis.

(2) Application Reassessment

- The customer service manager of the reassessing branch (a second-tier branch and/or a branch at the provincial level between the accounting opening branch and the authorised approving branch) will act as the performer to reassess the application materials submitted by the branch at the lower level and provide the reassessment comments. In the absence of any objection after such reassessment, the customer service manager of the reassessing branch will be responsible for the validity, completeness and compliance of the application materials.

- The head of the customer service department and the vice president in charge of customer service of the reassessing branch will act as the reviewer and the authorised approving person will review the reassessment comments and application materials and provide review comments.

- The president of the second-level branch will act as the verifier to review and verify the reassessment comments and application materials and decide whether to accept and handle the reassessment.

(3) Investigation

- The members of an investigation team made up of the customer service manager of the authorised approving branch and the customer service managers transferred from other relevant branches at all levels will act as the performers to conduct an investigation on the customer's loan application based on the type of loan for which a customer has applied for in accordance with the relevant credit regulations, demonstrate the necessity and feasibility of granting such loan, prepare the investigation report and present the investigation findings, and collect the relevant information, which together with the investigation report and related documents will be collated to form the investigation materials. The investigators will be responsible for the truthfulness and validity of the investigation materials.

- The vice-head of the customer service department of the authorised approving branch (including the head of the relevant division where the head office is the authorised approving branch) will act as the reviewer to review the investigation materials and provide review comments.

- The president in charge of the customer service department of the authorised approving branch will act as the final verifier to verify the investigation materials and decide whether to forward the investigation materials to the finance planning department, legal affairs department, credit approval department and risk management department for review.

(4) Loan Pricing and Loan Plan Examination

- The loan pricing examination personnel from the loan planning department of the authorised approving branch will act as the performer to examine the aspects relating to loan pricing in the investigation materials submitted by the customer service department in accordance with the loan pricing regulations and provide examination comments. The loan pricing examination personnel will be responsible for the compliance and feasibility of the loan pricing.

- The loan plan examination personnel from the loan planning department of the authorised approving branch will act as the performer to examine the loan plan, in particular to examine the compatibility of the financing needs with the relevant loan plan and provide examination comments. The loan plan examination personnel will be responsible for the feasibility of the loan size.

- The vice-head of the loan planning department of the authorised approving branch (including the head of the relevant division where the head office is the authorised approving branch) will act as the reviewer in respect of the loan pricing and loan plan examination to review the comments of the relevant examination performer.

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

(5) Legal Examination

- The legal examination personnel from the legal compliance department of the authorised approving branch (including the legal examination personnel transferred from other relevant branches at all levels) will act as the performer to examine the investigation materials on the security to be provided for the loan according to the type of loan for which a customer has applied and the regulations relating to the legal examination, and present the legal examination comments. The legal examination personnel will be responsible for the legality of the loans and the security.

- The vice-head of the legal compliance department of the authorised approving branch (including the head of the relevant division where the head office is the authorised approving branch) will act as the reviewer to review the legal examination comments and provide review comments.

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

(6) Loan Examination

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

- The vice-head of the credit approval department of the authorised approving branch (including the head of the relevant division where the head office is the authorised approving branch) will act as the reviewer to review the loan examination comments and provide review comments.

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

(7) Risk Examination

- The loan examination personnel from the risk management department of the authorised approving branch will act as the performer to examine the guarantor's guarantee ability and collateral value according to the relevant regulations and measures on lending business and present the legal examination comments. The legal examination personnel will be responsible for the legality of the loans and the security.

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

(8) Consideration

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

- Loan Review Committee has been set up in the head office, first-level branch as well as second-level branch.

(9) Examination and approval

- The authorised approving person shall examine and approve the lending business independently in accordance with the decision-making system and procedures of the Bank within the approval authority. The authorised approving persons are the president of the authorised approving branch or who has been authorised by the president of the authorised approving branch.

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

The authorised approver has the right to reject any lending business that has been approved by the Loan Review Committee Meeting or to propose a review, but has no right to alter any voting result of the Loan Review Committee Meeting which rejects or proposes to review any lending business.

Loan Distribution and Payment Supervision

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

Post-loan Management

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

Credit Asset Risk Control

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

Meanwhile, the Bank has further optimised its NPL management mechanism and implemented a series of management measures. For example, the Bank implemented a management mechanism where NPL recovery was correlated with credit sources, financial loss, bad debt write-off and differentiated lending authority. The Bank has also cleared cash, restructured loans, taken collateral for debt, transferred NPL in batches and carried out bad debt write-offs to eliminate risks. For the year ended 31 December 2020, the Bank recovered and cleared NPL worth CNY1.4028 million, representing a decrease of CNY123.2 million from the year ended 31 December 2019.

Asset Quality and Loan Loss Provisions

(1) Asset Quality

The Bank's credit assets are classified as "Pass, Special-Mention, Substandard, Doubtful and Loss" based on the default risks involved, of which the assets classified as "Substandard, Doubtful and Loss" are non-performing assets. As at 31 December 2020, the breakdowns of the outstanding CNY loans of the Bank classified as "Pass", "Special-Mention", "Substandard", "Doubtful" and "Loss" are set out below:

Classification	**Outstanding Amounts**
	(Unit: ten thousand CNY)
Pass	550,491,542
Special-Mention	60,615,750
Substandard	52,435
Doubtful	1,577,391
Loss	565,058

As at 31 December 2020, the outstanding amount of NPL of the Bank decreased by CNY11.855 billion from 31 December 2019 to CNY21.949 billion. The NPL ratio was 0.36 per cent., representing a decrease of 0.25 per cent. from 31 December 2019. For the year ended 31 December 2020, the annual total recovery of non-performing loans by cash reached CNY3.116 billion (including cash collected directly and cash recovered through assignment of claims), representing a decrease of CNY4.174 billion from the year ended 31 December 2019.

The information of collaterals and/or guarantees in the loans of the Bank as to the year ended 31 December 2020 is set out below:

Types of Collateral of the Loans	**Amount**
	(Unit: CNY)
Unsecured Loans	2,074,704,007,668.86
Guaranteed Loans	2,044,984,744,612.25
Mortgage Loans	522,458,500,967.32
Pledged Loans	1,503,008,538,681.18
Total Loans and Advances to Customers	6,145,155,791,929.61

(2) Loan Loss Provisions

The Bank maintains loan loss provisions against potential default in the payment of loan principal on the basis of the evaluation conducted by the Bank on its loan assets included in its consolidated balance sheet. The off-balance-sheet loan assets (which mainly include bank acceptance bills which totalled CNY1.160 billion as at 31 December 2020 and the letter of credit which totalled CNY2.734 billion as at 31 December 2020) are not counted in such evaluation or calculation of such loan loss provisions. According to the agency arrangements between the Bank and the MOF, the Bank has no liability for the payment of any principal and interest with respect to any loan projects undertaken by the PRC central or provincial government authority or guaranteed by the PRC central or provincial government authority. The document issued by MOF with regard to the making of loan loss provision specifically provides that the document applies mutatis mutandis to policy banks. The Bank has made full provision for loss in connection with policy loans.

(3) Provisions for Assets Write-down

For the year ended 31 December 2020, the loan loss provision made by the Bank recorded a net increase of CNY31.194 billion, representing an increase of CNY308 million from the year ended 31 December 2019. As at 31 December 2020, the outstanding amount of the Bank's loan loss provision was CNY235.277 billion, and the loan provision rate was 3.83 per cent., representing an increase of 0.17 per cent. from 3.66 per cent. for the year ended 31 December 2019. In addition, for the year ended 31 December 2020, the outstanding amount of the provisions for write-down of assets for debt payment was CNY238.949 billion, representing an increase of CNY31.046 billion from 31 December 2019.

DEBT REPAYMENT RECORD

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

EMPLOYEES

As at 31 December 2020, the Bank has employed approximately 53,120 staff.

PROPERTIES

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

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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

The Bank's board of directors (the "**Board of Directors**") has been constituted and comprises 11 members, comprising three executive directors and eight non-executive directors. The non-executive directors include four ministry or commission-appointed directors and four equity directors, with the ministry or commission-appointed directors being appointed by the National Development and Reform Commission, the Ministry of Finance, the Ministry of Agriculture and Rural Affairs and the People's Bank of China, and the equity directors being appointed by the Ministry of Finance.

The Board of Directors performs its duties in accordance with relevant laws and regulations as well as the Bank's Articles of Association and is ultimately responsible for the operation and management of the Bank. As at the date of this Offering Circular, the Board of Directors comprises 11 members.

The Bank's Party Committee is the organization of CPC established within the Bank which is responsible for overall management of the Bank's operation. As at the date of this Offering Circular, the Bank's Party Committee consists of one secretary and seven members.

The following table sets forth the Bank's Board of Directors as well as their roles as at the date of this Offering Circular:

Name	Position
Mr. Qian Wenhui	Chairman, Executive Director
Mr. Zhan Dongsheng	Vice Chairman, Executive Director, President
Mr. Sun Lansheng	Executive Director, Vice President
Mr. Lian Weiliang	Vice Chairman of National Development and Reform Commission, Ministry or Commission appointed Director
Ms. Zou Jiayi	Vice Minister, Ministry of Finance, Ministry or Commission-appointed Director
Mr. Liu Huanxin	Vice Minister, Ministry of Agriculture and Rural Affairs, Ministry or Commission appointed Director
Mr. Liu Guoqiang	Deputy Governor of the People's Bank of China, Ministry or Commission-appointed Director
Mr. Zhou Jinsong	Equity Director
Mr. Qiu Shiru	Equity Director
Mr. Han Yue	Equity Director
Ms. Wang Hongyan	Equity Director

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

Name	Position
Mr. Qian Wenhui	Secretary of the Party Committee, Chairman
Mr. Zhan Dongsheng	Vice Secretary of the Party Committee, Vice Chairman, President
Mr. Wang Zhaohe	Leader of the Committee for Discipline Inspection under the Central Commission for Discipline Inspection, Member of the Party Committee
Mr. Sun Lansheng	Member of the Party Committee, Executive Director, Vice President
Mr. Xu Yiding	Member of the Party Committee, Vice President
Mr. Zhao Peng	Member of the Party Committee, Vice President
Mr. Zhang Wencai	Member of the Party Committee, Vice President

Chairman

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

President, Vice Presidents and Assistant to President

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

Board of Supervisors

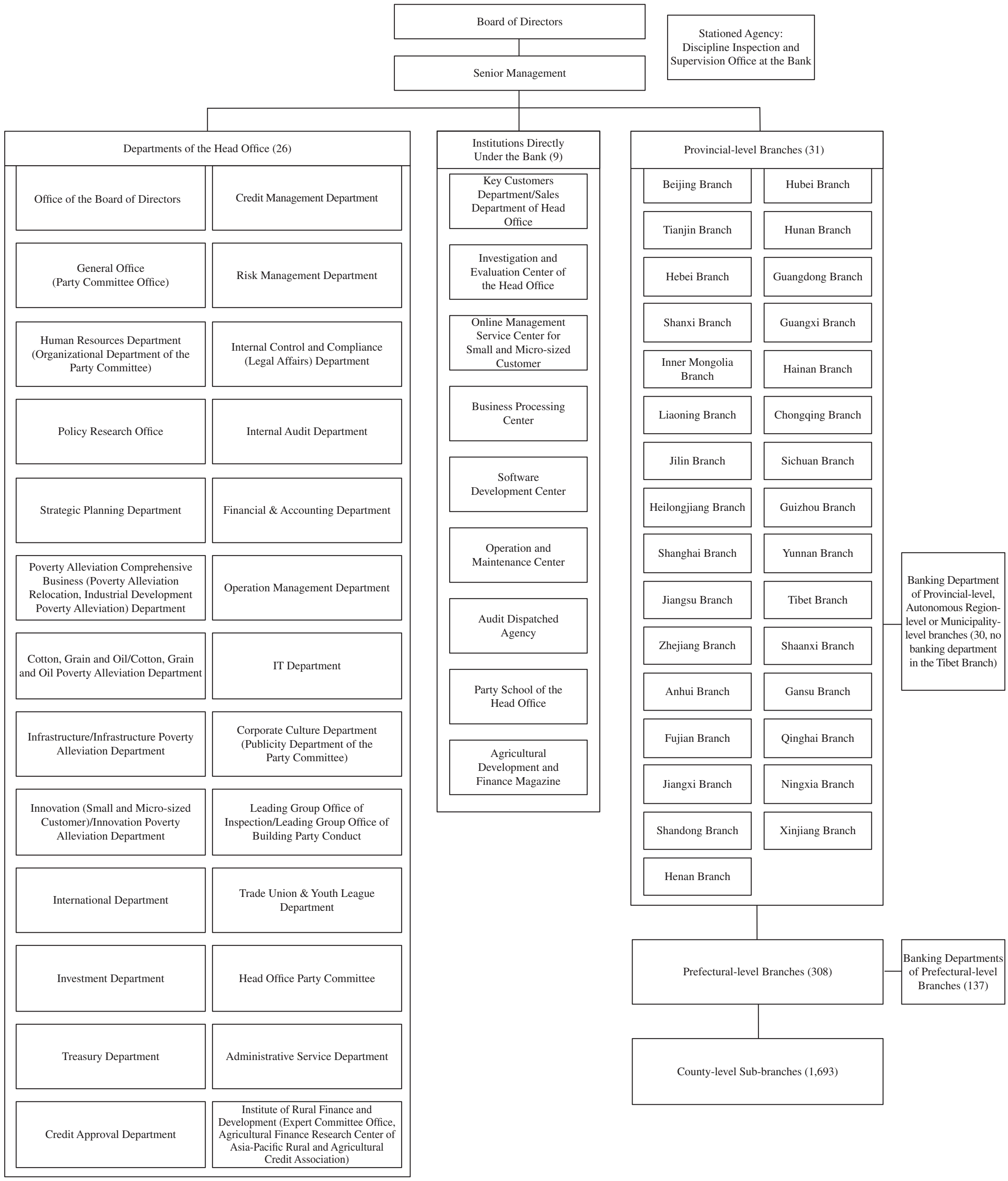
The Bank's board of supervisors is established and managed in accordance with the Provisional Regulations of the Supervisory Board of State-owned Key Financial Institutions and other relevant laws and regulations, and is dispatched by and responsible for the State Council to supervise the performance and due diligence of the Bank's directors and senior management, to inspect and supervise the Bank's business decisions, risk management and internal controls, and to report regularly to the State Council on its work.

Departments

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

Set out below is the organisation chart of the Bank:

Organizational Chart of ADBC



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

Set out below as at the date of this Offering Circular.

Mr. Qian Wenhui*, Secretary of the Party Committee, Chairman and Executive Director.* Mr. Qian was appointed as the Secretary of the Party Committee, Chairman and Executive Director of the Bank in October 2020.

Mr. Zhan Dongsheng*, Vice Secretary of the Party Committee, Vice Chairman, Executive Director and President*. Mr. Zhan was appointed as the Vice Secretary of the Party Committee, Vice Chairman, Executive Director and President of the Bank in June 2021.

Mr. Wang Zhaohe*, the leader of the Committee for Discipline Inspection of the Bank under the Central Commission for Discipline Inspection, Member of the Party Committee*. Mr. Wang was appointed as leader of the Committee for Discipline Inspection of the Bank under the Central Commission for Discipline Inspection and member of the Party Committee of the Bank in January 2019.

Mr. Sun Lansheng*, Member of the Party Committee, Executive Director and Vice President*. Mr. Sun was appointed as a member of the Party Committee, Executive Director and Vice President of the Bank in April 2018.

Mr. Xu Yiding*, Member of the Party Committee and Vice President*. Mr. Xu was appointed as a member of the Party Committee and the Vice President of the Bank in July 2019.

Mr. Zhao Peng, *Member of the Party Committee and Vice President*. Mr. Zhao was appointed as a member of the Party Committee and Vice President of the Bank in March 2020.

Mr. Zhang Wencai**,** *Member of the Party Committee and Vice President*. Mr. Zhang was appointed as a member of the Party Committee and Vice President of the Bank in June 2020.

Mr. Zhu Yuanyang*, Assistant to President*. Mr. Zhu was appointed as Assistant to President of the Bank in March 2016.

Mr. Zhou Liangwei*, Secretary of the Board*. Mr. Zhou was appointed as Secretary of the Board of the Bank in April 2017.

Mr. Li Xiaohui*, Chief Risk Officer*. Mr. Li was appointed as the Chief Risk Officer of the Bank and served as the President and Secretary of the Party Committee of Henan branch of the Bank from April 2019.

PRC CURRENCY CONTROLS RELATING TO RENMINBI

Current Account Items

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

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

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

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

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

Capital Account Items

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

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

PRC entities are also permitted to borrow Renminbi-denominated loans from foreign lenders (which are referred to as "**foreign debt**") and lend Renminbi-denominated loans to foreign borrowers (which are referred to as "**outbound loans**"), as long as such PRC entities have the necessary quota, approval or registration. PRC entities may also denominate security or guarantee arrangements in Renminbi and make Renminbi payments thereunder to parties in the PRC as well as other jurisdictions (which is referred to as "**cross-border security**"). Under current rules promulgated by SAFE and PBOC, foreign debts borrowed, outbound loans extended, and the cross-border security provided by a PRC onshore entity (including a financial institution) in Renminbi shall, in principle, be regulated under the current PRC foreign debt, outbound loan and cross-border security regimes applicable to foreign currencies. After piloting in the free trade zones, the PBOC and SAFE launched a nation-wide system of macro-prudential management on cross-border financing in 2016, which provides for a unified regime for financings denominated in both foreign currencies and Renminbi.

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

The securities markets, specifically the Renminbi Qualified Foreign Institutional Investor ("**RQFII**") regime and the China Interbank Bond Market ("**CIBM**"), have been further liberalised for foreign investors. The PBOC has relaxed the quota control for RQFII, and has also expanded the list of eligible foreign investors in CIBM, removed quota restriction, and granted more flexibility for the settlement agents to provide the relevant institutions with more trading facilities (for example, in relation to derivatives for hedging foreign exchange risk). In May 2020, PBOC and SAFE promulgated the Provisions on the Administration of Domestic Securities and Futures Investment Funds of Foreign Institutional Investors (《境外機構投資者境內證券期貨投資資金管理規定》) which came into effect on 6 June 2020, to further lift the restriction in relation to RQFII, including removing the investment quota for RQFII. And on 25 September 2020, CSRC, PBOC and SAFE promulgated Measures for the Administration of Domestic Securities and Futures Investment by Qualified Foreign Institutional Investors and RMB Qualified Foreign Institutional Investors (《合格境外機構投資者和人民幣合格境外機構投資者境內證券期貨投資管理辦法》) which came into effect on 1 November 2020, to further relax access conditions, simplify application and expand the scope of investment.

Interbank foreign exchange market is also opening-up. In January 2016, CFETS set forth qualifications, application materials and procedure for foreign participating banks (which needs to have a relatively large scale of Renminbi purchase and sale business and international influence) to access the inter-bank foreign exchange market. In April 2019, CFETS issued Guidelines for Foreign Institutions Entering the Market in the Inter-bank Foreign Exchange Market (《銀行間外匯市場境外機構入市指引》), which was further amended in November 2020.

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

TAXATION

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

MAINLAND CHINA

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

Income Tax

Pursuant to the EIT Law and its implementation regulations and IIT Law of the PRC, which was amended on 30 June 2011 and took effect on 1 September 2011 and further amended on 31 August 2018 and took effect on 1 January 2019, and its implementation regulations, an income tax is imposed on payment of interest by way of withholding in respect of debt securities, issued by PRC enterprises to non-PRC Bondholders, including non-PRC resident enterprises and non-PRC resident individuals. The current rates of such income tax are 10 per cent. for non-PRC resident enterprise Bondholders in the case of non-resident enterprise without offices or premises inside the PRC or with offices or premises within PRC but such gains have no actual connection to the offices or premises, 25 per cent. for non-resident enterprise Bondholders in the case of non-resident enterprise holders with offices or premises inside the PRC and such gains are obtained by the offices or premises and 20 per cent. for non-PRC resident individuals.

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

VAT

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

According to Circular 36, the entities and individuals providing the services within China shall be subject to VAT. The services are treated as being provided within China where either the service provider or the service recipient is located in China. The services subject to VAT include the provision of financial services such as the provision of loans. It is further clarified under Circular 36 that "loans" refers to the activity of lending capital for another's use and receiving the interest income thereon. Based on the interpretation of "loans" under Circular 36, the issuance of Bonds may be treated as the Bondholders providing loans to the Bank, which thus could be regarded as the provision of financial services that could be subject to VAT. Further, given that the Bank is located in the PRC, the Bondholders would be regarded as providing the financial services within China and consequently, the Bondholders shall be subject to VAT at the rate of 6 per cent. when receiving the interest payments under the Bonds. Given that the Bank pays interest income to Bondholders who are located outside of the PRC, the Bank, acting as the obligatory withholder in accordance with applicable law, shall withhold VAT from the payment of interest income to Bondholders who are located outside of the PRC.

Where a Bondholder who is an entity or individual located outside of the PRC resells the Bonds to an entity or individual located outside of the PRC and derives any gain, since neither the service provider nor the service recipient is located in the PRC, theoretically Circular 36 does not apply and the Bank does not have the obligation to withhold the VAT.

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

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

Stamp duty

No PRC stamp duty will be imposed on non-PRC Bondholders either upon issuance of the Bonds or upon a subsequent transfer of Bonds to the extent that the register of Bondholders is maintained outside the PRC and the issuance and the sale of the Bonds is made outside of the PRC.

HONG KONG

Withholding tax

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

Profit tax

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

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

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

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

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

(d) interest on the Bonds is received by or accrues to a corporation, other than a financial institution, and arises through or from the carrying on in Hong Kong 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 from the sale, disposal and redemption of Bonds 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 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 Bonds will be subject to Hong Kong profits tax.

Sums derived from the sale, disposal or redemption of Bonds 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 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 Bonds are acquired and disposed of.

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

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

FATCA

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a "foreign financial institution" may be required to withhold on certain payments it makes to persons that fail to meet certain certification, reporting, or related requirements. The Bank may be a foreign financial institution for these purposes. A number of jurisdictions have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA ("**IGAs**" and each an "**IGA**"), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Bonds, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Bonds, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Bonds, such withholding would not apply prior to 1 January 2019 and Bonds issued on or prior to the date that is six months after the date on which final regulations defining "foreign passthru payments" are filed with the U.S. Federal Register generally would be "grandfathered" for purposes of FATCA withholding unless materially modified after such date. Holders should consult their own tax advisors regarding how these rules may apply to their investment in the Bonds.

GERMANY

Federal Republic of Germany

The following general overview does not consider all aspects of income taxation in the Federal Republic of Germany ("**Germany**") that may be relevant to a holder of the Bonds in the light of the holder's particular circumstances and income tax situation. It is not intended to be, nor should it be construed to be, legal or tax advice. It is based on German tax laws and regulations, all as currently in effect and all subject to change at any time, possibly with retroactive effect. Prospective holders are urged to consult their own tax advisers as to the particular tax consequences to them of subscribing, purchasing, holding and disposing of the Bonds, including the application and effect of state, local, foreign and other tax laws and the possible effects of changes in the tax laws of Germany.

German resident investors

Interest income

If the Bonds are held as private assets (*Privatvermögen*) by an individual investor whose residence or habitual abode is in Germany, payments of interest under the Bonds are generally taxed as investment income (*Einkünfte aus Kapitalvermögen*) at a 25 per cent. flat tax (*Abgeltungsteuer*) (plus a 5.5 per cent. solidarity surcharge (*Solidaritätszuschlag*) thereon and, if applicable to the individual investor, church tax (*Kirchensteuer*)).

The flat tax is generally collected by way of withholding (see subsequent paragraph – *Withholding tax*) and the tax withheld shall generally satisfy the individual investor's tax liability with respect to the Bonds. If, however, no or not sufficient tax was withheld other than by virtue of a withholding tax exemption request (*Freistellungsauftrag*) (e.g. in case there is no Domestic Disbursing Agent as defined in the subsequent paragraph – *Withholding Tax*), the investor will have to include the income received with respect to the Bonds in its annual income tax return. The flat tax will then be collected by way of tax assessment. The investor may also opt for inclusion of investment income in its income tax return if the aggregated amount of tax withheld on investment income during the year exceeded the investor's aggregated flat tax liability on investment income (e.g. because of available losses carried forward or foreign tax credits). If the investor's individual income tax rate which is applicable on all taxable income including the investment income is lower than 25 per cent., the investor may opt to be taxed at individual progressive tax rates with respect to its investment income.

Individual investors are entitled to a saver's lump sum tax allowance (*Sparer-Pauschbetrag*) for investment income of 801 Euro per year (1,602 Euro for jointly assessed investors). The saver's lump sum tax allowance is also taken into account for purposes of withholding tax (see subsequent paragraph – *Withholding tax*) if the investor has filed a withholding tax exemption request (*Freistellungsauftrag*) with the respective Domestic Disbursing Agent (as defined below). The deduction of related expenses for tax purposes is not permitted.

If the Bonds are held as business assets (*Betriebsvermögen*) by an individual or corporate investor which is tax resident in Germany (i.e. a corporation with its statutory seat or place of management in Germany), interest income from the Bonds is subject to personal income tax at individual progressive rates or corporate income tax (each plus a 5.5 per cent. solidarity surcharge thereon and church tax, if applicable to the individual investor) and, in general, trade tax. The effective trade tax rate depends on the applicable trade tax factor (*Gewerbesteuerhebesatz*) of the relevant municipality where the business is located. In case of individual investors the trade tax may, however, be partially or fully creditable against the investor's personal income tax liability depending on the applicable trade tax factor and the investor's particular circumstances. The interest income will have to be included in the investor's personal or corporate income tax return. Any German withholding tax (including surcharges) is generally fully creditable against the investor's personal or corporate income tax liability or refundable, as the case may be.

As of the assessment period 2021 onwards the solidarity surcharge will only be levied for wage tax and income tax purposes, if the individual income tax of the holder exceeds the threshold of EUR 16,956 (EUR 33,912 for jointly assessed investors). The solidarity surcharge will however continue to be applicable for withholding tax, flat tax and corporate income tax purposes. In the case of a flat tax the income tax burden for an individual is lower than the flat tax of 25 per cent. and the holder applies for his/her investment income being assessed at his/her individual tariff-based income tax rate (see below) the solidarity surcharge would be refunded.

Withholding tax

If the Bonds are kept or administered in a domestic securities deposit account by a German credit or financial services institution (*Kredit-oder Finanzdienstleistungsinstitut*) (or by a German branch of a foreign credit or financial services institution), or by a German securities trading business (*Wertpapierhandelsunternehmen*) or a German securities trading bank (*Wertpapierhandelsbank*) (altogether the "**Domestic Disbursing Agent**") which pays or credits the interest, a 25 per cent.

withholding tax, plus a 5.5 per cent. solidarity surcharge thereon, resulting in a total withholding tax charge of 26.375 per cent., is generally levied on the interest payments. If church tax applies, the applicable withholding tax rate is in excess of the aforementioned rate if church tax is collected for the individual investor which is provided for as a standard procedure unless the holder has filed a blocking notice (*Sperrvermerk*) with the German Federal Central Tax Office (*Bundeszentralamt für Steuern*). In the latter case the investor has to include the investment income in the tax return and will then be assessed to church tax.

The Domestic Disbursing Agent may generally deduct from the basis of the withholding tax negative investment income realized by the individual investor of the Bonds via such Domestic Disbursing Agent (e.g. losses from the sale of other securities with the exception of shares). The Domestic Disbursing Agent may also deduct interest accrued on the Bonds or other securities paid separately upon the acquisition of the respective security via the Domestic Disbursing Agent. In addition, subject to certain requirements and restrictions the Domestic Disbursing Agent may credit foreign withholding taxes levied on investment income in a given year regarding securities held by the individual investor in the custodial account with the Domestic Disbursing Agent.

Capital gains from sale or redemption

Subject to the saver's lump sum tax allowance for investment income described under the paragraph Interest income above, capital gains from the sale or redemption of the Bonds held as private assets are taxed at the 25 per cent. flat tax (plus a 5.5 per cent. solidarity surcharge thereon and, if applicable to the individual investor, church tax). The capital gain is generally determined as the difference between the proceeds from the sale or redemption of the Bonds and the acquisition costs. Expenses directly and factually related (*unmittelbarer sachlicher Zusammenhang*) to the sale or redemption are taken into account. Otherwise, the deduction of related expenses for tax purposes is not permissible. The same applies to proceeds from the separate disposal of interest claims (i.e. without the Bonds) or to proceeds from the payment of interest claims if the Bonds have been disposed separately.

Where the Bonds are acquired and/or sold in a currency other than Euro, the acquisition costs will be converted into Euro at the time of acquisition, the sales proceeds will be converted in Euro at the time of sale, and only the difference will then be computed in Euro.

Capital losses from the sale or redemption of Bonds held as private assets are generally tax-recognised irrespective of the holding period of the Bonds. The losses may, however, not be used to offset other income like employment or business income but may only be offset against investment income subject to certain limitations. Losses not utilised in one annual assessment period may be carried forward into subsequent assessment periods but may not be carried back into preceding assessment periods. However, if the losses, amongst others, result from the full or partial non-recoverability of the repayment claim under the Bonds including a default of the Issuer or a (voluntary) waiver, such losses together with other losses of such kind of the same year and loss-carry forwards of previous years can only be offset up to an amount of EUR 20,000 ("**Limitation on Loss Deduction**"). Any exceeding loss amount can be carried forward and offset against future investment income, but again subject to the EUR 20,000 limitation. Given that losses, which are subject to the Limitation on Loss Deduction, will not be applied by the German disbursing agent holding the Bonds in custody, investors suffering losses, which are subject to the Limitation on Loss Deduction, are required to declare such losses in their income tax return within the limits of the Limitation on Loss Deduction.

The flat tax is generally collected by way of withholding (see subsequent paragraph – *Withholding tax*) and the tax withheld shall generally satisfy the individual investor's tax liability with respect to the Bonds. With respect to the return filing, investors shall refer to the description under paragraph Interest income above.

If the Bonds are held as business assets (*Betriebsvermögen*) by an individual or corporate investor which is tax resident in Germany, capital gains from the Bonds are subject to personal income tax at individual progressive tax rates or corporate income tax (plus solidarity surcharge thereon and church tax, if applicable to the individual investor) and, in general, trade tax. The effective trade tax rate depends on the applicable trade tax factor of the relevant municipality where the business is located.

In case of an individual investor the trade tax may, however, be partially or fully creditable against the investor's personal income tax liability depending on the applicable trade tax factor and the investor's particular circumstances. The capital gains will have to be included in the investor's personal or corporate income tax return. Capital losses from the sale or redemption of the Bonds should generally be tax-recognised and may generally be offset against other income. Any German withholding tax (including surcharges) is generally fully creditable against the investor's personal or corporate income tax liability or refundable, as the case may be.

Withholding tax

If the Bonds are kept or administered by a Domestic Disbursing Agent from the time of their acquisition, a 25 per cent. withholding tax, plus a 5.5 per cent. solidarity surcharge thereon, is levied on the capital gains, resulting in a total withholding tax charge of 26.375 per cent. If the Bonds were sold or redeemed after being transferred to a securities deposit account with a Domestic Disbursing Agent, the 25 per cent. withholding tax (plus a 5.5 per cent. solidarity surcharge thereon) would be levied on 30 per cent. of the proceeds from the sale or the redemption, as the case may be, unless the investor or the previous depository bank was able and allowed to provide evidence for the investor's actual acquisition costs to the current Domestic Disbursing Agent. If church tax applies, the applicable withholding tax rate is in excess of the aforementioned rate if church tax is collected for the individual investor which is provided for as a standard procedure unless the holder has filed a blocking notice (*Sperrvermerk*) with the German Federal Central Tax Office (*Bundeszentralamt für Steuern*).

No withholding is generally required on capital gains from the disposal or redemption of the Bonds which is derived by German resident corporate investors and, upon application, by individual investors holding the Bonds as business assets, subject to certain requirements.

Any capital losses incurred from the disposal or redemption of the Bonds will not be taken into account for withholding tax purposes.

Non-German tax resident investors

Income derived from the Bonds by investors who are not tax resident in Germany is in general not subject to German income taxation, and no withholding tax shall be withheld, unless (i) the Bonds are held as business assets of a German permanent establishment of the investor or by a permanent German representative of the investor, (ii) the income derived from the Bonds does otherwise constitute German source income (such as income derived from the letting and leasing of certain property located in Germany) or (iii) the income is paid or credited by a Domestic Paying Agent against presentation of the Bonds or interest coupons (so-called over-the-counter transaction, *Tafelgeschäfte*).

If the income derived from the Bonds is subject to German taxation according to (i) to (iii) above, the income is subject to German income taxation and withholding tax similar to that described above for German tax residents. Under certain circumstances, foreign investors may benefit from tax reductions or tax exemptions under applicable double tax treaties (*Doppelbesteuerungsabkommen*) entered into with Germany.

Inheritance and gift tax

The transfer of Bonds to another person by way of gift or inheritance may be subject to German gift or inheritance tax, respectively, if *inter alia* the testator, the donor, the heir, the done or any other acquirer had his residence, habitual abode or, in case of a corporation, association of persons (*Personenvereinigung*) or asset pool (*Vermögensmasse*), has its seat or place of management in Germany at the time of the transfer of property, except as provided under (i), the testator's or donor's Bonds belong to a business asset attributable to a permanent establishment or a permanent representative in Germany.

Special regulations may apply to certain German expatriates.

Prospective investors are urged to consult with their tax advisor to determine the particular inheritance or gift tax consequences in light of their particular circumstances.

Other taxes

The purchase, sale or other disposal of Bonds does not give rise to capital transfer tax, value added tax, stamp duties or similar taxes or charges in Germany. However, under certain circumstances entrepreneurs may choose liability to value added tax with regard to the sales of Bonds to other entrepreneurs which would otherwise be tax exempt. Net wealth tax (*Vermögensteuer*) is, at present, not levied in Germany.

The proposed Financial Transaction Tax

The European Commission has published a proposal for a Directive for a common financial transaction tax (the "**FTT**") in certain participating Member States, including Germany. The proposed FTT has a very broad scope and could apply to certain dealings in financial instruments (including secondary market transactions).

The FTT as originally proposed could apply to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in financial instruments where at least one party is a financial institution, and either (i) at least one party is established or deemed to be established in a participating Member State or (ii) the financial instruments are issued in a participating Member State.

In June 2018, Germany and France agreed to further pursue the implementation of an FTT in the EU for which the current French financial transaction tax (which is mainly focused on transactions regarding shares in listed companies with a market capitalization of more than EUR 1 billion) could serve as a role model. Therefore, France and Germany presented mid-2019 a common position paper on the introduction of an EU-wide FTT based on the French model to the High Level Working Party at a meeting of the Council of the European Union.

The German government has submitted a new proposal for a directive implementing an FTT by the participating Member States in April 2020. Pursuant to this proposal, an FTT should be levied at least at a rate of 0.2 per cent. of the consideration for the acquisition of ownership of ordinary and preference shares admitted to trading on a trading venue or other securities equivalent to such shares ("**Financial Instruments**") or similar transactions (e.g. an exchange of Financial Instruments or an acquisition of Financial Instruments by means of a physical settlement of a debt derivative). Only transactions with Financial Instruments of issuers with registered office within one of the participating Member States and a market capitalisation of at least EUR 1 billion on 1 December of the year preceding the respective transaction should be covered. The right to tax the transaction shall have the participating Member State in which the issuer of a Financial Instrument has its registered office.

The FTT still remains subject to negotiation between the participating Member States and was (and most probably will be) the subject of legal challenge. It may therefore be altered prior to any implementation, the timing of which remains unclear. Moreover, once any directive has been adopted, it will need to be implemented into the respective domestic laws of the still participating Member States and the domestic provisions implementing such a directive might deviate from the directive itself. Additional EU/EEA member states may decide to participate and further participating Member States may decide to withdraw. Prospective holders of the Bonds are advised to seek their own professional advice in relation to the consequences of the FTT associated with subscribing for, purchasing, holding and disposing of the Bonds.

LUXEMBOURG

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

Withholding Tax

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

Luxembourg residents

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

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

Luxembourg tax residency of the Bondholders

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

Taxation of Luxembourg non-residents

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

Taxation of Luxembourg residents

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

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

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

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

Luxembourg resident corporate Bondholders, or non-resident Bondholders which have a permanent establishment, a permanent representative or a fixed base of business in Luxembourg with which the holding of the Bonds is connected, must for income tax purposes include in their taxable income any interest (including accrued but unpaid interest) as well as the difference between the sale or redemption price and the lower of the cost or book value of the Bonds sold or redeemed. Luxembourg resident corporate Bondholders which are companies benefiting from a special tax regime (such as (a) family wealth management companies subject to the law of 11 May 2007, as amended, (b) undertakings for collective investment subject to the law of 17 December 2010, as amended, (c) specialised investment funds subject to the law of 13 February 2007, as amended, or (d) reserved alternative investment funds governed by the law of 23 July 2016, provided it is not foreseen in the incorporation documents that (i) the exclusive object is the investment in risk capital and that (ii) article 48 of the aforementioned law of 23 July 2016 applies) are tax exempt entities in Luxembourg, and are thus not subject to any Luxembourg tax (i.e., corporate income tax, municipal business tax and net wealth tax) other than the annual subscription tax calculated on their (paid up) share capital (and share premium) or net asset value.

Net Wealth tax

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

Other taxes

No stamp, registration, transfer or similar taxes or duties will be payable in Luxembourg by Bondholders in connection with the issue of the Bonds, nor will any of these taxes be payable as a consequence of a subsequent transfer or redemption of the Bonds, unless the documents relating to the Bonds are (a) voluntarily registered in Luxembourg, or (b) appended to a document that requires mandatory registration in Luxembourg. There is no Luxembourg value added tax payable in respect of payments in consideration for the issuance of the Bonds or in respect of the payment of interest or principal under the Bonds or the transfer of the Bonds. Luxembourg value added tax may, however, be payable in respect of fees charged for certain services rendered to the Issuer, if for Luxembourg value added tax purposes such services are rendered or are deemed to be rendered in Luxembourg and an exemption from Luxembourg value added tax does not apply with respect to such services. Bondholders not permanently resident in Luxembourg at the time of death will not be subject to inheritance or other similar taxes in Luxembourg in respect of the Bonds. No Luxembourg gift tax is levied upon a gift or donation of the Bonds, if the gift is not passed before a Luxembourg notary or recorded in a deed registered in Luxembourg.

SUMMARY OF SIGNIFICANT DIFFERENCES BETWEEN PRC GAAP AND IFRS

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

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

FINANCIAL INSTRUMENTS

International Accounting Standards Board (hereinafter referred to as IASB) issued IFRS 9 – Financial instruments in July 2014, which introduces the classification and measurements, impairment and hedge accounting to replace the guidance in IAS 39 – Financial Instruments: Recognition and Measurement. Correspondingly, on 31 March 2017, the Ministry of Finance (hereinafter referred to as MOF) issued revised the Accounting Standards for Business Enterprises No. 22 – Recognition and measurement of financial instruments, Accounting Standards for Business Enterprises No. 23 – the Transfer of a financial asset and Accounting Standards for Business Enterprises No. 24 – Hedging accounting, such as three financial instruments accounting standards (hereinafter referred to as the new Financial Instrument Standards).

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

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

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

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

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

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

The Group has implemented the new Financial Instrument Standards since 1 January 2021. At present, the Group is using the Accounting Standards for Business Enterprises No. 22, 23 and 24 issued by the MOF on 31 March 2017, such as three new financial instruments accounting standards (hereinafter referred to as the existing Financial Instrument Standards).

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

The new Financial Instrument Standards and IFRS 9 introduce a new model for the recognition of impairment losses – the expected credit losses (ECL) model, which constitute a change from the incurred loss model in IAS 39. They contain a 'three stage' approach, which is based on the change in credit quality of financial assets since initial recognition. Assets move through the three stages as credit quality changes and the stages dictate how an entity measures impairment loss and applies the effective interest rate method. The new rules mean that on initial recognition of a non-credit impaired financial asset carried at amortised cost a day-1 loss equal to the 12-month ECL is recognised in profit or loss. In the case of accounts receivables this day-1 loss will be equal to their lifetime ECL. Where there is a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL.

The Group has noticed that the adoption of the new Financial Instrument Standards has had an impact on the shareholder equity and the carrying amount of the financial instruments at the beginning of 2021.

The above differences related to "new Financial Instruments standards" between PRC GAAP and IFRS have impact on the financial information of the Group since 2018.

LEASE

The IASB published IFRS 16 Lease in January 2016, which will replace current IAS 17. Correspondingly, the MOF also released the Accounting Standard for Business Enterprises No. 21 – Lease in 2018 and the Circular on the Amendment to the Formats of Corporate Financial Statements for the year of 2019 (Cai Kuai [2019] No. 6) in 2019 (collectively, the "**new Lease Standards**").

The MOF plan to implement the new Lease Standards step by step is as follows:

1. For the enterprises listed both in the domestic and overseas and the enterprises listed in the overseas and adopted International Financial Reporting Standards or Accounting Standards for Business Enterprises to prepare its financial statements, the new Lease Standards shall be implemented as of 1 January 2019. The IASB requires IFRS 16 – Lease to come into force as of 1 January 2019. Therefore, the effective date of new Lease Standards is consistent with that of IFRS 16.

2. For other enterprises that implement the Accounting Standards for Business Enterprises, the new Lease Standards shall be implemented as of 1 January 2021.

3. Enterprises that are qualified, willing and able to implement the new Lease Standards in advance shall be encouraged, but should not be earlier than the date of implementation of the Accounting Standards for Business Enterprises No. 22 – Recognition and measurement of financial instruments issued by the Ministry of Finance on March 31, 2017, and the Accounting Standards for Business Enterprises No. 14 – Revenue issued on July 5, 2017.

There is no material difference between the New Lease Standards and IFRS 16 except for the effective date illustrated as above.

The Group has adopted the new Lease Standards as at 1 January 2021. In accordance with the new Lease Standard and IFRS 16, it had resulted in almost all leases being recognized on the balance sheet by lessees, as the distinction between operating and finance leases is removed. At the adoption date, the Group measured the lease liability of these operating lease commitments at the present value of the lease payments not yet paid at the incremental borrowing rate. The cost of the right of use asset shall comprise of the measurement of the liability and any adjustments from prepaid lease payments.

The differences related to "new Lease Standards" above between PRC GAAP and IFRS have impact on the financial information of the Group since 2019.

SUBSCRIPTION AND SALE

The Bank has entered into a subscription agreement with the Joint Lead Managers dated 26 October 2021 (the "**Subscription Agreement**"), pursuant to which and subject to certain conditions contained therein, the Bank has agreed to sell to the Joint Lead Managers, and the Joint Lead Managers have agreed to, severally but not jointly, subscribe and pay for or to procure subscribers to subscribe and pay for (i) the 2024 Bonds at an issue price of 100.00 per cent., (ii) the 2026 Bonds at an issue price of 100.00 per cent. and (iii) the 2031 Bonds at an issue price of 100.00 per cent. of their respective principal amount as set out in the Subscription Agreement.

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

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

In connection with the offering of the Bonds, the Joint Lead Managers and/or their respective affiliate(s) may act as an investor for its own account and may take up Bonds in the offering and in that capacity may retain, purchase or sell for its own account such securities and any securities of the Bank and may offer or sell such securities or other investments otherwise than in connection with the offering. Accordingly, references herein to the Bonds being offered should be read as including any offering of the Bonds to the Joint Lead Managers and/or their respective affiliates acting in such capacity. Such persons do not intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so. The Joint Lead Managers or their respective affiliates may purchase the Bonds for its own account or for the accounts of their customers and enter into transactions, including credit derivative, such as asset swaps, repackaging and credit default swaps relating to the Bonds and/or other securities of the Bank or its subsidiaries or associates at the same time as the offer and sale of the Bonds or in secondary market transactions. Such transactions would be carried out as bilateral trades with selected counterparties and separately from any existing sale or resale of the Bonds to which this Offering Circular relates (notwithstanding that such selected counterparties may also be purchasers of the Bonds).

GENERAL

The distribution of this Offering Circular or any offering material and the offering, sale or delivery of the Bonds is restricted by law in certain jurisdictions. Therefore, persons who may come into possession of this Offering Circular or any offering material are advised to consult their own legal advisers as to what restrictions may be applicable to them and to observe such restrictions. This Offering Circular may not be used for the purpose of an offer or invitation in any circumstances in which such offer or invitation is not authorised.

No action has been or will be taken in any jurisdiction by the Bank or the Joint Lead Managers that would permit a public offering, or any other offering under circumstances not permitted by applicable law, of the Bonds, or possession or distribution of this Offering Circular, any amendment or supplement thereto issued in connection with the proposed resale of the Bonds or any other offering or publicity material relating to the Bonds, in any country or jurisdiction where action for that purpose is required. Accordingly, the Bonds may not be offered or sold, directly or indirectly, and neither this Offering Circular nor any other offering material or advertisements in connection with the Bonds may be distributed or published, by the Bank or the Joint Lead Managers, in or from any country or jurisdiction, except in circumstances which will result in compliance with all applicable rules and regulations of any such country or jurisdiction and will not impose any obligations on the Bank or the Joint Lead Managers. If a jurisdiction requires that an offering of Bonds be made by a licensed broker or dealer and a Joint Lead Manager or any affiliate of the Joint Lead Managers is a licensed broker or dealer in that jurisdiction, such offering shall be deemed to be made by such Joint Lead Manager or such affiliate on behalf of the Bank in such jurisdiction.

UNITED STATES

The Bonds have not been and will not be registered under the Securities Act and may not be offered or sold within the United States unless pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

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

HONG KONG

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

(a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Bonds other than (1) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the "**SFO**") and any rules made under the SFO; or (2) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the "**C(WUMP)O**") or which do not constitute an offer to the public within the meaning of the C(WUMP)O; and

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

MAINLAND CHINA

Each of the Joint Lead Managers has represented, warranted and undertaken that the Bonds are not being offered or sold and may not be offered or sold, directly or indirectly, in Mainland China, except as permitted by the securities laws of the PRC.

JAPAN

The Bonds have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the "**Financial Instruments and Exchange Act**").

Accordingly, each of the Joint Lead Managers has represented, warranted and undertaken that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Bonds in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan) or to others for re-offering or re-sale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Act and other relevant laws and regulations of Japan.

UNITED KINGDOM

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

(a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 (the "**FSMA**")) received by it in connection with the issue or sale of any Bonds in circumstances in which Section 21(1) of the FSMA does not apply to the Bank; and

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

SINGAPORE

Each of the Joint Lead Managers has acknowledged that this Offering Circular has not been and will not be registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each of the Joint Lead Managers has represented, warranted and agreed that it has not offered or sold any Bonds or caused the Bonds to be made the subject of an invitation for subscription or purchase and will not offer or sell any Bonds or cause the Bonds to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Bonds, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act (Chapter 289 of Singapore), as modified or amended from time to time (including by any subsidiary legislation as may be applicable at the relevant time (together, the "**SFA**")) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section

275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Bonds are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Bonds pursuant to an offer made under Section 275 of the SFA except:

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

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

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

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

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

Singapore SFA Product Classification: *In connection with Section 309B of the SFA and 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 Bonds are 'prescribed capital markets products' (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).*

TAIWAN REGION

The Bonds have not been and will not be registered or filed with, or approved by, the Financial Supervisory Commission of Taiwan and/or other regulatory authority of Taiwan Region pursuant to relevant securities laws and regulations of Taiwan Region and may not be issued, offered or sold within Taiwan Region through a public offering or in circumstances which constitute an offer within the meaning of the Securities and Exchange Act of Taiwan that requires a registration, filing or approval of the Financial Supervisory Commission of Taiwan and/or other regulatory authority of Taiwan Region. No person or entity in Taiwan Region has been authorised to offer or sell the Bonds in Taiwan Region. The Bonds may be made available outside Taiwan Region for purchase outside Taiwan Region by Taiwan resident investors, but may not be offered or sold in Taiwan Region.

MACAU

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

GENERAL INFORMATION

1. **Legal Entity Identifier**: The Legal Entity Identifier code of the Bank is 300300C1020311000158.

2. **Clearing Systems**: The 2024 Bonds have been accepted for clearance through CMU with the CMU Instrument Number BCMKFB21006, ISIN HK0000778198 and Common Code number 238986290. The 2026 Bonds have been accepted for clearance through CMU with the CMU Instrument Number BCMKFB21007, ISIN HK0000778206 and Common Code number 238986346. The 2031 Bonds have been accepted for clearance through CMU with the CMU Instrument Number BCMKFB21008, ISIN HK0000778214 and Common Code number 238986362.

3. **Authorisations**: The Bank has obtained all necessary consents, approvals and authorisations in connection with the issue and performance of its obligations under the Bonds, the Deeds of Covenant and the Fiscal Agency Agreement, including (i) the written resolutions of the Board of Directors dated 24 May 2021; (ii) the registration with the NDRC in accordance with the NDRC Circular by the Bank with respect to the issuance of the Bonds; and (iii) the approval from the PBOC dated 9 August 2021 obtained by the Bank in respect of the Bonds.

4. **Registrations and Filings**: The Bank undertakes to submit or cause to be submitted with the NDRC, the PBOC and SAFE after the Issue Date, within the time period prescribed by the NDRC, the PBOC and SAFE respectively, in each case pursuant to relevant laws and regulations, the requisite information and documents as required by the relevant regulatory authority. The Bank will submit for recordation of the proceeds of the Bonds to the Capital Account Information System of SAFE and may directly go through the formalities for withdrawal and repayment in connection with foreign debts pursuant to the Interim Measures and the Foreign Debts Measures.

5. **No Significant/Material Adverse Change**: There has been no significant change in the financial or trading position of the Bank or the Group since 31 December 2020 and there has been no material adverse change, or any development reasonably likely to involve an adverse change, in the financial or trading position, prospects or results of operations of the Bank since 31 December 2020.

6. **Litigation**: As at the date of this Offering Circular, neither the Bank, its subsidiaries nor the Group is involved in any litigation or arbitration proceedings that the Bank believes are material in the context of the Bonds, nor is the Bank aware that any such proceedings are pending or threatened.

7. **Available Documents**: Copies of the Deeds of Covenant, the Fiscal Agency Agreement, the approval of the PBOC dated 9 August 2021, the registration certificate issued by the NDRC dated 16 July 2021, this Offering Circular, the Extract of the Articles of Association of the Bank, will be available free of charge for inspection and collection from the Issue Date at the corporate headquarters and principal place of business of the Bank in the PRC at A2 Yuetanbeijie Street, Xicheng District, Beijing 100045, PRC and at the office of the Fiscal Agent at 20 Pedder Street, Central, Hong Kong during normal business hours, so long as any of the Bonds is outstanding. Copies of the Bank's annual report for the years ended 31 December 2019 and 2020 will be

available for inspection and collection from the Issue Date at the Fiscal Agent's office at 20 Pedder Street, Central, Hong Kong, during normal business hours, so long as any of the Bonds is outstanding. Copies of the Audited Financial Statements and of the Extract of the Articles of Association of the Bank, and in each case the corresponding English translation(s), will be available free of charge for inspection from the Issue Date at the offices of Linklaters LLP at One Silk Street, London EC2Y 8HQ, United Kingdom during normal business hours, so long as any of the Bonds is outstanding.

8. **Financial Statements**: Financial Statements Translation, which have been prepared based on the Chinese version of Financial Statements audited by PwC and were translated into English, are included elsewhere in this Offering Circular for reference. These consolidated financial statements of the Bank have been prepared in accordance with PRC GAAP. These consolidated financial statements are not intended to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in other countries and jurisdictions.

9. **Listing**: An application has been made to the Luxembourg Stock Exchange for the Bonds to be admitted to trading on the EuroMTF market and listed on the Official List of the Luxembourg Stock Exchange.

   In respect of Bonds admitted to trading on a market operated by the LuxSE and listed in the Official List of the LuxSE and as long as the rules of such exchange so require, all notices regarding the Bonds will be published in a Luxembourg daily newspaper with general circulation in Luxembourg (which is expected to be the Luxemburger Wort) or on the LuxSE website (www.bourse.lu).

   Application will be made to the Frankfurt Stock Exchange for the Bonds to be admitted to trading in the Quotation Board of the Open Market (*Freiverkehr*) at the Frankfurt Stock Exchange and the Bonds will be available for trading on the China Europe International Exchange AG (CEINEX).

   Application has also been made to the London Stock Exchange for the Bonds to be admitted to trading on the ISM. The ISM is not a regulated market for the purposes of MiFID II. The ISM is a market designated for professional investors. Bonds admitted to trading on the ISM are not admitted to the Official List of the United Kingdom Listing Authority. The London Stock Exchange has not approved or verified the contents of this Offering Circular. Such admission to trading is expected to be effective on or immediately following the Issue Date.

   Application has been made to the MOX for the listing of the Bonds by way of debt issues to MOX Professional Investors only. Admission to the listing of the Bonds on the MOX shall not be taken as an indication of the merits of the Issuer or the Bonds.

   Approval in-principle has been received from the SGX-ST for the listing of and quotation for the Bonds on the Official List of the SGX-ST. The Bonds will be traded on the SGX-ST in a minimum board lot size of S$200,000 (or its equivalent in other currencies) for so long as the Bonds are listed on the SGX-ST and the rules of the SGX-ST so require.

For so long as any Bonds are listed on the SGX-ST and the rules of the SGX-ST so require, the Issuer shall appoint and maintain a paying agent in Singapore, where the Bonds may be presented or surrendered for payment or redemption, in the event that a Global Bond Certificate is exchanged for definitive Certificates. In addition, in the event that a Global Bond Certificate is exchanged for definitive Certificates, an announcement of such exchange will be made by the Issuer through the SGX-ST and such announcement will include all material information with respect to the delivery of the definitive Certificates, including details of the paying agent in Singapore.

INDEX OF FINANCIAL STATEMENTS

The English translations of the Audited Financial Statements of the Group are for reference only. Should there be any inconsistency between the English and Chinese versions, the Chinese version should prevail.

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The consolidated financial statements of the Bank as at and for the year ended 31 December 2019

The consolidated financial statements of the Bank as at and for the year ended 31 December 2020

AGRICULTURAL DEVELOPMENT BANK OF CHINA

FINANCIAL STATEMENTS AND
AUDITOR'S REPORT
FOR THE YEAR ENDED 31 DECEMBER 2019

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

AGRICULTURAL DEVELOPMENT BANK OF CHINA

FINANCIAL STATEMENTS AND AUDITOR'S REPORT
FOR THE YEAR ENDED 31 DECEMBER 2019
[English translation for reference only]

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[English Translation for Reference Only]

Auditor's Report

PwC ZT Shen Zi (2020) No. 29496
(Page 1 of 4)

To Agricultural Development Bank of China,

Opinion

What we have audited

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

- the consolidated and bank balance sheet as at 31 December 2019;
- the consolidated and bank income statement for the year then ended;
- the consolidated and bank cash flow statement for the year then ended;
- the consolidated and bank statement of changes in equity for the year then ended; and
- notes to the financial statements.

Our opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of consolidated level and the Bank as at 31 December 2019, and their financial performance and cash flows for the year then ended in accordance with the requirements of Accounting Standards for Business Enterprises ("CASs").

Basis for Opinion

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

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

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

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

PricewaterhouseCoopers Zhong Tian LLP

Shanghai, the People’s Republic of China
17 June 2020

CONSOLIDATED AND BANK BALANCE SHEETS
FOR THE YEAR ENDED 31 DECEMBER 2019
(All amounts in RMB Yuan unless otherwise stated)
[English translation for reference only]

		The Group	
Assets	**Note VIII**	**31 December 2019**	**31 December 2018**
Cash and deposits with the Central Bank	1	237,890,696,689.38	158,988,575,086.70
Deposits with banks and non-bank financial institutions	2	254,623,960,060.61	458,854,938,722.81
Placements with banks and non-bank financial institutions	3	83,125,409,553.60	225,621,580,000.00
Financial assets at fair value through profit or loss	4	296,626,650,655.12	326,891,577,859.01
Financial assets held under resale agreements	5	98,529,555,608.80	89,077,859,000.00
Interest receivable	6	19,881,905,927.61	20,572,196,018.32
Loans and advances to customers	7	5,378,867,574,165.61	4,916,484,836,176.70
Available-for-sale financial assets	8	1,242,902,900.00	-
Held-to-maturity investment	9	122,586,995,344.00	110,818,784,665.68
Investment classified as receivables	10	441,998,711,371.16	481,174,112,996.26
Long-term equity investment	11	2,559,839,022.57	1,755,737,889.98
Fixed assets	12	15,933,587,087.55	16,349,308,907.48
Intangible assets	13	661,684,603.27	537,297,047.07
Goodwill		17,503,168.89	-
Deferred tax assets	14	48,175,097,949.31	39,314,873,713.65
Other assets	15	5,813,915,976.12	6,335,565,222.56
Total Assets		7,008,535,990,083.60	6,852,777,243,306.22

CONSOLIDATED AND BANK BALANCE SHEETS (CONT'D)
FOR THE YEAR ENDED 31 DECEMBER 2019
(All amounts in RMB Yuan unless otherwise stated)
[English translation for reference only]

		The Group	
Liabilities	**Note VIII**	**31 December 2019**	**31 December 2018**
Borrowings from the Central Bank	17	681,400,000,000.00	678,400,000,000.00
Deposits from banks and non-bank financial institutions	18	285,564,263,156.59	285,243,024,783.17
Placements from banks and non-bank financial institutions		78,155,000.00	-
Derivative financial liabilities		159,709,623.78	275,800,289.42
Due to customers	19	1,213,706,527,830.24	1,388,615,934,401.76
Employee benefits payable	20	9,702,361,262.45	9,244,508,017.22
Tax payable	21	7,872,378,181.55	10,060,181,644.61
Interest payable	22	113,916,821,218.99	114,423,183,023.25
Provisions	23	9,484,204,492.99	9,019,925,959.28
Debt securities issued	24	4,509,905,875,174.76	4,201,489,087,784.32
Other liabilities	25	3,791,438,382.74	2,338,819,221.28
Total Liabilities		6,835,581,734,324.09	6,699,110,465,124.31
Equity			
Share capital	26	57,000,000,000.00	57,000,000,000.00
Capital reserve	27	12,397,525.36	12,397,525.36
Other comprehensive income	28	22,053,507.22	(31,221,186.06)
Surplus reserve	29	15,478,874,965.07	13,559,939,959.35
General risk reserve	30	24,000,000,000.00	24,000,000,000.00
Retained earnings	31	76,418,811,155.31	59,125,661,883.26
Attributable to equity shareholders of the Bank		172,932,137,152.96	153,666,778,181.91
Minority interests		22,118,606.55	-
Total Equity		172,954,255,759.51	153,666,778,181.91
Total Liabilities and Equity		7,008,535,990,083.60	6,852,777,243,306.22

CONSOLIDATED AND BANK BALANCE SHEETS (CONT'D)
FOR THE YEAR ENDED 31 DECEMBER 2019
(All amounts in RMB Yuan unless otherwise stated)
[English translation for reference only]

		The Bank	
Assets	**Note VIII**	**31 December 2019**	**31 December 2018**
Cash and deposits with the Central Bank	1	237,890,696,689.38	158,988,575,086.70
Deposits with banks and non-bank financial institutions	2	247,164,157,844.32	429,611,862,435.14
Placements with banks and non-bank financial institutions	3	83,125,409,553.60	225,621,580,000.00
Financial assets held under resale agreements	5	98,529,555,608.80	89,077,859,000.00
Interest receivable	6	19,874,419,217.00	20,197,834,373.33
Loans and advances to customers	7	5,378,867,574,165.61	4,916,484,836,176.70
Available-for-sale financial assets	8	1,242,902,900.00	-
Held-to-maturity investment	9	122,586,995,344.00	110,818,784,665.68
Investment classified as receivables	10	387,892,811,878.92	428,288,551,878.92
Long-term equity investment	11	460,599,515,444.76	459,755,737,889.98
Fixed assets	12	15,933,410,334.67	16,349,308,907.48
Intangible assets	13	661,536,036.39	537,297,047.07
Deferred tax assets	14	42,602,642,949.31	35,374,009,213.65
Other assets	15	5,804,613,989.60	6,335,565,222.56
Total Assets		7,102,776,241,956.36	6,897,441,801,897.21

CONSOLIDATED AND BANK BALANCE SHEETS (CONT'D)
FOR THE YEAR ENDED 31 DECEMBER 2019
(All amounts in RMB Yuan unless otherwise stated)
[English translation for reference only]

		The Bank	
Liabilities	**Note VIII**	**31 December 2019**	**31 December 2018**
Borrowings from the Central Bank	17	681,400,000,000.00	678,400,000,000.00
Deposits from banks and non-bank financial institutions	18	285,564,263,156.59	285,243,024,783.17
Placements from banks and non-bank financial institutions		78,155,000.00	-
Derivative financial liabilities		159,709,623.78	275,800,289.42
Due to customers	19	1,308,592,249,897.75	1,434,935,838,305.58
Employee benefits payable	20	9,689,075,341.64	9,244,508,017.22
Tax payable	21	6,155,106,422.35	8,410,571,555.94
Interest payable	22	115,055,309,968.99	114,423,183,023.25
Provisions	23	9,484,204,492.99	9,019,925,959.28
Debt securities issued	24	4,509,905,875,174.76	4,201,489,087,784.32
Other liabilities	25	3,789,306,961.61	2,338,819,221.28
Total Liabilities		6,929,873,256,040.46	6,743,780,758,939.46
Equity			
Share capital	26	57,000,000,000.00	57,000,000,000.00
Capital reserve	27	12,397,525.36	12,397,525.36
Other comprehensive income	28	22,053,507.22	(31,221,186.06)
Surplus reserve	29	15,478,233,263.42	13,559,366,436.93
General risk reserve	30	24,000,000,000.00	24,000,000,000.00
Retained earnings	31	76,390,301,619.90	59,120,500,181.52
Total Equity		172,902,985,915.90	153,661,042,957.75
Total Liabilities and Equity		7,102,776,241,956.36	6,897,441,801,897.21

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

CONSOLIDATED AND BANK INCOME STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019
(All amounts in RMB Yuan unless otherwise stated)
[English translation for reference only]

		The Group	
	Note VIII	**2019**	**2018**
Operating Income		88,845,691,803.10	90,722,173,742.37
Net interest income	32	71,720,445,441.08	71,847,822,301.33
Interest income		265,162,153,110.44	254,675,396,222.23
Interest expenses		(193,441,707,669.36)	(182,827,573,920.90)
Net fee and commission income	33	204,099,740.38	154,656,235.66
Fee and commission income		368,944,893.30	319,616,969.81
Fee and commission expenses		(164,845,152.92)	(164,960,734.15)
Investment income	34	22,162,068,674.07	23,888,311,007.48
Including: Share of profit in associates and joint ventures		60,385,889.50	2,724,389.49
Net losses on fair value changes	35	(5,504,399,413.77)	(5,470,414,347.73)
Foreign exchange gains and losses		95,322,915.11	102,867,209.47
Other operating income		43,531,775.26	47,300,503.44
Assets disposal income		88,591,011.56	78,105,763.39
Other income		36,031,659.41	73,525,069.33
Operating Expenses		(67,334,090,333.39)	(70,900,469,691.88)
Taxes and surcharges	36	(1,156,007,376.12)	(1,070,767,561.58)
Operating and administrative expenses	37	(24,931,335,392.63)	(24,258,026,745.71)
Impairment losses on assets	38	(40,927,341,109.66)	(45,310,849,347.96)
Other operating expenses	39	(319,406,454.98)	(260,826,036.63)
Operating Profit		21,511,601,469.71	19,821,704,050.49
Add: Non-operating income		197,526,260.98	121,354,342.36
Less: Non-operating expenses		(349,716,346.44)	(414,205,299.70)
Profit before Income Tax		21,359,411,384.25	19,528,853,093.15
Less: Income tax expense	40	(2,146,482,935.25)	(1,411,360,189.88)
Net Profit		19,212,928,449.00	18,117,492,903.27
Attributable to equity shareholders of the Bank		19,212,084,277.77	18,117,492,903.27
Minority interests		844,171.23	-

CONSOLIDATED AND BANK INCOME STATEMENTS(CONT'D)
FOR THE YEAR ENDED 31 DECEMBER 2019
(All amounts in RMB Yuan unless otherwise stated)
[English translation for reference only]

	Note VIII	The Group 2019	The Group 2018
Other Comprehensive Income, Net of Tax	28	53,274,693.28	(41,946,300.00)
Attributable to equity shareholders of the Bank		53,274,693.28	(41,946,300.00)
Other comprehensive income that may be reclassified to profit or loss in subsequent periods			
—Share of other comprehensive income in investee under equity method that may be reclassified to profit or loss		8,931,793.28	(41,946,300.00)
—Net gains on fair value changes of available-for-sale financial assets		44,342,900.00	-
Attributable to minority interests		-	-
Total Comprehensive Income		19,266,203,142.28	18,075,546,603.27
Total comprehensive income attributable to:			
Equity shareholders of the Bank		19,265,358,971.05	18,075,546,603.27
Minority interests		844,171.23	-

CONSOLIDATED AND BANK INCOME STATEMENTS (CONT'D)
FOR THE YEAR ENDED 31 DECEMBER 2019
(All amounts in RMB Yuan unless otherwise stated)
[English translation for reference only]

	Note VIII	The Bank 2019	The Bank 2018
Operating Income		87,847,286,697.23	89,821,499,131.51
Net interest income	32	69,479,980,587.84	70,182,801,699.77
Interest income		264,164,524,407.40	253,010,375,620.67
Interest expenses		(194,684,543,819.56)	(182,827,573,920.90)
Net fee and commission income	33	186,939,041.04	154,656,235.66
Fee and commission income		351,784,193.96	319,616,969.81
Fee and commission expenses		(164,845,152.92)	(164,960,734.15)
Investment income	34	17,822,068,545.88	19,280,673,791.70
Including: Share of profit in associates and joint ventures		60,385,889.50	2,724,389.49
Net gains/(losses) on fair value changes	35	94,821,161.13	(98,431,141.25)
Foreign exchange gains and losses		95,322,915.11	102,867,209.47
Other operating income		43,531,775.26	47,300,503.44
Assets disposal income		88,591,011.56	78,105,763.39
Other income		36,031,659.41	73,525,069.33
Operating Expenses		(66,361,192,797.14)	(70,001,913,421.81)
Taxes and surcharges	36	(1,124,801,342.22)	(1,037,868,085.03)
Operation and administrative expenses	37	(24,916,785,315.38)	(24,258,026,745.71)
Impairment losses on assets	38	(40,000,199,684.56)	(44,445,192,554.44)
Other operating expenses	39	(319,406,454.98)	(260,826,036.63)
Operating Profit		21,486,093,900.09	19,819,585,709.70
Add: Non-operating income		197,526,260.98	121,354,342.36
Less: Non-operating expenses		(349,715,925.20)	(414,205,299.70)
Profit before Income Tax		21,333,904,235.87	19,526,734,752.36
Less: Income tax expense	40	(2,145,235,971.00)	(1,410,830,604.68)
Net profit		19,188,668,264.87	18,115,904,147.68
Other Comprehensive Income, Net of Tax	28	53,274,693.28	(41,946,300.00)
Other comprehensive income that may be reclassified to profit or loss in subsequent periods			
—Share of other comprehensive income in investee under equity method that may be reclassified to profit or loss		8,931,793.28	(41,946,300.00)
— Net gains on fair value changes of available-for-sale financial assets		44,342,900.00	-
Total Comprehensive Income		19,241,942,958.15	18,073,957,847.68

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

AGRICULTURAL DEVELOPMENT BANK OF CHINA

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019

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

	Note VIII	Share capital	Capital reserve	Other comprehensive income	Surplus reserve	General risk reserve	Retained earnings	Minority interests	Total equity
Balance at 1 January 2019		57,000,000,000.00	12,397,525.36	(31,221,186.06)	13,559,939,959.35	24,000,000,000.00	59,125,661,883.26	-	153,666,778,181.91
Movements during the year									
(1) Net profit		-	-	-	-	-	19,212,084,277.77	844,171.23	19,212,928,449.00
(2) Other comprehensive income	28	-	-	53,274,693.28	-	-	-	-	53,274,693.28
Subtotal of (1) and (2)		-	-	53,274,693.28	-	-	19,212,084,277.77	844,171.23	19,266,203,142.28
(3) Capital injection by equity holders		-	-	-	-	-	-	21,274,435.32	21,274,435.32
(4) Profit distribution									
1. Appropriation to surplus reserve	31	-	-	-	1,918,935,005.72	-	(1,918,935,005.72)	-	-
Balance at 31 December 2019		57,000,000,000.00	12,397,525.36	22,053,507.22	15,478,874,965.07	24,000,000,000.00	76,418,811,155.31	22,118,606.55	172,954,255,759.51

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

AGRICULTURAL DEVELOPMENT BANK OF CHINA

BANK STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019

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

	Note VIII	Share capital	Capital reserve	Other comprehensive income	Surplus reserve	General risk reserve	Retained earnings	Total equity
Balance at 1 January 2019		57,000,000,000.00	12,397,525.36	(31,221,186.06)	13,559,366,436.93	24,000,000,000.00	59,120,500,181.52	153,661,042,957.75
Movements during the year								
(1) Net profit		-	-	-	-	-	19,188,668,264.87	19,188,668,264.87
(2) Other comprehensive income	28	-	-	53,274,693.28	-	-	-	53,274,693.28
Subtotal of (1) and (2)		-	-	53,274,693.28	-	-	19,188,668,264.87	19,241,942,958.15
(3) Profit distribution								
1. Appropriation to surplus reserve	31	-	-	-	1,918,866,826.49	-	(1,918,866,826.49)	-
Balance at 31 December 2019		57,000,000,000.00	12,397,525.36	22,053,507.22	15,478,233,263.42	24,000,000,000.00	76,390,301,619.90	172,902,985,915.90

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

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

CONSOLIDATED AND BANK CASH FLOW STATEMENTS (CONT'D)
FOR THE YEAR ENDED 31 DECEMBER 2019
(All amounts in RMB Yuan unless otherwise stated)
[English translation for reference only]

	Note VIII	The Group 2019	The Group 2018
1. Cash Flows from Operating Activities:			
Net increase in deposits from customers and from banks and non-bank financial institutions		-	221,707,001,432.12
Net decrease in deposits with the Central Bank, banks and non-bank financial institutions		190,832,069,919.46	-
Net increase in borrowings from the Central Bank		3,000,000,000.00	-
Net decrease in placements with other financial institutions		119,700,000,000.00	-
Net increase in placements from other financial institutions		78,155,000.00	-
Net decrease in financial assets held under resale agreements		-	122,825,327,000.00
Cash received from interest, fee and commission		268,066,016,960.85	253,253,758,906.84
Cash received from other operating activities		1,886,148,331.65	886,409,413.25
Subtotal of Cash Inflow from Operating Activities		583,562,390,211.96	598,672,496,752.21
Net increase in loans and advances to customers		(500,939,455,256.46)	(435,554,737,057.15)
Net decrease in deposits from customers and from banks and non-bank financial institutions		(174,588,168,198.10)	-
Net decrease in borrowings from the Central Bank		-	(15,800,000,000.00)
Net increase in deposits with the Central Bank, banks and non-bank financial institutions		-	(408,254,519,808.56)
Net decrease in placements with other financial institutions		-	(119,700,000,000.00)
Net increase in financial assets held under resale agreements		(9,542,402,000.00)	-
Cash paid for interest, fee and commission		(38,824,643,043.69)	(37,967,200,506.85)
Cash paid to and for employees		(17,481,421,746.27)	(16,098,738,726.29)
Payments of all types of taxes		(22,800,912,216.96)	(16,376,688,053.86)
Cash paid relating to other operating activities		(8,041,151,315.50)	(747,735,561.54)
Subtotal of Cash Outflow from Operating Activities		(772,218,153,776.98)	(1,050,499,619,714.25)
Net Cash Flows from Operating Activities	41	(188,655,763,565.02)	(451,827,122,962.04)
2. Cash Flows From Investing Activities:			
Proceeds from sale and redemption of investment		651,526,446,628.99	505,697,639,007.56
Proceeds from investment income		28,449,354,355.55	23,888,311,007.48
Proceeds from other investing activities		461,533,781.01	1,551,760,301.64
Subtotal of Cash Inflow from Investing Activities		680,437,334,765.55	531,137,710,316.68
Purchase of investments		(599,515,000,000.00)	(484,876,750,394.40)
Purchase of fixed assets, intangible assets and other long-term assets		(1,588,093,323.55)	(3,599,976,776.79)
Acquisition of subsidiaries, associates and joint ventures		(704,789,315.49)	-
Subtotal of Cash Outflow from Investing Activities		(601,807,882,639.04)	(488,476,727,171.19)
Net Cash Flows from Investing Activities		78,629,452,126.51	42,660,983,145.49

CONSOLIDATED AND BANK CASH FLOW STATEMENTS (CONT'D)
FOR THE YEAR ENDED 31 DECEMBER 2019

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

	Note VIII	The Group 2019	The Group 2018
3. Cash Flows from Financing Activities:			
Proceeds from debt securities issued		1,163,469,068,123.16	1,136,511,602,009.05
Subtotal of Cash Inflow from Financing Activities		1,163,469,068,123.16	1,136,511,602,009.05
Repayments of debts		(856,505,011,294.01)	(748,983,906,533.96)
Cash payments for interest		(153,856,810,526.07)	(122,439,494,758.13)
Subtotal of Cash Outflow from Financing Activities		(1,010,361,821,820.08)	(871,423,401,292.09)
Net Cash Flows from Financing Activities		153,107,246,303.08	265,088,200,716.96
4. Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents		17,282,500.66	41,569,839.75
5. Net Increase /(Decrease) in Cash and Cash Equivalents	41	43,098,217,365.23	(144,036,369,259.84)
Add: Opening balance of cash and cash equivalents		186,153,706,532.10	330,190,075,791.94
6. Closing Balance of Cash and Cash Equivalents	41	229,251,923,897.33	186,153,706,532.10

CONSOLIDATED AND BANK CASH FLOW STATEMENTS (CONT'D)
FOR THE YEAR ENDED 31 DECEMBER 2019

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

	Note VIII	The Bank 2019	The Bank 2018
1. Cash Flows from Operating Activities:			
Net increase in deposits from customers and from banks and non-bank financial institutions		-	252,818,522,811.21
Net decrease in deposits with the Central bank, banks and non-bank financial institutions		190,872,069,919.46	-
Net increase in borrowings from the Central Bank		3,000,000,000.00	-
Net decrease in placements with other financial institutions		119,700,000,000.00	-
Net increase in placements from other financial institutions		78,155,000.00	-
Net decrease in financial assets held under resale agreements		-	122,825,327,000.00
Cash received from interest, fee and commission		266,630,977,128.07	251,961,010,717.55
Cash received from other operating activities		1,532,752,940.70	886,409,413.25
Subtotal of Cash Inflow from Operating Activities		581,813,954,988.23	628,491,269,942.01
Net increase in loans and advances to customers		(500,939,455,256.46)	(441,600,935,090.26)
Net decrease in deposits from customers and from banks and non-bank financial institutions		(126,022,350,034.41)	-
Net increase in deposits with the Central Bank, banks and other financial institutions		-	(408,254,519,808.56)
Net decrease in borrowings from the Central Bank		-	(15,800,000,000.00)
Net decrease in placements with other financial institutions		-	(119,700,000,000.00)
Net increase in financial assets held under resale agreements		(9,542,402,000.00)	-
Cash paid for interest, fee and commission		(38,928,990,443.89)	(37,967,200,506.85)
Cash paid to and for employees		(17,475,510,439.04)	(16,098,738,726.29)
Payments of all types of taxes		(20,888,560,330.00)	(14,517,854,877.46)
Cash paid relating to other operating activities		(5,539,885,308.41)	(210,518,573.39)
Subtotal of Cash Outflow from Operating Activities		(719,337,153,812.21)	(1,054,149,767,582.81)
Net Cash Flows from Operating Activities	41	(137,523,198,823.98)	(425,658,497,640.80)
2. Cash Flows from Investing Activities:			
Proceeds from sale and redemption of investment		626,855,740,000.00	465,849,652,301.25
Proceeds from investment income		23,875,409,385.73	19,280,673,791.70
Proceeds from other investing activities		461,531,241.01	1,551,760,301.64
Subtotal of Cash Inflow from Investing Activities		651,192,680,626.74	486,682,086,394.59
Purchase of investments		(599,510,000,000.00)	(479,504,767,187.92)
Purchase of fixed assets, intangible assets and other long-term assets		(1,588,059,297.89)	(3,599,976,776.79)
Acquisition of subsidiaries, associates and joint ventures		(774,459,872.00)	-
Subtotal of Cash Outflow from Investing Activities		(601,872,519,169.89)	(483,104,743,964.71)
Net Cash Flows from Investing Activities		49,320,161,456.85	3,577,342,429.88

CONSOLIDATED AND BANK CASH FLOW STATEMENTS (CONT'D)
FOR THE YEAR ENDED 31 DECEMBER 2019
(All amounts in RMB Yuan unless otherwise stated)
[English translation for reference only]

	Note VIII	The Bank 2019	The Bank 2018
3. Cash Flows from Financing Activities:			
Proceeds from debt securities issued		1,163,469,068,123.16	1,136,511,602,009.05
Subtotal of Cash Inflow from Financing Activities		1,163,469,068,123.16	1,136,511,602,009.05
Repayments of debts		(856,505,011,294.01)	(748,983,906,533.96)
Cash payments for interest		(153,856,810,526.07)	(122,439,494,758.13)
Subtotal of Cash Outflow from Financing Activities		(1,010,361,821,820.08)	(871,423,401,292.09)
Net Cash Flows from Financing Activities		153,107,246,303.08	265,088,200,716.96
4. Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents		17,282,500.66	41,569,839.75
5. Net Increase/(Decrease) in Cash and Cash Equivalents	41	64,921,491,436.61	(156,951,384,654.21)
Add: Opening balance of cash and cash equivalents		156,910,630,244.43	313,862,014,898.64
6. Closing Balance of Cash and Cash Equivalents	41	221,832,121,681.04	156,910,630,244.43

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

I General information

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

The Bank carries the financial institution license (No. A0002H111000001) issued by China Banking Regulatory Commission (the CBRC, which was renamed China Banking and Insurance Regulatory Commission in 2018, hereinafter referred to as "CBIRC"). The Bank's unified social credit code is 91100000100017045K, and it carries the business license to operate as a corporate entity issued by the Beijing Administration for Industry and Commerce. The registered address of the Bank is No. Jia 2, Yuetanbei Street, Xicheng District, Beijing. As at 31 December 2019, the Bank had a total of 32 Tier-1 branches (including outlets of the Head Office), 338 Tier-2 branches (including outlets of provincial-level branches), and 1,830 Tier-3 and lower-level branches (including outlets of Tier-2 branches).

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

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

The financial statements were approved by management on 17 June 2020.

II Basis of preparation of the financial statements

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

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

III Statement of compliance with the Accounting Standards for Business Enterprises

The financial statements have been prepared in accordance with the requirements of the CAS and gives a true and fair view of the financial positions of the Group and as at 31 December 2019, and of the financial performance and cash flows for the year then ended 2019.

IV Significant accounting policies

1 Accounting year

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

2 Recording currency

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

3 Accounting basis and measurement principle

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

4 Foreign currency transactions

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

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

5 Cash and cash equivalents

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

IV Significant accounting policies (Cont'd)

6 Financial instruments

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

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

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

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

Level 2 inputs are inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs are unobservable inputs for the asset or liability.

(1) Classification, recognition and measurement of financial assets

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

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

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

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

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

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

VI Significant accounting policies (Cont'd)

6 Financial instruments (Cont'd)

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

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

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

Held-to-maturity investment

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

Held-to-maturity investments are subsequently measured at amortised cost using the effective interest method, with gains or losses arising from derecognition, impairment or amortisation recognised in profit or loss.

Loans and receivables

A loan or receivable is a non-derivative financial asset which is not quoted in an active market and of which the recoverable amount is either fixed or determinable. Financial assets classified as loans and receivables by the Group include deposits with the Central Bank, deposits with banks and non-bank financial institutions, placements with banks and non-bank financial institutions, financial assets held under resale agreements, loans and advances to customers, investment classified as receivables, etc.

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

Available-for-sale financial assets

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

Available-for-sale financial assets are subsequently measured at fair value. Gains or losses arising from changes in fair value are recognised in other comprehensive income, except for impairment losses and exchange difference arising from translation of monetary items denominated in foreign currencies relating to amortised cost. When such financial assets are derecognised, the gains or losses are transferred into profit or loss for the current period.

Interest calculated using the effective interest method and cash dividends received from the investee during the period in which available-for-sale financial assets are held are recognised into interest income and investment income, respectively.

Investments in equity instruments that are not quoted in an active market and whose fair value cannot be reliably measured, and derivative financial instruments linked to such equity instruments, provided that they should be settled through the delivery of such equity instruments, are measured at cost and regularly tested for impairment.

IV Significant accounting policies(Cont'd)

6 Financial instruments (Cont'd)

(2) Impairment of financial assets

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

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

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

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

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

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

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

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

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

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

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

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

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

IV Significant accounting policies (Cont'd)

6 Financial instruments (Cont'd)

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

Impairment of financial assets measured at amortised cost

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

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

The Group conducts impairment assessment on financial assets measured at amortised cost that are not individually significant or unimpaired in individual assessment on a collective basis. For the purposes of a collective assessment for impairment, financial assets are grouped on the basis of similar and relevant credit risk characteristics. These characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

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

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

Impairment of available-for-sale financial assets

If impairment losses on available-for-sale financial assets incurred, even though such assets are not derecognised, the cumulative losses arising from the decline in fair value that had been recognised directly in equity should transferred from equity to profit or loss for the current period. Such cumulative losses are measured at the initiation acquisition cost (net of any principal repayment and amortisation, the current fair value, and any impairment loss on that financial assets previously recognised in profit or loss).

Impairment losses of available-for-sale investments in equity instruments cannot be reversed through profit or loss. Investments in equity instruments that are not quoted in an active market and whose fair value cannot be reliably measured, or impairment of derivative financial assets that are linked to the equity instruments and should be settled through delivery of the equity instruments cannot be reversed.

Objective evidence of impairment of available-for-sale investments in equity instruments includes a significant or prolonged decline in the fair value of such investments.

IV Significant accounting policies (Cont'd)

6 Financial instruments (Cont'd)

(3) Derecognition of financial assets

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

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

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

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

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

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

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

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

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

IV Significant accounting policies (Cont'd)

6 Financial instruments (Cont'd)

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

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

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

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

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

Other financial liabilities

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

Equity instruments

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

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

(5) Derecognition of financial liabilities

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

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

(6) Offsetting of financial assets and financial liabilities

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

IV Significant accounting policies (Cont'd)

6 Financial instruments (Cont'd)

(7) Derivative financial instruments

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

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

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

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

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

8 Long-term equity investment

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

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

(2) Determination of investment costs

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

(3) Subsequent measurement

Long-term equity investment accounted for using the cost method

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

IV Significant accounting policies (Cont'd)

8 Long-term equity investment (Cont'd)

(3) Subsequent measurement (Cont'd)

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

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

Long-term equity investment accounted for using the equity method

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

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

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

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

9 Fixed assets

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

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

IV Significant accounting policies (Cont'd)

9 Fixed assets (Cont'd)

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

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

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

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

10 Intangible assets

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

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

11 Operating leases

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

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

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

12 Repossessed assets

If repossessed assets are non-financial instruments, such repossessed assets are initially recognised at cost, which is calculated at the fair value of quitclaimed debts, and the transaction-related expenses, such as relevant taxes and surcharges, advances for litigations and outstanding taxes and surcharges paid to acquire the repossessed assets. If there is indication that the realisable net value of a repossessed asset is less than its carrying amount, the Group decreases the carrying amount to the net realisable value. If repossessed assets are financial instruments, standards for financial instruments should apply.

IV Significant accounting policies (Cont'd)

13 Impairment of non-financial assets

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

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

14 Employee benefit

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

(1) Short-term employee benefits

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

(2) Post-employment benefits

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

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

IV Significant accounting policies (Cont'd)

15 Financial guarantees and loan commitments

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

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

16 Provisions and contingent liabilities

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

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

17 Interest income and expenses

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

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

18 Fee and commission income

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

IV Significant accounting policies (Cont'd)

19 Income tax

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

(1) Current income tax

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

(2) Deferred income tax

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

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

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

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

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

(3) Offsetting of deferred tax assets and liabilities

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

IV Significant accounting policies (Cont'd)

20 Business combinations

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

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

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

Goodwill acquired in the business combination is separately presented in consolidated financial statements at the value of the cost net of accumulated provision for impairment losses. Impairment loss for goodwill is recognised into profit or loss for the current period when incurred and will not be reversed in the subsequent periods.

21 Fiduciary activities

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

22 Preparation of consolidated financial statements

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

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

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

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

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

IV Significant accounting policies (Cont'd)

23 Related parties

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

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

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

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

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

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

1 Impairment of financial assets measured at amortised cost

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

Financial assets measured at amortised cost unimpaired based on separate assessment or with individually insignificant amounts are subject to collective assessment for impairment. Collective impairment assessment highly relies on judgments. Risk characteristics of the asset portfolios, changes and uncertainties of the macro-economic environment where the Group operates, and the management of the financial assets on a portfolio basis, are taken into consideration when evaluating the method for impairment estimates.

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

2 Fair value of financial instruments

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

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

3 Taxes

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

VI Taxation

1 Enterprise income tax

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

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

2 Value-added tax

Pursuant to the Circular on Policies relating to Pilot Programs for Transition from Business Tax to Value-added Tax (*Cai Shui* [2016] No. 39) (hereinafter referred to as Circular No. 39) promulgated by the Ministry of Finance and the State Administration of Taxation, the Bank is eligible for electing to adopt the simplified tax method for calculating and paying value-added taxes at 3% for its interest income from agricultural loans and loans to rural areas and farming households. The Bank calculates and pays VAT at a rate of 3% for its interest income from agriculture-related loans as listed in Circular No. 39, calculates and pays VAT at a rate of 6% for taxable income from its principal business operations, including interest income from other loans, fee and commission income, and investment income. Revenue from other operations is subject to VAT at the rates of 13%, 9% or other corresponding rates since 1 April 2019 in accordance with the policies, while they were 16%, 10% or the corresponding rates before then.

3 City maintenance and construction tax

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

4 Educational surcharge

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

VII Holding subsidiaries and the scope of consolidation

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

VIII Notes to key items in the financial statements

1 Cash and deposits with the Central Bank

	The Group and the Bank	
	31 December 2019	**31 December 2018**
Cash in hand	21,234,046.95	115,631,691.06
Statutory deposit reserve (1)	94,212,189,240.02	120,738,610,165.40
Surplus deposit reserve(2)	26,628,604,720.61	38,111,556,136.23
Foreign exchange deposit reserve	28,668,681.80	22,777,094.01
Special Deposits	117,000,000,000.00	-
Total	237,890,696,689.38	158,988,575,086.70

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

	The Group and the Bank	
Item	**31 December 2019**	**31 December 2018**
CNY	7.00%	8.50%
Foreign currencies	5.00%	5.00%

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

2 Deposits with banks and non-bank financial institutions

	The Group	
	31 December 2019	**31 December 2018**
Deposits with domestic banks	254,170,076,981.35	458,236,770,063.20
Deposits with offshore banks	750,922,148.42	615,865,041.91
Deposits with domestic non-bank financial institutions	-	3,844,181.57
Subtotal	254,920,999,129.77	458,856,479,286.68
Less: Allowances for impairment losses	(297,039,069.16)	(1,540,563.87)
Net balances	254,623,960,060.61	458,854,938,722.81

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

2 Deposits with banks and non-bank financial institutions (Cont'd)

	The Bank	
	31 December 2019	**31 December 2018**
Deposits with domestic banks	246,710,274,765.06	428,993,693,775.53
Deposits with offshore banks	750,922,148.42	615,865,041.91
Deposits with domestic non-bank financial institutions	-	3,844,181.57
Subtotal	247,461,196,913.48	429,613,402,999.01
Less: Allowances for impairment losses	(297,039,069.16)	(1,540,563.87)
Net balances	247,164,157,844.32	429,611,862,435.14

3 Placements with banks and non-bank financial institutions

	The Group and the Bank	
	31 December 2019	**31 December 2018**
Placements with domestic banks	74,809,286,000.00	179,071,580,000.00
Placements with domestic non-bank financial institutions	8,411,800,000.00	46,550,000,000.00
Subtotal	83,221,086,000.00	225,621,580,000.00
Less: Allowances for impairment losses	(95,676,446.40)	-
Net balances	83,125,409,553.60	225,621,580,000.00

4 Financial assets at fair value through profit or loss

	The Group	
	31 December 2019	**31 December 2018**
Financial assets designated as at fair value through profit or loss —Equity investments	296,626,650,655.12	326,891,577,859.01

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

5 Financial assets held under resale agreements

By types of underlying assets:

	The Group and the Bank	
	31 December 2019	31 December 2018
Debt securities	98,620,261,000.00	89,077,859,000.00
Less: Allowances for impairment losses	(90,705,391.20)	-
Net balances	98,529,555,608.80	89,077,859,000.00

By types of counterparties:

	The Group and the Bank	
	31 December 2019	31 December 2018
Banks	70,118,540,000.00	50,999,528,000.00
Fund and wealth management products	18,593,251,000.00	24,385,186,000.00
Security companies	6,208,500,000.00	10,693,250,000.00
Insurance companies	3,699,970,000.00	2,999,895,000.00
Subtotal	98,620,261,000.00	89,077,859,000.00
Less: Allowances for impairment losses	(90,705,391.20)	-
Net balances	98,529,555,608.80	89,077,859,000.00

6 Interest receivable

	The Group	
	31 December 2019	31 December 2018
Loans and advances to customers	11,912,400,320.37	9,657,761,494.43
Deposits with banks and non-bank financial institutions	1,209,527,652.32	2,493,900,784.85
Investment classified as receivables	6,366,815,044.84	6,921,568,162.04
Held-to-maturity investment and others	393,162,910.08	1,498,965,577.00
Total	19,881,905,927.61	20,572,196,018.32

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

6 Interest receivable (Cont'd)

	The Bank	
	31 December 2019	31 December 2018
Loans and advances to customers	11,912,400,320.37	9,657,761,494.43
Deposits with banks and non-bank financial institutions	1,208,680,720.24	2,493,900,784.85
Investment classified as receivables	6,366,815,044.84	6,921,568,162.04
Held-to-maturity investment and others	386,523,131.55	1,124,603,932.01
Total	19,874,419,217.00	20,197,834,373.33

7 Loans and advances to customers

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

	The Group	
	31 December 2019	31 December 2018
Loans and advances to customers		
Loans and advances	5,486,734,486,629.39	4,984,520,256,384.24
Discounted bills	96,215,584,458.88	105,161,243,145.53
Total loans and advances to customers	5,582,950,071,088.27	5,089,681,499,529.77
Less: Allowances for impairment losses	(204,082,496,922.66)	(173,196,663,353.07)
Net balances	5,378,867,574,165.61	4,916,484,836,176.70

	The Bank	
	31 December 2019	31 December 2018
Loans and advances to customers		
Loans and advances	5,486,734,486,629.39	4,984,520,256,384.24
Discounted bills	96,215,584,458.88	105,161,243,145.53
Total loans and advances to customers	5,582,950,071,088.27	5,089,681,499,529.77
Less: Allowances for impairment losses	(204,082,496,922.66)	(173,196,663,353.07)
Net balances	5,378,867,574,165.61	4,916,484,836,176.70

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

7 Loans and advances to customers (Cont'd)

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

	The Group	
	2019	2018
Balance at the beginning of the year	173,196,663,353.07	150,193,217,302.51
Accruals	39,015,605,363.15	32,975,692,487.89
Write-offs	(7,944,761,945.31)	(8,040,025,363.58)
Recovery after write-offs	44,434,199.55	80,315,070.62
Transfer out	-	(1,313,461,529.55)
Transfer out due to rise in discounted value	(229,444,047.80)	(699,074,614.82)
Balance at the end of the year	204,082,496,922.66	173,196,663,353.07

	The Bank	
	2019	2018
Balance at the beginning of the year	173,196,663,353.07	148,879,755,772.96
Accruals	39,015,605,363.15	32,975,692,487.89
Write-offs	(7,944,761,945.31)	(8,040,025,363.58)
Recovery after write-offs	44,434,199.55	80,315,070.62
Transfer-out due to rise in discounted value	(229,444,047.80)	(699,074,614.82)
Balance at the end of the year	204,082,496,922.66	173,196,663,353.07

8 Available-for-sale financial assets

	The Group and the Bank	
	31 December 2019	31 December 2018
Equity instruments		
—Financial institution perpetual bonds	1,242,902,900.00	-

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

9 Held-to-maturity investment

	The Group and the Bank	
	31 December 2019	31 December 2018
Interbank deposits	117,938,469,623.56	106,021,949,712.93
Financial institution bonds	4,796,691,820.89	4,796,834,952.75
Subtotal	122,735,161,444.45	110,818,784,665.68
Less: Allowances for impairment losses	(148,166,100.45)	-
Net balances	122,586,995,344.00	110,818,784,665.68

10 Investment classified as receivables

As at 31 December 2019 and 31 December 2018, the Group and the Bank's investment classified as receivables were mainly investment in local government bonds.

11 Long-term equity investment

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

		The Bank	
		31 December 2019	31 December 2018
Investment in subsidiary	(1)	458,040,463,109.54	458,000,000,000.00
Investment in associates	(2)	2,059,052,335.22	1,505,737,889.98
Others		500,000,000.00	250,000,000.00
Total		460,599,515,444.76	459,755,737,889.98

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

11 Long-term equity investment (Cont'd)

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

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

Name of investee	Place of registration	Nature of business	Registered capital (RMB Million)	Shareholding and voting rights (%) in investees held by the Group
China Agricultural Development Key Construction Fund Co., Ltd.	China	Financial industry	50,000.00	100%
Beijing Shining Investment Management Co., Ltd.	China	Leasing and business service	36.36	67%

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

Name of investee	Place of registration	Nature of business	Registered capital (RMB Million)	Shareholding and voting rights (%) in investees held by the Group
China Agriculture Industry Development Fund	China	Leasing and business service	4,000.00	25%
Modern Seed Development Fund	China	Financial industry	2,424.41	39.69%

(3) Movement of Long-term equity investment

	The Group	
	2019	2018
Balance at the beginning of the year	1,755,737,889.98	1,546,559,800.49
Increase in the current year	750,000,000.00	250,000,000.00
Decrease in the current year	(15,216,550.19)	-
Share of profit and loss in associates	60,385,889.50	2,724,389.49
Share of other comprehensive income in associates	8,931,793.28	(41,946,300.00)
Dividend	-	(1,600,000.00)
Balance at the end of the year	2,559,839,022.57	1,755,737,889.98

	The Bank	
	2019	2018
Balance at the beginning of the year	459,755,737,889.98	459,546,559,800.49
Increase in the current year	774,459,872.00	250,000,000.00
Share of profit and loss in associates	60,385,889.50	2,724,389.49
Share of other comprehensive income in associates	8,931,793.28	(41,946,300.00)
Dividend	-	(1,600,000.00)
Balance at the end of the year	460,599,515,444.76	459,755,737,889.98

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

12 Fixed assets

The Group	Buildings	Transportation vehicles	Computers and ancillary equipment	Other equipment	Construction in progress	Total
Cost						
1 January 2019	17,542,416,586.55	1,011,072,552.38	2,139,693,965.41	3,543,612,561.18	2,891,058,936.61	27,127,854,602.13
Additions	249,672,917.33	32,446,648.80	338,893,573.75	486,829,317.31	509,726,828.62	1,617,569,285.81
Transfer in/(out)	896,778,276.81	-	-	-	(896,778,276.81)	-
Decreases	(243,232,519.01)	(42,494,506.29)	(213,027,975.39)	(376,786,922.81)	(271,538,098.42)	(1,147,080,021.92)
31 December 2019	18,445,635,261.68	1,001,024,694.89	2,265,559,563.77	3,653,654,955.68	2,232,469,390.00	27,598,343,866.02
Accumulated depreciation						
1 January 2019	(6,007,981,608.94)	(808,251,048.12)	(1,761,006,774.13)	(2,195,322,307.76)	-	(10,772,561,738.95)
Accruals	(660,346,658.68)	(96,491,992.88)	(182,514,491.33)	(450,871,269.93)	-	(1,390,224,412.82)
Decreases	130,593,626.93	38,604,781.75	194,537,283.43	136,904,045.93	-	500,639,738.04
31 December 2019	(6,537,734,640.69)	(866,138,259.25)	(1,748,983,982.03)	(2,509,289,531.76)	-	(11,662,146,413.73)
Provision for impairment loss						
1 January 2019	(1,896,387.33)	-	-	-	(4,087,568.37)	(5,983,955.70)
Accruals	(1,151,610.55)	-	-	-	-	(1,151,610.55)
Decreases	1,727,633.14	-	-	-	2,797,568.37	4,525,201.51
31 December 2019	(1,320,364.74)	-	-	-	(1,290,000.00)	(2,610,364.74)
Net carrying value						
1 January 2019	11,532,538,590.28	202,821,504.26	378,687,191.28	1,348,290,253.42	2,886,971,368.24	16,349,308,907.48
31 December 2019	11,906,580,256.25	134,886,435.64	516,575,581.74	1,144,365,423.92	2,231,179,390.00	15,933,587,087.55

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

12 Fixed assets (Cont'd)

The Bank	Buildings	Transportation vehicles	Computers and ancillary equipment	Other equipment	Construction in progress	Total
Cost						
1 January 2019	17,542,416,586.55	1,011,072,552.38	2,139,693,965.41	3,543,612,561.18	2,891,058,936.61	27,127,854,602.13
Additions	249,672,917.33	32,446,648.80	338,429,450.00	486,373,091.83	509,726,828.62	1,616,648,936.58
Transfer in/(out)	896,778,276.81	-	-	-	(896,778,276.81)	-
Decreases	(243,232,519.01)	(42,494,506.29)	(213,027,975.39)	(376,786,922.81)	(271,538,098.42)	(1,147,080,021.92)
31 December 2019	18,445,635,261.68	1,001,024,694.89	2,265,095,440.02	3,653,198,730.20	2,232,469,390.00	27,597,423,516.79
Accumulated depreciation						
1 January 2019	(6,007,981,608.94)	(808,251,048.12)	(1,761,006,774.13)	(2,195,322,307.76)	-	(10,772,561,738.95)
Accruals	(660,346,658.68)	(96,491,992.88)	(182,185,316.12)	(450,456,848.79)	-	(1,389,480,816.47)
Decreases	130,593,626.93	38,604,781.75	194,537,283.43	136,904,045.93	-	500,639,738.04
31 December 2019	(6,537,734,640.69)	(866,138,259.25)	(1,748,654,806.82)	(2,508,875,110.62)	-	(11,661,402,817.38)
Provision for impairment loss						
1 January 2019	(1,896,387.33)	-	-	-	(4,087,568.37)	(5,983,955.70)
Accruals	(1,151,610.55)	-	-	-	-	(1,151,610.55)
Decreases	1,727,633.14	-	-	-	2,797,568.37	4,525,201.51
31 December 2019	(1,320,364.74)	-	-	-	(1,290,000.00)	(2,610,364.74)
Net carrying value						
1 January 2019	11,532,538,590.28	202,821,504.26	378,687,191.28	1,348,290,253.42	2,886,971,368.24	16,349,308,907.48
31 December 2019	11,906,580,256.25	134,886,435.64	516,440,633.20	1,144,323,619.58	2,231,179,390.00	15,933,410,334.67

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

12 Fixed assets (Cont'd)

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019
(All amounts in RMB Yuan unless otherwise stated)
[English translation for reference only]

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

13 Intangible assets

The Group	Land use rights	Computer Software	Others	Total
Cost				
1 January 2019	339,272,070.83	927,536,365.18	35,826,649.24	1,302,635,085.25
Additions	151,002,521.12	102,427,891.05	1,044,255.64	254,474,667.81
Decreases	(10,370,985.50)	(5,099,903.27)	(13,274.34)	(15,484,163.11)
31 December 2019	479,903,606.45	1,024,864,352.96	36,857,630.54	1,541,625,589.95
Accumulated amortisation				
1 January 2019	(54,788,218.72)	(704,577,617.31)	(5,485,458.15)	(764,851,294.18)
Accruals	(23,290,316.65)	(95,029,462.72)	(1,552,211.38)	(119,871,990.75)
Decreases	2,282,748.26	3,849,334.17	-	6,132,082.43
31 December 2019	(75,795,787.11)	(795,757,745.86)	(7,037,669.53)	(878,591,202.50)
Provision for impairment loss				
1 January 2019	(486,744.00)	-	-	(486,744.00)
Accruals	(1,836,528.18)	-	-	(1,836,528.18)
Decreases	973,488.00	-	-	973,488.00
31 December 2019	(1,349,784.18)	-	-	(1,349,784.18)
Net carrying value				
01 January 2019	283,997,108.11	222,958,747.87	30,341,191.09	537,297,047.07
31 December 2019	402,758,035.16	229,106,607.10	29,819,961.01	661,684,603.27

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

13 Intangible assets (Cont'd)

The Bank	Land use rights	Computer Software	Others	Total
Cost				
1 January 2019	339,272,070.83	927,536,365.18	35,826,649.24	1,302,635,085.25
Additions	151,002,521.12	102,310,091.05	884,255.64	254,196,867.81
Decreases	(10,370,985.50)	(5,099,903.27)	(13,274.34)	(15,484,163.11)
31 December 2019	479,903,606.45	1,024,746,552.96	36,697,630.54	1,541,347,789.95
Accumulated amortisation				
1 January 2019	(54,788,218.72)	(704,577,617.31)	(5,485,458.15)	(764,851,294.18)
Accruals	(23,290,316.65)	(94,968,674.13)	(1,483,766.85)	(119,742,757.63)
Decreases	2,282,748.26	3,849,334.17	-	6,132,082.43
31 December 2019	(75,795,787.11)	(795,696,957.27)	(6,969,225.00)	(878,461,969.38)
Provision for impairment loss				
1 January 2019	(486,744.00)	-	-	(486,744.00)
Accruals	(1,836,528.18)	-	-	(1,836,528.18)
Decreases	973,488.00	-	-	973,488.00
31 December 2019	(1,349,784.18)	-	-	(1,349,784.18)
Net carrying value				
01 January 2019	283,997,108.11	222,958,747.87	30,341,191.09	537,297,047.07
31 December 2019	402,758,035.16	229,049,595.69	29,728,405.54	661,536,036.39

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

13 Intangible assets (Cont'd)

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

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

14 Deferred tax assets and liabilities

	The Group	
	31 December 2019	31 December 2018
Deferred tax assets	48,407,998,219.22	39,481,483,383.35
Deferred tax liabilities	(232,900,269.91)	(166,609,669.70)
Net balances	48,175,097,949.31	39,314,873,713.65

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

The Group

31 December 2019	Deductible/(Taxable) temporary differences	Deferred tax assets/(liabilities)
Deferred tax assets		
Provision for asset impairment	185,703,679,885.60	46,425,919,971.40
Wages and welfare accrued but not paid	7,525,143,204.44	1,881,285,801.11
Others	403,169,786.84	100,792,446.71
Total	193,631,992,876.88	48,407,998,219.22
Deferred tax liabilities		
Accrual for interest income	(769,589,909.16)	(192,397,477.29)
Fair value adjustments	(162,011,170.48)	(40,502,792.62)
Total	(931,601,079.64)	(232,900,269.91)

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

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

14 Deferred tax assets and liabilities (Cont'd)

	The Bank	
	31 December 2019	31 December 2018
Deferred tax assets	42,835,543,219.22	35,540,618,883.35
Deferred tax liabilities	(232,900,269.91)	(166,609,669.70)
Net balances	42,602,642,949.31	35,374,009,213.65

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

The Bank

31 December 2019	Deductible/(Taxable) temporary differences	Deferred tax assets/(liabilities)
Deferred tax assets		
Provision for asset impairment	163,413,859,885.60	40,853,464,971.40
Wages and welfare accrued but not paid	7,525,143,204.44	1,881,285,801.11
Other	403,169,786.84	100,792,446.71
Total	171,342,172,876.88	42,835,543,219.22
Deferred tax liabilities		
Accrual for interest income	(769,589,909.16)	(192,397,477.29)
Fair value adjustments	(162,011,170.48)	(40,502,792.62)
Total	(931,601,079.64)	(232,900,269.91)

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

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

15 Other assets

	The Group	
	31 December 2019	31 December 2018
Repossessed assets	3,375,730,403.75	4,925,393,003.86
Other receivables	1,987,197,764.43	2,320,103,492.63
Long-term prepaid expenses	3,130,659,940.26	2,873,616,327.49
Others	504,048,995.50	374,956,540.31
Total	8,997,637,103.94	10,494,069,364.29
Less: Provision for impairment of other assets	(3,183,721,127.82)	(4,158,504,141.73)
Net balances	5,813,915,976.12	6,335,565,222.56

	The Bank	
	31 December 2019	31 December 2018
Repossessed assets	3,375,730,403.75	4,925,393,003.86
Other receivables	1,978,635,262.04	2,320,103,492.63
Long-term prepaid expenses	3,130,659,940.26	2,873,616,327.49
Others	503,309,511.37	374,956,540.31
Total	8,988,335,117.42	10,494,069,364.29
Less: Provision for impairment of other assets	(3,183,721,127.82)	(4,158,504,141.73)
Net balances	5,804,613,989.60	6,335,565,222.56

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

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

16 Provision for asset impairment

The Group

2019	Balance at the beginning of the year	Charge for the year/(write-back)	Write-offs	Recovery after write-offs	Transfer in/(out)	Transfer out due to discounted value increase	Balance at the end of the year
Loans and advances to customers	173,196,663,353.07	39,015,605,363.15	(7,944,761,945.31)	44,434,199.55	-	(229,444,047.80)	204,082,496,922.66
Deposits with banks and non-bank financial institutions	1,540,563.87	295,498,505.29	-	-	-	-	297,039,069.16
Placements with banks and non-bank financial institutions	-	95,676,446.40	-	-	-	-	95,676,446.40
Financial assets held under resale agreements	-	90,705,391.20	-	-	-	-	90,705,391.20
Held-to-maturity investment	-	148,166,100.45	-	-	-	-	148,166,100.45
Investment classified as receivables	2,179,118,323.07	927,141,425.10	-	-	-	-	3,106,259,748.17
Fixed assets	5,983,955.70	1,375.65	-	-	(3,374,966.61)	-	2,610,364.74
Intangible assets	486,744.00	-	-	-	863,040.18	-	1,349,784.18
Other assets	4,158,504,141.73	(109,732,031.29)	-	-	(863,610,982.62)	-	3,185,161,127.82
Total	179,542,297,081.44	40,463,062,575.95	(7,944,761,945.31)	44,434,199.55	(866,122,909.05)	(229,444,047.80)	211,009,464,954.78

2018	Balance at the beginning of the year	Charge for the year/(write-back)	Write-offs	Recovery after write-offs	Transfer in/(out)	Transfer out due to discounted value increase	Balance at the end of the year
Loans and advances to customers	150,193,217,302.51	32,975,692,487.89	(8,040,025,363.58)	80,315,070.62	(1,313,461,529.55)	(699,074,614.82)	173,196,663,353.07
Investment classified as receivables	-	865,656,793.52	-	-	1,313,461,529.55	-	2,179,118,323.07
Deposits with banks and non-bank financial institutions	1,564,434.50	(23,870.63)	-	-	-	-	1,540,563.87
Fixed assets	6,548,581.91	-	-	-	(564,626.21)	-	5,983,955.70
Intangible assets	486,744.00	-	-	-	-	-	486,744.00
Other assets	1,730,347,451.20	2,449,597,977.90	-	69,900.00	(21,511,187.37)	-	4,158,504,141.73
Total	151,932,164,514.12	36,290,923,388.68	(8,040,025,363.58)	80,384,970.62	(22,075,813.58)	(699,074,614.82)	179,542,297,081.44

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

16 Provision for asset impairment (Cont'd)

The Bank

2019	Balance at the beginning of the year	Charge for the year/(write-back)	Write-offs	Recovery after write-offs	Transfer in/(out)	Transfer out due to discounted value increase	Balance at the end of the year
Loans and advances to customers	173,196,663,353.07	39,015,605,363.15	(7,944,761,945.31)	44,434,199.55	-	(229,444,047.80)	204,082,496,922.66
Deposits with banks and non-bank financial institutions	1,540,563.87	295,498,505.29	-	-	-	-	297,039,069.16
Placements with banks and non-bank financial institutions	-	95,676,446.40	-	-	-	-	95,676,446.40
Financial assets held under resale agreements	-	90,705,391.20	-	-	-	-	90,705,391.20
Held-to-maturity investment	-	148,166,100.45	-	-	-	-	148,166,100.45
Fixed assets	5,983,955.70	1,375.65	-	-	(3,374,966.61)	-	2,610,364.74
Intangible assets	486,744.00	-	-	-	863,040.18	-	1,349,784.18
Other assets	4,158,504,141.73	(109,732,031.29)	-	-	(863,610,982.62)	-	3,185,161,127.82
Total	177,363,178,758.37	39,535,921,150.85	(7,944,761,945.31)	44,434,199.55	(866,122,909.05)	(229,444,047.80)	207,903,205,206.61

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

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

17 Borrowings from the Central Bank

	The Group and the Bank	
	31 December 2019	31 December 2018
Pledged supplementary loan	406,400,000,000.00	406,400,000,000.00
Policy reloan	272,000,000,000.00	272,000,000,000.00
Special reloan for poverty-alleviation	3,000,000,000.00	-
Total	681,400,000,000.00	678,400,000,000.00

18 Deposits from banks and non-bank financial institutions

	The Group and the Bank	
	31 December 2019	31 December 2018
Domestic banks	285,552,402,482.59	285,237,578,448.87
Domestic non-bank financial institutions	11,860,674.00	5,446,334.30
Total	285,564,263,156.59	285,243,024,783.17

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

19 Due to customers

	The Group	
	31 December 2019	31 December 2018
Corporate demand deposits	1,090,444,633,683.99	1,272,596,073,575.93
Corporate time deposits	105,718,806,434.27	98,860,078,144.37
Corporate margin deposits	16,790,281,151.89	16,982,942,249.84
Outward remittance and drafts and telegraphic transfers payable	752,806,560.09	176,840,431.62
Total	1,213,706,527,830.24	1,388,615,934,401.76

	The Bank	
	31 December 2019	31 December 2018
Corporate demand deposits	1,185,330,355,751.50	1,318,916,061,870.55
Corporate time deposits	105,718,806,434.27	98,860,078,144.37
Corporate margin deposits	16,790,281,151.89	16,982,942,249.84
Outward remittance and drafts and telegraphic transfers payable	752,806,560.09	176,756,040.82
Total	1,308,592,249,897.75	1,434,935,838,305.58

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

20 Employee benefits payable

	The Group	
	31 December 2019	31 December 2018
Short-term employee benefits (1)	9,299,335,265.86	8,844,871,039.12
Post-employment benefits (2)	403,025,996.59	399,636,978.10
Total	9,702,361,262.45	9,244,508,017.22

	The Bank	
	31 December 2019	31 December 2018
Short-term employee benefits (1)	9,286,049,345.05	8,844,871,039.12
Post-employment benefits (2)	403,025,996.59	399,636,978.10
Total	9,689,075,341.64	9,244,508,017.22

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

20 Employee benefits payable (Cont'd)

(1) Short-term employee benefits

The Group

	2019			
	Opening balance	Increased	Decreased	Closing balance
Wages and salaries, bonuses, allowances and subsidies	8,664,876,810.04	12,562,834,871.63	(12,088,810,374.36)	9,138,901,307.31
Employee welfare	-	855,075,344.04	(855,075,344.04)	-
Social insurance	1,363,831.18	600,107,497.14	(600,002,717.55)	1,468,610.77
Including: Medical insurance	1,259,791.57	538,770,147.64	(538,614,829.61)	1,415,109.60
Employment injury and maternity insurance	56,924.57	52,216,002.74	(52,234,391.66)	38,535.65
Others	47,115.04	9,121,346.76	(9,153,496.28)	14,965.52
Housing funds	12,022,570.61	1,114,019,071.17	(1,120,321,752.35)	5,719,889.43
Labour union fee and Employee education fee	58,582,508.45	430,716,615.12	(449,058,885.69)	40,240,237.88
Other short-term employee benefits	108,025,318.84	281,662,999.12	(276,683,097.49)	113,005,220.47
Total	8,844,871,039.12	15,844,416,398.22	(15,389,952,171.48)	9,299,335,265.86

The Group

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

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

20 Employee benefits payable (Cont'd)

(1) Short-term employee benefits (Cont'd)

The Bank

	2019			
	Opening balance	**Increased**	**Decreased**	**Closing balance**
Wages and salaries, bonuses, allowances and subsidies	8,664,876,810.04	12,544,999,999.92	(12,082,223,302.65)	9,127,653,507.31
Employee welfare	-	854,881,714.29	(854,881,714.29)	-
Social insurance	1,363,831.18	599,757,293.92	(599,652,514.33)	1,468,610.77
Including: Medical insurance	1,259,791.57	538,480,434.54	(538,325,116.51)	1,415,109.60
Employment injury and maternity insurance	56,924.57	52,155,512.62	(52,173,901.54)	38,535.65
Others	47,115.04	9,121,346.76	(9,153,496.28)	14,965.52
Housing funds	12,022,570.61	1,113,631,989.09	(1,119,934,670.27)	5,719,889.43
Labour union fee and Employee education fee	58,582,508.45	428,512,623.24	(448,893,014.62)	38,202,117.07
Other short-term employee benefits	108,025,318.84	281,662,999.12	(276,683,097.49)	113,005,220.47
Total	8,844,871,039.12	15,823,446,619.58	(15,382,268,313.65)	9,286,049,345.05

The Bank

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

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

20 Employee benefits payable (Cont'd)

(2) Post-employment benefits

The Group

	2019			
	Opening balance	**Increased**	**Decreased**	**Closing balance**
Basic pensions	22,388,925.55	1,516,273,051.85	(1,513,243,011.45)	25,418,965.95
Unemployment insurance	778,197.21	28,352,529.28	(28,460,469.39)	670,257.10
Supplementary retirement benefits	342,116,493.68	2,055,944.07	(2,076,095.86)	342,096,341.89
Supplementary pensions	8,119,569.38	(995,017.85)	(4,179,117.47)	2,945,434.06
Supplementary medical insurance	26,233,792.28	550,320,050.61	(544,658,845.30)	31,894,997.59
Total	399,636,978.10	2,096,006,557.96	(2,092,617,539.47)	403,025,996.59

The Group

	2018			
	Opening balance	**Increased**	**Decreased**	**Closing balance**
Basic pensions	21,597,207.69	1,360,295,848.35	(1,359,504,130.49)	22,388,925.55
Unemployment insurance	744,376.11	25,388,929.86	(25,355,108.76)	778,197.21
Supplementary retirement benefits	344,161,638.51	-	(2,045,144.83)	342,116,493.68
Supplementary pensions	6,038,717.94	523,033,412.00	(520,952,560.56)	8,119,569.38
Supplementary medical insurance	21,876,544.56	500,799,687.13	(496,442,439.41)	26,233,792.28
Total	394,418,484.81	2,409,517,877.34	(2,404,299,384.05)	399,636,978.10

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

20 Employee benefits payable (Cont'd)

(2) Post-employment benefits (Cont'd)

The Bank

	2019			
	Opening balance	Increased	Decreased	Closing balance
Basic pensions	22,388,925.55	1,515,852,800.01	(1,512,822,759.61)	25,418,965.95
Unemployment insurance	778,197.21	28,333,647.04	(28,441,587.15)	670,257.10
Supplementary retirement benefits	342,116,493.68	2,055,944.07	(2,076,095.86)	342,096,341.89
Supplementary pensions	8,119,569.38	68,702.15	(5,242,837.47)	2,945,434.06
Supplementary medical insurance	26,233,792.28	550,320,050.61	(544,658,845.30)	31,894,997.59
Total	399,636,978.10	2,096,631,143.88	(2,093,242,125.39)	403,025,996.59

The Bank

	2018			
	Opening balance	Increased	Decreased	Closing balance
Basic pensions	21,597,207.69	1,360,295,848.35	(1,359,504,130.49)	22,388,925.55
Unemployment insurance	744,376.11	25,388,929.86	(25,355,108.76)	778,197.21
Supplementary retirement benefits	344,161,638.51	-	(2,045,144.83)	342,116,493.68
Supplementary pensions	6,038,717.94	523,033,412.00	(520,952,560.56)	8,119,569.38
Supplementary medical insurance	21,876,544.56	500,799,687.13	(496,442,439.41)	26,233,792.28
Total	394,418,484.81	2,409,517,877.34	(2,404,299,384.05)	399,636,978.10

21 Tax payable

	The Group	
	31 December 2019	31 December 2018
Enterprise income tax	5,437,282,470.14	7,943,109,847.96
Value added tax	2,107,566,555.31	1,823,495,341.86
Others	327,529,156.10	293,576,454.79
Total	7,872,378,181.55	10,060,181,644.61

	The Bank	
	31 December 2019	31 December 2018
Enterprise income tax	3,807,879,095.20	6,383,465,663.20
Value added tax	2,028,100,843.05	1,741,708,156.49
Others	319,126,484.10	285,397,736.25
Total	6,155,106,422.35	8,410,571,555.94

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

22 Interest payable

	The Group	
	31 December 2019	31 December 2018
Interest of debt securities issued	111,833,289,148.08	112,320,197,799.89
Interest of due to customers	2,065,244,186.78	2,084,697,339.23
Others	18,287,884.13	18,287,884.13
Total	113,916,821,218.99	114,423,183,023.25

	The Bank	
	31 December 2019	31 December 2018
Interest of debt securities issued	111,833,289,148.08	112,320,197,799.89
Interest of due to customers	3,203,732,936.78	2,084,697,339.23
Others	18,287,884.13	18,287,884.13
Total	115,055,309,968.99	114,423,183,023.25

23 Provisions

	The Group and the Bank	
	31 December 2019	31 December 2018
Financial guarantee and loan commitment	9,484,204,492.99	9,019,925,959.28

24 Debt securities issued

	The Group and the Bank	
	31 December 2019	31 December 2018
Debt securities issued	4,509,905,875,174.76	4,201,489,087,784.32

Based on national credit, debt securities issued by the Bank are all debt securities or unsecured bonds. As at 31 December 2019 and 31 December 2018, there were no defaults on the principal, interest or redemption payments regarding debt securities issued by the Bank. The interest rates for the debt securities issued by the Group were determined with reference to the prevailing market rates in the same periods.

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

24 Debt securities issued (Cont'd)

The principal and maturity date of debt securities issued by the Group are as follows:

	The Group and the Bank	
31 December 2019	**Principal**	**Maturity date**
Debt securities issued domestically	4,483,574,098,851.00	1-20 Years
Debt securities issued offshore	18,491,090,000.00	1-5 Years

	The Group and the Bank	
31 December 2018	**Principal**	**Maturity date**
Debt securities issued domestically	4,183,650,000,000.00	1-20 Years
Debt securities issued offshore	9,927,931,440.00	2-5 Years

25 Other liabilities

	The Group	
	31 December 2019	**31 December 2018**
Other payables	3,060,620,914.87	1,826,993,441.13
Deferred income	115,742,664.18	70,821,386.94
Others	615,074,803.69	441,004,393.21
Total	3,791,438,382.74	2,338,819,221.28

	The Bank	
	31 December 2019	**31 December 2018**
Other payables	3,058,489,493.74	1,826,993,441.13
Deferred income	115,742,664.18	70,821,386.94
Others	615,074,803.69	441,004,393.21
Total	3,789,306,961.61	2,338,819,221.28

26 Share capital

The Group and the Bank	**31 December 2019 and 31 December 2018**	
	Balance	**Shareholding ratio**
Ministry of Finance of the People's Republic of China	57,000,000,000.00	100%

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

27 Capital reserve

	The Group and the Bank	
	31 December 2019	31 December 2018
Other capital reserve	12,397,525.36	12,397,525.36

28 Other comprehensive income

Other comprehensive income movement:

	Share of changes of other comprehensive income in associates	Fair value changes of available-for-sale financial assets	Total
Balance at 1 January 2018	10,725,113.94	-	10,725,113.94
Movements during 2018	(41,946,300.00)	-	(41,946,300.00)
Balance at 1 January 2019	(31,221,186.06)	-	(31,221,186.06)
Movements during 2019	8,931,793.28	44,342,900.00	53,274,693.28
Balance at 31 December 2019	(22,289,392.78)	44,342,900.00	22,053,507.22

29 Surplus reserve

According to relevant laws and regulations, the Group is required to appropriate 10% of net profit, under the Accounting Standards for Business Enterprises, to statutory surplus reserve. When the statutory surplus reserve accounts for more than 50% of the Bank's capital, the Group can cease appropriation. The statutory surplus reserve appropriated by the Group can be used to offset accumulated losses of the Group or to contribute to its capital, with remaining balance being no less than 25% of the share capital of the Group. The Bank set aside RMB 1,918,866,826.49 (2018: RMB 1,811,590,414.77) for statutory surplus reserve at 10% of its year-end net profit.

In addition, the Bank can appropriate discretionary surplus reserve upon approval. No surplus reserve had been appropriated by the Bank in 2019 and 2018.

30 General risk reserve

	The Group and the Bank	
	31 December 2019	31 December 2018
General risk reserve	24,000,000,000.00	24,000,000,000.00

Pursuant to the requirement of the Ministry of Finance, in addition to the provision for impairment of assets, the Bank establishes general risk reserve to address unidentified potential impairment losses associated with risk assets.

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

31 Retained earnings

	The Group	
	2019	2018
Balance at the beginning of the year	59,125,661,883.26	42,819,918,270.32
Add: Net profit attributable to the Bank's equity shareholders for the current year	19,212,084,277.77	18,117,492,903.27
Less: Appropriation to statutory surplus reserve	(1,918,935,005.72)	(1,811,749,290.33)
Balance at the end of the year	76,418,811,155.31	59,125,661,883.26

	The Bank	
	2019	2018
Balance at the beginning of the year	59,120,500,181.52	42,816,186,448.61
Add: Net profit for the year	19,188,668,264.87	18,115,904,147.68
Less: Appropriation to statutory surplus reserve	(1,918,866,826.49)	(1,811,590,414.77)
Balance at the end of the year	76,390,301,619.90	59,120,500,181.52

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

32 Net interest income

	The Group	
	2019	2018
Interest income		
Deposits with the Central Bank	6,339,438,667.24	2,841,246,648.72
Deposits with banks and non-bank financial institutions	6,940,304,442.16	14,858,960,596.81
Placements with banks and non-bank financial institutions	3,358,262,416.15	4,515,082,417.60
Financial assets held under resale agreements	2,669,681,316.57	4,717,250,558.57
Loans and advances to customers	245,012,513,352.03	226,876,496,459.75
Others	841,952,916.29	866,359,540.78
Subtotal	265,162,153,110.44	254,675,396,222.23
Interest expenses		
Borrowings from the Central Bank	(22,077,446,666.66)	(21,871,627,888.91)
Deposits from banks and non-bank financial institutions	(8,966,127,775.49)	(8,010,803,866.47)
Placements from banks and non-bank financial institutions	(530,368.51)	-
Debt securities issued	(154,801,362,931.04)	(144,786,098,283.99)
Due to customers	(7,596,239,927.66)	(8,159,043,881.53)
Subtotal	(193,441,707,669.36)	(182,827,573,920.90)
Net interest income	71,720,445,441.08	71,847,822,301.33
Interest income includes:		
Interest income on impaired financial assets	229,444,047.80	699,074,614.82

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

32 Net interest income (Cont'd)

	The Bank	
	2019	2018
Interest income		
Deposits with the Central Bank	6,339,438,667.24	2,841,246,648.72
Deposits with banks and non-bank financial institutions	6,784,628,655.41	14,060,299,536.03
Placements with banks and non-bank financial institutions	3,358,262,416.15	4,515,082,417.60
Financial assets held under resale agreements	2,669,681,316.57	4,717,250,558.57
Loans and advances to customers	245,012,513,352.03	226,876,496,459.75
Subtotal	264,164,524,407.40	253,010,375,620.67
Interest expenses		
Borrowings from the Central Bank	(22,077,446,666.66)	(21,871,627,888.91)
Deposits from banks and non-bank financial institutions	(8,966,127,775.49)	(8,010,803,866.47)
Placements from banks and non-bank financial institutions	(530,368.51)	-
Debt securities issued	(154,801,362,931.04)	(144,786,098,283.99)
Due to customers	(8,839,076,077.86)	(8,159,043,881.53)
Subtotal	(194,684,543,819.56)	(182,827,573,920.90)
Net Interest Income	69,479,980,587.84	70,182,801,699.77
Interest income includes:		
Interest income on impaired financial assets	229,444,047.80	699,074,614.82

33 Net income from fees and commissions

	The Group	
	2019	2018
Fee and commission income		
Syndicated loan arrangement fees and underwriting income	90,190,445.08	51,703,216.47
Agent business fees	78,350,828.82	81,315,063.21
Clearing and settlement fee	63,297,409.21	22,942,866.13
Others	137,106,210.19	163,655,824.00
Subtotal	368,944,893.30	319,616,969.81
Fee and commission expenses		
Commission expenses	(164,845,152.92)	(164,960,734.15)
Net fee and commission income	204,099,740.38	154,656,235.66

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

33 Net income from fees and commissions (Cont'd)

	The Bank	
	2019	2018
Fee and commission income		
Syndicated loan arrangement fees and underwriting income	90,190,445.08	51,703,216.47
Agent business fees	78,350,828.82	81,315,063.21
Clearing and settlement fee	63,297,409.21	22,942,866.13
Others	119,945,510.85	163,655,824.00
Subtotal	351,784,193.96	319,616,969.81
Fee and commission expenses		
Commission expenses	(164,845,152.92)	(164,960,734.15)
Net fee and commission income	186,939,041.04	154,656,235.66

34 Investment income

	The Group	
	2019	2018
Investment classified as receivables	14,242,059,537.79	15,085,986,959.52
Financial assets at fair value through profit or loss	4,318,952,989.41	4,607,637,215.78
Held-to-maturity investment	3,719,914,417.87	4,220,710,125.88
Others	(118,858,271.00)	(26,023,293.70)
Total	22,162,068,674.07	23,888,311,007.48

	The Bank	
	2019	2018
Investment classified as receivables	14,242,059,537.79	15,085,986,959.52
Held-to-maturity investment	3,719,887,576.31	4,220,710,125.88
Others	(139,878,568.22)	(26,023,293.70)
Total	17,822,068,545.88	19,280,673,791.70

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

35 Net gains/(losses) on fair value changes

	The Group	
	2019	2018
Financial instruments at fair value through profit or loss	(5,599,220,574.90)	(5,371,983,206.48)
Foreign exchange derivative product	94,821,161.13	(98,431,141.25)
Total	(5,504,399,413.77)	(5,470,414,347.73)

	The Bank	
	2019	2018
Foreign exchange derivative product	94,821,161.13	(98,431,141.25)

36 Taxes and surcharges

	The Group	
	2019	2018
City maintenance and construction tax	486,870,484.42	441,846,231.46
Educational surcharge	353,862,958.97	315,095,669.85
Others	315,273,932.73	313,825,660.27
Total	1,156,007,376.12	1,070,767,561.58

	The Bank	
	2019	2018
City maintenance and construction tax	486,783,079.70	441,846,231.46
Educational surcharge	353,831,158.81	315,095,669.85
Others	284,187,103.71	280,926,183.72
Total	1,124,801,342.22	1,037,868,085.03

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

37 Operation and administrative expenses

	The Group	
	2019	2018
Staff expenses	17,933,128,121.20	17,395,300,309.30
Management expenses	3,190,284,576.02	3,165,920,575.71
Depreciation and amortisation expenses	1,411,254,837.18	1,418,639,682.62
Electronic equipment maintenance expenses	539,553,070.36	506,459,956.06
Business expenses	645,684,258.16	627,863,447.36
Others	1,211,430,529.71	1,143,842,774.66
Total	24,931,335,392.63	24,258,026,745.71

	The Bank	
	2019	2018
Staff expenses	17,920,077,763.46	17,395,300,309.30
Management expenses	3,188,952,904.25	3,165,920,575.71
Depreciation and amortisation expenses	1,411,228,053.31	1,418,639,682.62
Electronic equipment maintenance expenses	539,547,070.36	506,459,956.06
Business expenses	645,561,823.50	627,863,447.36
Others	1,211,417,700.50	1,143,842,774.66
Total	24,916,785,315.38	24,258,026,745.71

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

38 Impairment losses on assets

	The Group	
	2019	2018
Loans and advances to customers	39,015,605,363.15	32,975,692,487.89
Investment classified as receivables	927,141,425.10	865,656,793.52
Financial guarantees and loan commitments	464,278,533.71	9,019,925,959.28
Repossessed assets	(432,420,745.94)	2,449,855,098.03
Deposits with banks and non-bank financial institutions	295,498,505.29	(23,870.63)
Held-to-maturity investment	148,166,100.45	-
Placements with banks and non-bank financial institutions	95,676,446.40	-
Financial assets held under resale agreements	90,705,391.20	-
Others	322,690,090.30	(257,120.13)
Total	40,927,341,109.66	45,310,849,347.96

	The Bank	
	2019	2018
Loans and advances to customers	39,015,605,363.15	32,975,692,487.89
Financial guarantees and loan commitments	464,278,533.71	9,019,925,959.28
Repossessed assets	(432,420,745.94)	2,449,855,098.03
Deposits with banks and non-bank financial institutions	295,498,505.29	(23,870.63)
Held-to-maturity investment	148,166,100.45	-
Placements with banks and non-bank financial institutions	95,676,446.40	-
Financial assets held under resale agreements	90,705,391.20	-
Others	322,690,090.30	(257,120.13)
Total	40,000,199,684.56	44,445,192,554.44

39 Other operating expenses

	The Group and the Bank	
	2019	2018
Deposit insurance expenses	300,846,396.46	246,811,260.93
Repossessed assets custodian expenses	7,903,332.62	11,823,864.28
Others	10,656,725.90	2,190,911.42
Total	319,406,454.98	260,826,036.63

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

40 Income tax expense

	The Group	
	2019	2018
Current income tax expenses	11,006,707,170.91	11,284,110,338.39
Deferred income tax expenses (Notes VIII 14)	(8,860,224,235.66)	(9,872,750,148.51)
Total	2,146,482,935.25	1,411,360,189.88

	The Group	
	2019	2018
Total profit	21,359,411,384.25	19,528,853,093.15
Income tax expenses calculated at applicable tax rate of 25%	5,339,852,846.06	4,882,213,273.29
Impact of tax-exempt income	(3,570,156,919.04)	(3,757,228,581.19)
Costs, expenses and losses not deductible for tax purposes	365,011,619.50	214,091,121.42
Adjustments on income tax for prior years which affect profit or loss	11,775,388.73	72,284,376.36
Income tax expenses	2,146,482,935.25	1,411,360,189.88

	The Bank	
	2019	2018
Current income tax expenses	9,373,869,706.66	9,724,170,753.19
Deferred income tax expenses (Note VIII 14)	(7,228,633,735.66)	(8,313,340,148.51)
Total	2,145,235,971.00	1,410,830,604.68

	The Bank	
	2019	2018
Total profit	21,333,904,235.87	19,526,734,752.36
Income tax expenses calculated at applicable tax rate of 25%	5,333,476,058.97	4,881,683,688.09
Impact of tax-exempt income	(3,564,901,844.73)	(3,757,228,581.19)
Costs, expenses and losses not deductible for tax purposes	364,886,368.03	214,091,121.42
Adjustments on income tax for prior years which affect profit or loss	11,775,388.73	72,284,376.36
Income tax expenses	2,145,235,971.00	1,410,830,604.68

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

41 Supplementary information to the cash flow statement

(1) Reconciliation from net profit to cash flows from operating activities

	The Group	
	2019	2018
Net profit	19,212,928,449.00	18,117,492,903.27
Add: Impairment loss on loans	39,015,605,363.15	32,975,692,487.89
Impairment loss on financial guarantees and loan commitment	464,278,533.71	9,019,925,959.28
Impairment loss on repossessed assets	(432,420,745.94)	2,449,855,098.03
Impairment loss on other assets	1,879,877,958.74	865,375,802.76
Depreciation and amortisation of fixed assets, intangible assets and long-term prepaid expenses	1,411,254,837.18	1,418,639,682.62
Investment Income	(22,162,068,674.07)	(23,888,311,007.48)
Losses arising from changes in fair value	5,504,399,413.77	5,470,414,347.73
Net gains on disposal of fixed assets, intangible assets and other long-term assets	(88,591,011.56)	(211,963,513.94)
Interest expenses of debt instrument issued	154,801,362,931.04	144,786,098,283.99
Increase in deferred tax assets	(8,860,224,235.66)	(9,872,750,148.51)
Net increase in operating receivables	(207,474,277,601.29)	(842,434,965,570.84)
Net decrease in operating payables	(171,927,888,783.09)	209,477,372,713.16
Net cash flows from operating activities	(188,655,763,565.02)	(451,827,122,962.04)

	The Bank	
	2019	2018
Net profit	19,188,668,264.87	18,115,904,147.68
Add: Impairment loss on loans	39,015,605,363.15	32,975,692,487.89
Impairment loss on financial guarantees and loan commitment	464,278,533.71	9,019,925,959.28
Impairment loss on repossessed assets	(432,420,745.94)	2,449,855,098.03
Impairment loss on other assets	952,736,533.64	(280,990.76)
Depreciation and amortisation of fixed assets, intangible assets and long-term prepaid expenses	1,411,228,053.31	1,418,639,682.62
Investment Income	(17,822,068,545.88)	(19,280,673,791.70)
Gains/(Losses) arising from changes in fair value	(94,821,161.13)	98,431,141.25
Net gains on disposal of fixed assets, intangible assets and other long-term assets	(88,591,011.56)	(211,963,513.94)
Interest expenses of debt instrument issued	154,801,362,931.04	144,786,098,283.99
Increase in deferred tax assets	(7,228,633,735.66)	(8,313,340,148.51)
Net increase in operating receivables	(205,648,515,948.10)	(847,243,234,398.16)
Net decrease in operating payables	(122,042,027,355.43)	240,526,448,401.53
Net cash flows from operating activities	(137,523,198,823.98)	(425,658,497,640.80)

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

41 Supplementary information to the cash flow statement (Cont'd)

(2) Net changes in cash and cash equivalents

	The Group	
	2019	2018
Cash and cash equivalents at the end of the year	229,251,923,897.33	186,153,706,532.10
Less: Cash and cash equivalents at the beginning of the year	(186,153,706,532.10)	(330,190,075,791.94)
Net increase/(decrease) in cash and cash equivalents	43,098,217,365.23	(144,036,369,259.84)

	The Bank	
	2019	2018
Cash and cash equivalents at the end of the year	221,832,121,681.04	156,910,630,244.43
Less: Cash and cash equivalents at the beginning of the year	(156,910,630,244.43)	(313,862,014,898.64)
Net increase/(decrease) in cash and cash equivalents	64,921,491,436.61	(156,951,384,654.21)

(3) Cash and cash equivalents presented in the cash flow statement include:

	The Group	
	31 December 2019	31 December 2018
Cash in hand	21,234,046.95	115,631,691.06
Deposits with the Central Bank that can be used for payment	26,628,604,720.61	38,111,556,136.23
Within the original maturity of no more than three months:		
Deposits with banks and non-bank financial financial institutions	119,380,999,129.77	42,004,938,704.81
Placements with banks and non-bank financial institutions	83,221,086,000.00	105,921,580,000.00
Total	229,251,923,897.33	186,153,706,532.10

	The Bank	
	31 December 2019	31 December 2018
Cash in hand	21,234,046.95	115,631,691.06
Deposits with the Central Bank that can be used for payment	26,628,604,720.61	38,111,556,136.23
Within the original maturity of no more than three months:		
Deposits with banks and non-bank financial institutions	111,961,196,913.48	12,761,862,417.14
Placements with banks and non-bank financial institutions	83,221,086,000.00	105,921,580,000.00
Total	221,832,121,681.04	156,910,630,244.43

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

IX Segment reporting

The Bank coordinates and allocates resources at the bank level. Therefore, based on the internal organisational structure, management requirements and internal reporting system, the Bank operates as a whole segment, and thus there is no need to disclose segment information.

X Related party relationships and transactions

1 Ministry of Finance

The Ministry of Finance holds 100% of the Group's equity. As at 31 December 2019 and 31 December 2018, there were no transactions and ending balance between the Group and the Ministry of Finance.

2 Transactions with associates

The transactions with associates take normal trading prices as the pricing base and are conducted on normal commercial terms. The details of main balances and transactions are set out below:

(1) Balance at the end of the year

	31 December 2019	31 December 2018
Other assets	-	525,000,000.00
Due to customers	314,662,819.14	1,086,455,319.63
Interest payable	1,155,550.00	-

(2) Profit and loss from transactions for the current year

	2019	2018
Interest expenses	13,608,115.00	17,040,196.16

X Related party relationships and transactions (Cont'd)

2 Transactions with associates (Cont'd)

The Bank appropriated additional capital contribution of RMB 25,000,000.00 and RMB 500,000,000.00 to Beijing Shining Investment Management Co., Ltd. and Modern Seed Development Fund respectively in 2018. As the investment was not completed, the Bank provisionally recorded the additional capital contribution into other assets. In 2019, upon the completion of such contribution, they were transferred into long-term equity investments in full amount. After the additional contribution, the Bank's shareholding in its associate, Modern Seed Development Fund, increased from 33.33% to 39.69%. The Bank' s shareholding in Beijing Shining Investment Management Co., Ltd. increased from 40% to 67%, upon which the Bank became the controlling shareholder on 30 June 2019 (Note VIII 11). The combination is business combination involving enterprises not under common control. At the acquisition date, the value of net assets of Beijing Shining Investment Management Co., Ltd. amounted to RMB 64,467,985.84. The Group recognised goodwill of RMB 17,503,168.89 on 31 December 2019 upon the acquisition. In 2019, there was no obvious indication of impairment of the goodwill.

3 Key management personnel

Key management personnel refers those persons who are authorized and responsible to plan, conduct and control the Group's activities. In 2019 and 2018, the Group's transactions and transaction amounts with key management personnel were not significant.

XI Contingencies and commitments

1 Legal proceedings

As at 31 December 2019, the Group and the Bank were involved in a number of litigations. Management of the Bank believes that the final results of these litigations will not have a material impact on the financial positions or operating results of the Group and the Bank.

2 Capital commitments

The Group's capital commitments that are contracted but yet to be presented on the balance sheets as of balance sheets date are as follows:

	The Group and the Bank	
	31 December 2019	31 December 2018
Equity investment	500,000,000.00	750,000,000.00
Fixed assets investment	294,567,687.29	357,971,023.39
Total	794,567,687.29	1,107,971,023.39

3 Credit commitments

	The Group and the Bank	
	31 December 2019	31 December 2018
Loan commitments	1,657,176,348,242.51	1,564,795,663,967.32
Letters of credit issued	3,953,337,635.72	2,562,661,415.71
Bank acceptance notes	1,443,037,954.70	1,727,177,590.00
Letters of guarantee issued	263,162,045.68	-
Total	1,662,835,885,878.61	1,569,085,502,973.03

XII Risk management

1 Target and policy of risk management

The Group mainly undertakes the agricultural policy-oriented financial business stipulated by the state in accordance with the industrial policy of the Chinese government, and acts as the agent for the financial support of agriculture, serving the agricultural and rural economic development. In accordance with the policy goal, the Group achieves moderate profits on basis of capital level instead of pursuing the maximization of profits. The operating activities of the Group are exposed to various financial risks. The Group identifies, monitors, reports and deals with these financial risks and their combinations in the course of operations. Primary financial risks that the Group is confronted with are credit risk, market risk, operation risk and liquidity risk, among which, exchange rate risk and interest rate risk are included in market risk. The target of the Group is to achieve proper balance between risks and rewards, and reduce the negative impact to the financial reports.

The Group mainly raises funds by issuing financial bonds, and uses the proceeds in asset business to obtain revenues. The Group strives to reduce the cost of capital to increase profits by issuing different types of bonds in accordance with its own asset and liability management requirements and demand for funds.

2 Credit risk

Credit risk is the risk of financial losses caused by default of the debtor or the counterparty. The credit risk of the Group exists mainly in loans and advances to customers, interbank loans, bond investments, bill acceptances, letters of credit issued, bank guarantees and other on- and off-balance sheet activities.

The Risk Management Department takes the lead in the Bank’s enterprise-wide risk management, and the Credit Management Department specialises in managing credit risk. Front-, middle- and back-offices implement risk management policies and standards in their daily operations as per their respective functions and responsibilities, and contribute to risk management by carrying out specific risk control activities before, during and after the loan origination.

The Group continues to make solid improvements to standardising its end-to-end credit management process, step up efforts in the specialisation of key areas in the credit process, including optimization of credit rating and credit limits, credit review and approval, disbursement oversight, post-lending management, and disposal and workout of non-performing assets, and enhance the quality and efficiency of its overall credit risk management.

(1) Loans

In accordance with *Guidelines for Classification of Loan Risks* (Yin Jian Fa [2007] No. 54) issued by CBRC, the Group has established the credit risk classification system to measure and manage the quality of the Group’s credit assets. The Group’s five-tier credit risk classification system and the *Guidelines for Classification of Loan Risks* require that the credit assets be classified into the pass, special-mention, substandard, doubtful and loss categories and the last three categories are non-performing loans.

The core definitions of the credit assets in the *Guidelines for Classification of Loan Risks* are:

Pass: the borrower is able to perform the contract, and there is no sufficient reason to suspect the timely and full payment of the principal and interest of a loan.

Special-mention: although the borrower currently has the ability to pay the principal and interest of a loan, there are some factors which may have unfavorable effect on the payment of the loan.

XII Risk management (Cont'd)

2 Credit risk (Cont'd)

(1) Loans (Cont'd)

Substandard: the borrower lacks solvency obviously, and the principal and interest of the loan cannot be fully repaid in reliance on the normal income of the borrower. A loss may exist even if the security provided is executed.

Doubtful: the borrower is unable to repay the principal and interest of a loan and significant loss will happen even if the securities provided are executed.

Loss: the principal and interest still cannot be recovered, or, only an extremely small part thereof, can be recovered after all possible measures or all necessary legal actions have been carried out.

(2) Bonds and derivative financial instruments

The Group manages the credit risk exposure of bonds based on internal rating, and with reference to Standard & Poor's ratings and other similar external ratings. Investment in these bonds is to obtain good credit rating assets and at the same time, maintain sufficient liquidity to satisfy capital demands. The management of financial derivatives' credit risk is incorporated into the unified credit management of customers.

(3) Interbank loans

The Group conducts regular reviews and management of the credit risk of individual financial institutions. A credit line is set for any bank or non-bank financial institution that has balances with the Group.

(4) Off-balance sheet credit risk exposure

The Group manages its off-balance sheet credit risk exposures separately by the characteristics of the products. Off-balance sheet credit risk exposures include conditional irrevocable loan commitments, letters of guarantee issued, bank acceptance notes, and letters of credit issued. The Group deems the conditional uncancellable loan commitments, letters of guarantee issued, bank acceptance notes and letters of credit issued also have credit risk, just like loans.

XII Risk management (Cont'd)

2 Credit risk (Cont'd)

(5) Maximum exposures to credit risk before considering collateral held or other credit enhancements

As at the balance sheet date, the information on the maximum exposures of credit risk is set out below:

	The Group	
	31 December 2019	31 December 2018
On-balance sheet items		
Deposits with the Central Bank	237,869,462,642.43	158,872,943,395.64
Deposits with banks and non-bank financial institutions	254,623,960,060.61	458,854,938,722.81
Placements with banks and non-bank financial institutions	83,125,409,553.60	225,621,580,000.00
Financial assets at fair value through profit or loss	296,626,650,655.12	326,891,577,859.01
Financial assets held under resale agreements	98,529,555,608.80	89,077,859,000.00
Interest receivable	19,881,905,927.61	20,572,196,018.32
Loans and advances to customers	5,378,867,574,165.61	4,916,484,836,176.70
Held-to-maturity investment	122,586,995,344.00	110,818,784,665.68
Investment classified as receivables	441,998,711,371.16	481,174,112,996.26
Other financial assets	1,531,082,207.81	2,320,103,492.63
Subtotal	6,935,641,307,536.75	6,790,688,932,327.05
Off-balance sheet items		
Loan commitments	1,657,176,348,242.51	1,564,795,663,967.32
Letters of guarantee issued	263,162,045.68	-
Letters of credit issued	3,953,337,635.72	2,562,661,415.71
Bank acceptance notes	1,443,037,954.70	1,727,177,590.00
Subtotal	1,662,835,885,878.61	1,569,085,502,973.03
Total	8,598,477,193,415.36	8,359,774,435,300.08

XII Risk management (Cont’d)

2 Credit risk (Cont'd)

(5) Maximum exposures to credit risk before considering collaterals held or other credit enhancements (Cont'd)

As at the balance sheet date, the information of maximum exposures of credit risk is set out below:

	The Bank	
	31 December 2019	**31 December 2018**
On-balance sheet items		
Deposits with the Central Bank	237,869,462,642.43	158,872,943,395.64
Deposits with banks and other financial institutions	247,164,157,844.32	429,611,862,435.14
Placements with banks and other financial institutions	83,125,409,553.60	225,621,580,000.00
Financial assets held under resale agreements	98,529,555,608.80	89,077,859,000.00
Interest receivable	19,874,419,217.00	20,197,834,373.33
Loans and advances to customers	5,378,867,574,165.61	4,916,484,836,176.70
Held-to-maturity investment	122,586,995,344.00	110,818,784,665.68
Investment classified as receivables	387,892,811,878.92	428,288,551,878.92
Other financial assets	1,521,898,402.82	2,320,103,492.63
Subtotal	6,577,432,284,657.50	6,381,294,355,418.04
Off-balance sheet items		
Loan commitments	1,657,176,348,242.51	1,564,795,663,967.32
Letters of guarantee issued	263,162,045.68	-
Letters of credit issued	3,953,337,635.72	2,562,661,415.71
Bank acceptance notes	1,443,037,954.70	1,727,177,590.00
Subtotal	1,662,835,885,878.61	1,569,085,502,973.03
Total	8,240,268,170,536.11	7,950,379,858,391.07

The above table represents the worst case scenario of credit risk exposure to the Group and the Bank as at 31 December 2019 and 2018, without taking account of any collateral held or other credit enhancements attached. For on-balance-sheet assets, the credit risk exposures set out above are based on the net book value as reported in the balance sheet.

XII Risk management (Cont'd)

2 Credit risk (Cont'd)

(6) Loans and advances to customers

(a) Analysed by geographical sector concentrations

	The Group	
	31 December 2019	**31 December 2018**
Eastern district	1,741,517,809,553.83	1,544,264,613,367.77
Western district	1,543,282,274,759.51	1,419,153,463,588.75
Central district	1,522,258,279,147.83	1,344,962,934,590.17
Northeastern district	775,891,707,627.10	781,300,487,983.08
Total loans and advances to customers	5,582,950,071,088.27	5,089,681,499,529.77

	The Bank	
	31 December 2019	**31 December 2018**
Eastern district	1,741,517,809,553.83	1,544,264,613,367.77
Western district	1,543,282,274,759.51	1,419,153,463,588.75
Central district	1,522,258,279,147.83	1,344,962,934,590.17
Northeastern district	775,891,707,627.10	781,300,487,983.08
Total loans and advances to customers	5,582,950,071,088.27	5,089,681,499,529.77

XII Risk management (Cont'd)

2 Credit risk (Cont'd)

(6) Loans and advances to customers (Cont'd)

(b) Financial assets by customer industries

The Group	**31 December 2019**	
	Balance	**%**
Wholesale and retail trade	1,340,951,909,665.04	24.02%
Leasing and commercial services	1,272,139,816,881.26	22.78%
Water conservancy, environment and public facilities management	1,079,148,476,873.67	19.33%
Public transportation, storage and posting	426,476,527,269.08	7.64%
The construction industry	542,194,175,806.47	9.71%
The real estate industry	316,860,625,400.93	5.68%
Manufacturing industry	135,831,966,620.61	2.43%
Public management, social security and social organisation	156,126,670,621.77	2.80%
Agriculture, forestry, animal husbandry and fishery industry	111,729,539,817.89	2.00%
Others	105,274,777,672.67	1.89%
Subtotal	5,486,734,486,629.39	98.28%
Discounted bill	96,215,584,458.88	1.72%
Total loans and advances to customers	5,582,950,071,088.27	100.00%

The Group	**31 December 2018**	
	Balance	**%**
Wholesale and retail trade	1,414,007,915,701.39	27.48%
Leasing and commercial services	1,236,975,936,168.25	24.30%
Water conservancy, environment and public facilities management	981,619,491,052.60	19.29%
Public transportation, storage and posting	394,068,150,533.18	7.74%
The construction industry	371,804,181,524.06	7.31%
The real estate industry	261,243,070,925.57	5.13%
Manufacturing industry	120,077,876,155.65	2.36%
Public management, social security and social organisation	82,916,000,169.66	1.63%
Agriculture, forestry, animal husbandry and fishery industry	68,777,655,673.66	1.35%
Others	53,029,978,480.22	1.04%
Subtotal	4,984,520,256,384.24	97.93%
Discounted bill	105,161,243,145.53	2.07%
Total loans and advances to customers	5,089,681,499,529.77	100.00%

XII Risk management (Cont'd)

2 Credit risk (Cont'd)

(6) Loans and advances to customers (Cont'd)

(b) Financial assets by customer industries (Cont'd)

The Bank	31 December 2019	
	Balance	%
Wholesale and retail trade	1,340,951,909,665.04	24.02%
Leasing and commercial services	1,272,139,816,881.26	22.78%
Water conservancy, environment and public facilities management	1,079,148,476,873.67	19.33%
Public transportation, storage and posting	426,476,527,269.08	7.64%
The construction industry	542,194,175,806.47	9.71%
The real estate industry	316,860,625,400.93	5.68%
Manufacturing industry	135,831,966,620.61	2.43%
Public management, social security and social organisation	156,126,670,621.77	2.80%
Agriculture, forestry, animal husbandry and fishery industry	111,729,539,817.89	2.00%
Others	105,274,777,672.67	1.89%
Subtotal	5,486,734,486,629.39	98.28%
Discounted bill	96,215,584,458.88	1.72%
Total loans and advances to customers	5,582,950,071,088.27	100.00%

The Bank	31 December 2018	
	Balance	%
Wholesale and retail trade	1,414,007,915,701.39	27.78%
Leasing and commercial services	1,236,975,936,168.25	24.30%
Water conservancy, environment and public facilities management	981,619,491,052.60	19.29%
Public transportation, storage and posting	394,068,150,533.18	7.74%
The construction industry	371,804,181,524.06	7.31%
The real estate industry	261,243,070,925.57	5.13%
Manufacturing industry	120,077,876,155.65	2.36%
Public management, social security and social organisation	82,916,000,169.66	1.63%
Agriculture, forestry, animal husbandry and fishery industry	68,777,655,673.66	1.35%
Others	53,029,978,480.22	1.04%
Subtotal	4,984,520,256,384.24	97.93%
Discounted bill	105,161,243,145.53	2.07%
Total loans and advances to customers	5,089,681,499,529.77	100.00%

XII Risk management (Cont'd)

2 Credit risk (Cont'd)

(6) Loans and advances to customers (Cont'd)

(c) Analysed by types of collateral

	The Group	
	31 December 2019	**31 December 2018**
Unsecured loans	2,156,340,291,469.40	2,152,812,837,183.45
Guaranteed loans	1,527,719,093,694.92	1,202,755,588,922.31
Mortgage loans	495,636,618,512.94	526,077,061,425.57
Pledged loans	1,403,254,067,411.01	1,208,036,011,998.44
Total loans and advances to customers	5,582,950,071,088.27	5,089,681,499,529.77

	The Bank	
	31 December 2019	**31 December 2018**
Unsecured loans	2,156,340,291,469.40	2,152,812,837,183.45
Guaranteed loans	1,527,719,093,694.92	1,202,755,588,922.31
Mortgage loans	495,636,618,512.94	526,077,061,425.57
Pledged loans	1,403,254,067,411.01	1,208,036,011,998.44
Total loans and advances to customers	5,582,950,071,088.27	5,089,681,499,529.77

(d) Loans and advances by overdue and impairment status are as below:

	The Group	
	31 December 2019	**31 December 2018**
Neither overdue or stayed in account nor impaired	5,531,184,401,294.27	5,044,303,732,778.67
Overdue but not impaired (i)	15,811,166,638.91	3,072,565,026.90
Impaired (ii)	35,954,503,155.09	42,305,201,724.20
Total	5,582,950,071,088.27	5,089,681,499,529.77
Less: Allowances for impairment losses	(204,082,496,922.66)	(173,196,663,353.07)
Total	5,378,867,574,165.61	4,916,484,836,176.70

XII Risk management (Cont'd)

2 Credit risk (Cont'd)

(6) Loans and advances to customers (Cont'd)

(d) Loans and advances by overdue and impairment status are as below: (Cont'd)

	The Bank	
	31 December 2019	31 December 2018
Neither overdue or stayed in account nor impaired	5,531,184,401,294.27	5,044,303,732,778.67
Overdue but not impaired (i)	15,811,166,638.91	3,072,565,026.90
Impaired (ii)	35,954,503,155.09	42,305,201,724.20
Total	5,582,950,071,088.27	5,089,681,499,529.77
Less: Allowance as for impairment losses	(204,082,496,922.66)	(173,196,663,353.07)
Total	5,378,867,574,165.61	4,916,484,836,176.70

(i) Overdue but not impaired

	The Group and The Bank	
	31 December 2019	31 December 2018
Overdue within 1 month	11,208,754,138.91	2,105,696,941.12
Overdue within 1-2 months	475,112,500.00	966,868,085.78
Overdue within 2-3 months	-	-
Overdue over 3 months	4,127,300,000.00	-
Total	15,811,166,638.91	3,072,565,026.90

(ii) Impaired

	The Group and The Bank	
	31 December 2019	31 December 2018
Impaired	35,954,503,155.09	42,305,201,724.20
Less: Allowances for impairment losses	(27,979,085,291.36)	(24,855,418,824.93)
Net balances	7,975,417,863.73	17,449,782,899.27

XII Risk management (Cont'd)

3 Market risk

Market risk refers to the potential loss in both on and off-balance sheet businesses of a bank caused by adverse changes of market prices (interest rates, exchange rates, goods prices and stock prices). The market risks exist in the Group's proprietary trading activities and agency trading.

Exchange rate risk refers to the risk of loss due to changes in exchanges rates on its foreign exchange positions assumed as a result of transactions involving assets and liabilities denominated in foreign currencies. The mismatches between the repricing date of interest-bearing assets and interest-bearing liabilities are the main cause of the interest rate risk.

(1) Interest rate risk

Interest rate risk refers to the risk of loss due to uncertainties arising from changes in market interest rates, and mainly includes gap risk, basis risk, and option risk. Of these three types, gap risk and basis risk are currently the main risk which commonly exist among banks. Currently, the Bank mainly uses interest rate sensitivity analysis to measure and analyse the impact of interest rate changes on the Bank's income and economic value for the current period. As interest rates become further market-driven, the banking industry will face increasingly greater interest rate risk, and all asset and liability business lines will be subject to interest risk arising from market interest rate fluctuations.

Since the Central Bank's Loan Prime Rate (LPR) reform, the Group has implemented relevant policies in accordance with regulatory requirements, promoted the transformation of business systems and improved the internal and external interest rate pricing mechanism, so that the benchmark interest rate for loans after the LPR reform is closely aligned with market interest rates.

XII Risk management (Cont'd)

3 Market risk (Cont'd)

(1) Interest rate risk (Cont'd)

Repricing gap analysis (Cont'd)

The Bank's exposures to interest rate risk from financial instruments at carrying amount by the earlier of contractual repricing or maturity dates are analysed as follows:

The Bank	Within 1 year	1 to 5 years	Over 5 years	Non-interest bearing	Total
31 December 2019					
Financial assets:					
Cash and deposits with the Central Bank	237,890,696,689.38	-	-	-	237,890,696,689.38
Deposits with banks and non-bank financial institutions	247,164,157,844.32	-	-	-	247,164,157,844.32
Placements with banks and non-bank financial institutions	83,125,409,553.60	-	-	-	83,125,409,553.60
Financial assets held under resale agreements	98,529,555,608.80	-	-	-	98,529,555,608.80
Interest receivable	-	-	-	19,874,419,217.00	19,874,419,217.00
Loans and advances to customers	5,370,870,402,235.16	-	-	7,997,171,930.45	5,378,867,574,165.61
Available-for-sale financial assets	-	-	-	1,242,902,900.00	1,242,902,900.00
Held-to-maturity investment	117,995,852,657.47	4,591,142,686.53	-	-	122,586,995,344.00
Investment classified as receivables	43,411,880,000.00	234,601,381,878.92	109,879,550,000.00	-	387,892,811,878.92
Total Financial assets	6,198,987,954,588.73	239,192,524,565.45	109,879,550,000.00	29,114,494,047.45	6,577,174,523,201.63

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019
(All amounts in RMB Yuan unless otherwise stated)
[English translation for reference only]

XII Risk management (Cont'd)

3 Market risk (Cont'd)

(1) Interest rate risk (Cont'd)

Repricing gap analysis (Cont'd)

The Bank (Cont'd)	Within 1 year	1 to 5 years	Over 5 years	Non-interest bearing	Total
31 December 2019					
Financial liabilities:					
Borrowings from the Central Bank	681,400,000,000.00	-	-	-	681,400,000,000.00
Deposits from banks and non-bank financial institutions	285,564,263,156.59	-	-	-	285,564,263,156.59
Placements from banks and non-bank financial institutions	78,155,000.00	-	-	-	78,155,000.00
Derivative financial liabilities	-	-	-	159,709,623.78	159,709,623.78
Due to customers	1,287,733,584,724.78	20,026,308,612.88	79,550,000.00	752,806,560.09	1,308,592,249,897.75
Interest payable	-	-	-	115,055,309,968.99	115,055,309,968.99
Debt securities issued	757,249,426,535.22	2,063,264,839,554.55	1,689,391,609,084.99	-	4,509,905,875,174.76
Total Financial liabilities	3,012,025,429,416.59	2,083,291,148,167.43	1,689,471,159,084.99	115,967,826,152.86	6,900,755,562,821.87
Total Interest repricing gap	3,186,962,525,172.14	(1,844,098,623,601.98)	(1,579,591,609,084.99)	(86,853,332,105.41)	(323,581,039,620.24)
31 December 2018					
Total Financial assets	5,966,186,039,560.51	242,859,231,878.92	149,830,414,952.75	20,214,197,224.29	6,379,089,883,616.47
Total Financial liabilities	3,188,299,619,866.11	2,085,135,373,111.90	1,266,756,178,219.52	174,575,762,988.21	6,714,766,934,185.74
Total Interest repricing gap	2,777,886,419,694.40	(1,842,276,141,232.98)	(1,116,925,763,266.77)	(154,361,565,763.92)	(335,677,050,569.27)

XII Risk management (Cont'd)

3 Market risk (Cont'd)

(2) Foreign exchange risk

The Group is exposed to exchange rate risks arising from changes in foreign exchange rates, which will affect its financial position and cash flow.

The majority of the Group's businesses are denominated in RMB, with small-scale operations denominated in US dollars, Euros and other foreign currencies. Through purchasing foreign currency swaps, the Group's exchange rate risk is mainly concentrated on USD. The Group has used exchange rate derivatives to hedge some of its USD exposures.

The Group measures the impact of exchange rate changes on its operations principally by using foreign currency exposures, exchange rate sensitivity analysis and tries to mitigate the exchange rate risk by actively adjusting its asset and liability structure and adopting hedging strategies in its transactions.

4 Liquidity risk

Liquidity risk is the risk that the Group is unable to fund its current obligations to deliver cash or other financial assets. Liquidity risk is the risk that the Group is unable to fund its current obligations to deliver cash or other financial assets. Liquidity risk arises when the Group cannot obtain sufficient funds at a reasonable cost for capital increase, timely repayment of debts, performance of other payment obligations or satisfaction of other financial needs during the ordinary course of business.

The Group adheres to a prudent liquidity management strategy and the principle of "liquidity, safety and efficiency", and forms an ADBC-specified liquidity risk management system in alignment with the regulation requirements, based on the requirements of asset and liability management and comprehensive risk management. The Bank closely monitors liquidity levels and changes in indicators, regularly conducts stress tests, strengthens emergency management, balances the utilisation scale, duration and structure of funding sources, and maintains a reasonable level of sufficient liquidity to ensure stable and safe liquidity.

XII Risk management (Cont'd)

4 Liquidity risk (Cont'd)

Liquidity analysis of financial instruments (Cont'd)

Maturity analysis

The Bank's undiscounted cash flows of non-derivative and derivative financial instruments (settled in net or gross) by maturities in contracts are analysed as follows. The cash flows of financial instruments estimated by the Bank may be significantly different from the analysis below:

The Bank	Overdue/Indefinite	Repayable on demand	Within 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
31 December 2019								
Non-derivative financial assets								
Cash and deposits with the Central Bank	-	26,649,838,767.56	-	-	211,240,857,921.82	-	-	237,890,696,689.38
Deposits with banks and non-bank financial institutions	-	1,958,842,798.51	64,422,577,680.06	174,789,939,442.02	5,992,797,923.73	-	-	247,164,157,844.32
Placements with banks and non-bank financial institutions	-	-	77,032,422,515.71	6,092,987,037.89	-	-	-	83,125,409,553.60
Financial assets held under resale agreements	-	-	98,529,555,608.80	-	-	-	-	98,529,555,608.80
Loans and advances to customers	22,756,290,505.91	-	68,118,220,313.99	120,668,506,598.33	2,061,689,441,304.19	1,132,624,507,339.81	1,973,010,608,103.38	5,378,867,574,165.61
Available-for-sale financial assets	-	-	-	-	-	1,242,902,900.00	-	1,242,902,900.00
Held-to-maturity investment	-	-	41,684,099,945.21	72,588,335,942.32	3,723,416,769.94	4,591,142,686.53	-	122,586,995,344.00
Investment classified as receivables	-	-	-	5,378,290,000.00	38,033,590,000.00	234,601,381,878.92	109,879,550,000.00	387,892,811,878.92
Total non-derivative financial assets	22,756,290,505.91	28,608,681,566.07	349,786,876,063.77	379,518,059,020.56	2,320,680,103,919.68	1,373,059,934,805.26	2,082,890,158,103.38	6,557,300,103,984.63

XII Risk management (Cont'd)

4 Liquidity risk (Cont'd)

Liquidity analysis of financial instruments (Cont'd)

Maturity analysis (Cont'd)

The Bank (Cont'd)	Overdue/Indefinite	Repayable on demand	Within 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
31 December 2019								
Non-derivative financial liabilities								
Borrowings from the Central Bank	-	-	38,800,000,000.00	29,000,000,000.00	613,600,000,000.00	-	-	681,400,000,000.00
Deposits from banks and non-bank financial institutions	-	564,263,156.59	-	-	285,000,000,000.00	-	-	285,564,263,156.59
Placements from banks and non-bank financial institutions	-	-	78,155,000.00	-	-	-	-	78,155,000.00
Due to customers	-	1,094,129,450,470.51	115,088,612,965.05	20,696,805,184.84	58,571,522,664.47	20,026,308,612.88	79,550,000.00	1,308,592,249,897.75
Interest payable	-	115,055,309,968.99	-	-	-	-	-	115,055,309,968.99
Debt securities issued	-	-	98,853,989,894.97	168,252,555,489.44	490,142,881,150.81	2,063,264,839,554.55	1,689,391,609,084.99	4,509,905,875,174.76
Total non-derivative financial liabilities	-	1,209,749,023,596.09	252,820,757,860.02	217,949,360,674.28	1,447,314,403,815.28	2,083,291,148,167.43	1,689,471,159,084.99	6,900,595,853,198.09
Net position	22,756,290,505.91	(1,181,140,342,030.02)	96,966,118,203.75	161,568,698,346.28	873,365,700,104.40	(710,231,213,362.17)	393,418,999,018.39	(343,295,749,213.46)
Derivative financial liabilities								
Notional amounts of derivatives	-	-	-	-	-	8,792,410,000.00	-	8,792,410,000.00

XII Risk management (Cont'd)

4 Liquidity risk (Cont'd)

Liquidity analysis of financial instruments (Cont'd)

Maturity analysis (Cont'd)

The Bank (Cont'd)	Overdue/Indefinite	Repayable on demand	Within 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
31 December 2018								
Total non-derivative financial assets	20,430,181,776.28	60,186,884,617.76	234,846,234,471.80	159,998,762,725.72	2,842,579,355,506.72	1,182,802,119,093.70	1,878,246,345,424.49	6,379,089,883,616.47
Total non-derivative financial liabilities	-	1,458,910,027,957.67	99,683,959,751.35	224,538,044,915.32	1,380,362,438,326.35	2,171,928,282,437.09	1,379,068,380,508.54	6,714,491,133,896.32
Net position	20,430,181,776.28	(1,398,723,143,339.91)	135,162,274,720.45	(64,539,282,189.60)	1,462,216,917,180.37	(989,126,163,343.39)	499,177,964,915.95	(335,401,250,279.85)
Derivative financial liabilities								
Notional amounts of derivatives	-	-	-	-	-	8,792,410,000.00	-	8,792,410,000.00

XII Risk management (Cont'd)

4 Liquidity risk (Cont'd)

Liquidity analysis of financial instruments (Cont'd)

Undiscounted cash flow analysis

The Group and the Bank's undiscounted cash flows of non-derivative financial liabilities by maturities in contracts are analysed as follows. The cash flows of financial instruments estimated by the Group and the Bank may be significantly different from the analysis below.

The Group	Overdue/Indefinite	Repayable on demand	Within 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
31 December 2019								
Non-derivative financial liabilities								
Borrowings from the Central Bank	-	-	39,933,737,500.00	33,282,987,500.00	620,828,800,000.00	-	-	694,045,525,000.00
Deposits from banks and non-bank financial institutions	-	564,263,156.59	-	2,233,291,666.67	291,748,958,333.33	-	-	294,546,513,156.59
Placements from banks and non-bank financial institutions	-	-	78,702,085.00	-	-	-	-	78,702,085.00
Due to customers	-	1,094,140,315,644.98	20,443,986,789.66	21,027,470,503.56	59,884,858,609.85	21,908,678,803.94	104,485,625.00	1,217,509,795,976.99
Debt securities issued	-	-	145,472,737,482.72	193,433,897,547.59	587,971,867,514.92	2,503,829,014,119.98	1,892,481,359,795.38	5,323,188,876,460.59
Total non-derivative financial liabilities	-	1,094,704,578,801.57	205,929,163,857.38	249,977,647,217.82	1,560,434,484,458.10	2,525,737,692,923.92	1,892,585,845,420.38	7,529,369,412,679.17

XII Risk management (Cont'd)

4 Liquidity risk (Cont'd)

Liquidity analysis of financial instruments (Cont'd)

Contractual undiscounted cash flow analysis (Cont'd)

The Bank	Overdue/Indefinite	Repayable on demand	Within 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
31 December 2019								
Non-derivative financial liabilities								
Borrowings from the Central Bank	-	-	39,933,737,500.00	33,282,987,500.00	620,828,800,000.00	-	-	694,045,525,000.00
Deposits from banks and non-bank financial institutions	-	564,263,156.59	-	2,233,291,666.67	291,748,958,333.33	-	-	294,546,513,156.59
Placements from banks and non-bank financial institutions	-	-	78,702,085.00	-	-	-	-	78,702,085.00
Due to customers	-	1,094,140,315,644.98	116,536,828,232.17	21,027,470,503.56	59,884,858,609.85	21,908,678,803.94	104,485,625.00	1,313,602,637,419.50
Debt securities issued	-	-	145,472,737,482.72	193,433,897,547.59	587,971,867,514.92	2,503,829,014,119.98	1,892,481,359,795.38	5,323,188,876,460.59
Total non-derivative financial liabilities	-	1,094,704,578,801.57	302,022,005,299.89	249,977,647,217.82	1,560,434,484,458.10	2,525,737,692,923.92	1,892,585,845,420.38	7,625,462,254,121.68

XII Risk management (Cont'd)

4 Liquidity risk (Cont'd)

Off-balance sheet items

Loan commitments, letters of guarantee issued, bank acceptance notes and letters of credit issued by maturities in contacts are analysed as follows:

The Group and The Bank	Within 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
31 December 2019						
Loan commitments	2,514,569,321.29	5,007,193,804.77	157,018,143,218.67	70,028,257,058.12	1,422,608,184,839.66	1,657,176,348,242.51
Bank acceptance notes	298,590,000.00	594,297,954.70	550,150,000.00	-	-	1,443,037,954.70
Letters of credit issued	1,690,761,144.64	1,132,868,809.05	1,129,707,682.03	-	-	3,953,337,635.72
Letters of guarantee issued	66,783,000.00	-	61,795,704.68	134,583,341.00	-	263,162,045.68
Total	4,570,703,465.93	6,734,360,568.52	158,759,796,605.38	70,162,840,399.12	1,422,608,184,839.66	1,662,835,885,878.61
31 December 2018	30,174,134,417.41	2,059,692,896.68	112,360,525,012.11	54,690,472,193.66	1,369,800,678,453.17	1,569,085,502,973.03

XII Risk management (Cont'd)

5 Fair value of financial assets and liabilities

The best evidence of the fair value of a financial instrument is the unadjusted quoted prices in active markets for identical assets or liabilities. When quoted prices in active markets are unavailable, the Group uses valuation techniques to determine the fair value of its financial instruments. The valuation techniques maximize the use of observable market data and minimize the reliance on the Group's own data, i.e., the valuation techniques used by the Group comprehensively consider all the factors that market participants consider in their pricing process, while remaining consistent with generally accepted economic theories for financial instrument pricing.

Financial instruments at fair value are classified into the following three levels of measurement hierarchy：

Level 1: Fair value is determined based on quoted market prices (unadjusted) in active markets assets or liabilities.

Level 2: Fair value based on inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3: Fair value based on inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

XII Risk management (Cont'd)

5 Fair value of financial assets and liabilities (Cont'd)

(1) Financial instruments measured at fair value

The Group and the Bank's financial instruments by fair value hierarchy level are analysed as follows:

The Group	Level 1	Level 2	Level 3	Total
31 December 2019				
Financial assets				
Financial assets designated as at fair value through profit or loss				
-Equity investment	-	-	296,626,650,655.12	296,626,650,655.12
Available-for-sale financial assets				
-Equity instruments	-	1,242,902,900.00	-	1,242,902,900.00
Derivative financial liabilities				
-Exchange rate derivatives	-	159,709,623.78	-	159,709,623.78

The Group	Level 1	Level 2	Level 3	Total
31 December 2018				
Financial assets				
Financial assets designated as at fair value through profit or loss				
-Equity investment	-	-	326,891,577,859.01	326,891,577,859.01
Derivative financial liabilities				
-Exchange rate derivatives	-	275,800,289.42	-	275,800,289.42

The Bank	Level 1	Level 2	Level 3	Total
31 December 2019				
Available-for-sale financial assets				
-Equity instruments	-	1,242,902,900.00	-	1,242,902,900.00
Derivative financial liabilities				
-Exchange rate derivatives	-	159,709,623.78	-	159,709,623.78

The Bank	Level 1	Level 2	Level 3	Total
31 December 2018				
Derivative financial liabilities				
-Exchange rate derivatives	-	275,800,289.42	-	275,800,289.42

In 2019 and 2018, there were no significant movements of financial instruments between Level 1 and Level 2.

XII Risk management (Cont'd)

5 Fair value of financial assets and liabilities (Cont'd)

(2) Financial instruments not measured at fair value

The financial assets and liabilities not measured at fair value on balance sheet mainly include: cash and deposits with the Central Bank, deposits with banks and non-bank financial institutions, placements with banks and non-bank financial institutions, financial assets held under resale agreements, interest receivable, loans and advances to customers, held-to-maturity investment, investment classified as receivables, borrowings from the Central Bank, placements from banks and non-bank financial institutions, due to customers, debt securities issued and interest payable.

The table below presents the carrying amount and corresponding fair value of held-to-maturity investment, investment classified as receivables and debt securities issued. Except part of investment classified as receivables which is classified into Level 3, other following financial assets and liabilities are all classified into Level 2:

The Group

	31 December 2019	
	Carrying amount	**Fair value**
Held-to-maturity investment	122,586,995,344.00	122,839,034,100.00
Investment classified as receivables	441,998,711,371.16	443,931,548,568.62
Debt securities issued	4,509,905,875,174.76	4,588,701,298,561.00

	31 December 2018	
	Carrying amount	**Fair value**
Held-to-maturity investment	111,250,000,000.00	111,274,184,000.00
Investment classified as receivables	481,174,112,996.26	477,487,143,056.82
Debt securities issued	4,201,489,087,784.32	4,253,596,990,443.60

The Bank

	31 December 2019	
	Carrying amount	**Fair value**
Held-to-maturity investment	122,586,995,344.00	122,839,034,100.00
Investment classified as receivables	387,892,811,878.92	389,825,649,076.38
Debt securities issued	4,509,905,875,174.76	4,588,701,298,561.00

	31 December 2018	
	Carrying amount	**Fair value**
Held-to-maturity investment	111,250,000,000.00	111,274,184,000.00
Investment classified as receivables	428,288,550,000.00	424,601,581,939.48
Debt securities issued	4,201,489,087,784.32	4,253,596,990,443.60

Apart from financial assets and liabilities above, the fair value of other financial assets and liabilities that are not measured at fair value is recognised through discounted cash flow method, and there is no significant difference between carrying amount and fair value.

XII Risk management (Cont'd)

6 Capital management

The concept of capital defined by the Group when performing capital management is broader than the "equity" item presented in the balance sheet, the aim of which is to:

- comply with the capital requirements set by the banking regulatory agency located at the place where the Group operates;

- guarantee the Group's abilities to continue as a going concern so as to be able to continue providing return for equity holders; and

- maintain a strong capital base to support the development of its business.

The capital adequacy and the utilisation of regulatory capital are monitored in real time by the management of the Group in accordance with *Measures for Supervision and Management of Agricultural Development Bank of China* and relevant regulations promulgated by the CBIRC. Required information related to the levels and utilisation of capital is filed quarterly with the CBIRC.

XIII Subsequent events after the balance sheet date

1 Issuance of policy financial bonds

As at 17 June 2020, the Bank has made 129 issues of financial bonds within China, totalling RMB 734.13 billion; and 1 issue abroad, amounting to RMB 1.5 billion.

2 Assessment on impact of the COVID-19 epidemic

Since the outbreak of Coronavirus Disease 2019 in January 2020, the prevention and control of the COVID-19 has been going on throughout the country. The Group will earnestly implement the requirements of the Notice on Further Strengthening Financial Support for Prevention and Control of COVID-19, which was issued by the PBC, the Ministry of Finance, the CBIRC, China Securities Regulatory Commission and State Administration of Foreign Exchange, and strengthen financial support for the epidemic prevention and control.

The COVID-19 has certain impacts on the business operation and overall economy in some provinces and cities or some industries, including in Hubei Province. This may affect the quality or the yields of the credit assets and investment assets of the Group in a degree, and the degree of the impact depends on the situation of the epidemic preventive measures, the duration of the epidemic and the implementation of regulatory policies.

The Group will keep continuous attention on the situation of the COVID-19, assess and react actively to its impacts on the financial position and operating results of the Group. Up to the date of the report, the assessment is still in progress.

XIV Comparing figure

For the purpose of financial statements for the current year, the Group has reclassified certain items in the 2018 financial statements to comply with the disclosure requirements of the current year.

AGRICULTURAL DEVELOPMENT BANK OF CHINA

FINANCIAL STATEMENTS AND AUDITOR'S REPORT FOR THE YEAR ENDED 31 DECEMBER 2020

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

AGRICULTURAL DEVELOPMENT BANK OF CHINA

FINANCIAL STATEMENTS AND AUDITOR'S REPORT
FOR THE YEAR ENDED 31 DECEMBER 2020
[English translation for reference only]

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[English Translation for Reference Only]

Auditor's Report

PwC ZT Shen Zi (2021) No. 20565
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To Agricultural Development Bank of China,

Opinion

What we have audited

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

- the consolidated and bank balance sheets as at 31 December 2020;
- the consolidated and bank income statements for the year then ended;
- the consolidated and bank cash flow statements for the year then ended;
- the consolidated and bank statements of changes in equity for the year then ended; and
- notes to the financial statements.

Our opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated and bank's financial position of the Bank as at 31 December 2020, and their financial performance and cash flows for the year then ended in accordance with the requirements of Accounting Standards for Business Enterprises ("CASs").

Basis for Opinion

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

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements(Cont'd)

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

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

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

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

PricewaterhouseCoopers Zhong Tian LLP

Shanghai, the People's Republic of China
25 August 2021

CONSOLIDATED AND BANK BALANCE SHEETS
AS AT 31 DECEMBER 2020

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

		The Group	
Assets	**Note VIII**	**31 December 2020**	**31 December 2019**
Cash and deposits with the Central Bank	1	121,383,671,368.80	237,890,696,689.38
Deposits with banks and non-bank financial institutions	2	342,149,228,689.79	254,623,960,060.61
Placements with banks and non-bank financial institutions	3	65,626,560,000.00	83,125,409,553.60
Financial assets at fair value through profit or loss	4	265,806,625,303.43	296,626,650,655.12
Financial assets held under resale agreements	5	148,495,684,956.00	98,529,555,608.80
Interest receivable	6	20,518,326,830.40	19,881,905,927.61
Loans and advances to customers	7	5,909,879,121,007.90	5,378,867,574,165.61
Available-for-sale financial assets	8	1,226,788,400.00	1,242,902,900.00
Held-to-maturity investment	9	114,105,056,353.55	122,586,995,344.00
Investment classified as receivables	10	391,322,588,297.61	441,998,711,371.16
Long-term equity investment	11	3,911,512,818.64	2,559,839,022.57
Fixed assets	12	15,964,204,830.65	15,933,587,087.55
Intangible assets	13	807,141,975.48	661,684,603.27
Goodwill		17,503,168.89	17,503,168.89
Deferred tax assets	14	56,912,260,625.51	48,175,097,949.31
Other assets	15	2,098,182,873.29	5,813,915,976.12
Total Assets		7,460,224,457,499.94	7,008,535,990,083.60

CONSOLIDATED AND BANK BALANCE SHEETS (CONT'D)
AS AT 31 DECEMBER 2020
(All amounts in RMB Yuan unless otherwise stated)
[English translation for reference only]

		The Group	
Liabilities	**Note VIII**	**31 December 2020**	**31 December 2019**
Borrowings from the Central Bank	17	777,337,280,000.00	681,400,000,000.00
Deposits from banks and non-bank financial institutions	18	1,430,859,452.94	285,564,263,156.59
Placements from banks and non-bank financial institutions		-	78,155,000.00
Derivative financial liabilities		308,429,979.47	159,709,623.78
Due to customers	19	1,069,903,682,324.02	1,213,706,527,830.24
Employee benefits payable	20	9,648,947,209.45	9,702,361,262.45
Tax payable	21	13,754,461,042.17	7,872,378,181.55
Interest payable	22	122,218,810,530.11	113,916,821,218.99
Provisions	23	11,158,687,442.48	9,484,204,492.99
Debt securities issued	24	5,258,742,301,325.81	4,509,905,875,174.76
Other liabilities	25	2,204,212,890.99	3,791,438,382.74
Total Liabilities		7,266,707,672,197.44	6,835,581,734,324.09
Equity			
Share capital	26	133,000,000,000.00	57,000,000,000.00
Capital reserve	27	12,482,132.35	12,397,525.36
Other comprehensive income	28	53,964,523.20	22,053,507.22
Surplus reserve	29	17,531,075,726.59	15,478,874,965.07
General risk reserve	30	24,000,000,000.00	24,000,000,000.00
Retained earnings	31	18,894,330,633.19	76,418,811,155.31
Attributable to equity shareholders of the Bank		193,491,853,015.33	172,932,137,152.96
Minority interests		24,932,287.17	22,118,606.55
Total Equity		193,516,785,302.50	172,954,255,759.51
Total Liabilities and Equity		7,460,224,457,499.94	7,008,535,990,083.60

CONSOLIDATED AND BANK BALANCE SHEETS (CONT'D)
AS AT 31 DECEMBER 2020

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

		The Bank	
Assets	**Note VIII**	**31 December 2020**	**31 December 2019**
Cash and deposits with the Central Bank	1	121,383,671,368.80	237,890,696,689.38
Deposits with banks and non-bank financial institutions	2	333,008,570,524.16	247,164,157,844.32
Placements with banks and non-bank financial institutions	3	65,626,560,000.00	83,125,409,553.60
Financial assets held under resale agreements	5	148,495,684,956.00	98,529,555,608.80
Interest receivable	6	20,506,836,333.44	19,874,419,217.00
Loans and advances to customers	7	5,909,879,121,007.90	5,378,867,574,165.61
Available-for-sale financial assets	8	1,226,788,400.00	1,242,902,900.00
Held-to-maturity investment	9	114,105,056,353.55	122,586,995,344.00
Investment classified as receivables	10	344,480,931,878.92	387,892,811,878.92
Long-term equity investment	11	461,951,189,240.83	460,599,515,444.76
Fixed assets	12	15,963,907,427.19	15,933,410,334.67
Intangible assets	13	807,015,855.32	661,536,036.39
Deferred tax assets	14	49,586,845,625.51	42,602,642,949.31
Other assets	15	2,095,073,700.50	5,804,613,989.60
Total Assets		7,589,117,252,672.12	7,102,776,241,956.36

CONSOLIDATED AND BANK BALANCE SHEETS (CONT'D)
AS AT 31 DECEMBER 2020

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

		The Bank	
Liabilities	**Note VIII**	**31 December 2020**	**31 December 2019**
Borrowings from the Central Bank	17	777,337,280,000.00	681,400,000,000.00
Deposits from banks and non-bank financial institutions	18	1,430,859,452.94	285,564,263,156.59
Placements from banks and non-bank financial institutions		-	78,155,000.00
Derivative financial liabilities		308,429,979.47	159,709,623.78
Due to customers	19	1,197,470,136,578.71	1,308,592,249,897.75
Employee benefits payable	20	9,632,398,642.64	9,689,075,341.64
Tax payable	21	11,915,725,756.88	6,155,106,422.35
Interest payable	22	125,468,481,030.11	115,055,309,968.99
Provisions	23	11,158,687,442.48	9,484,204,492.99
Debt securities issued	24	5,258,742,301,325.81	4,509,905,875,174.76
Other liabilities	25	2,196,649,009.65	3,789,306,961.61
Total Liabilities		7,395,660,949,218.69	6,929,873,256,040.46
Equity			
Share capital	26	133,000,000,000.00	57,000,000,000.00
Capital reserve	27	12,482,132.35	12,397,525.36
Other comprehensive income	28	53,964,523.20	22,053,507.22
Surplus reserve	29	17,530,365,454.88	15,478,233,263.42
General risk reserve	30	24,000,000,000.00	24,000,000,000.00
Retained earnings	31	18,859,491,343.00	76,390,301,619.90
Total Equity		193,456,303,453.43	172,902,985,915.90
Total Liabilities and Equity		7,589,117,252,672.12	7,102,776,241,956.36

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

CONSOLIDATED AND BANK INCOME STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020
(All amounts in RMB Yuan unless otherwise stated)
[English translation for reference only]

		The Group	
	Note VIII	**2020**	**2019**
Operating Income		95,510,420,334.09	88,845,691,803.10
Net interest income	32	81,587,089,051.04	71,720,445,441.08
Interest income		285,773,660,531.88	265,162,153,110.44
Interest expenses		(204,186,571,480.84)	(193,441,707,669.36)
Net fee and commission (expenses)/income		(130,710,428.48)	204,099,740.38
Fee and commission income		53,112,906.72	368,944,893.30
Fee and commission expenses		(183,823,335.20)	(164,845,152.92)
Investment income	33	19,624,885,437.20	22,162,068,674.07
Including: Share of profit in associates and joint ventures		46,506,573.10	60,385,889.50
Net losses on fair value changes	34	(5,942,683,199.40)	(5,504,399,413.77)
Foreign exchange gains and losses		84,448,628.58	95,322,915.11
Other operating income		46,031,026.09	43,531,775.26
Assets disposal income		186,251,819.61	88,591,011.56
Other income		55,107,999.45	36,031,659.41
Operating Expenses		(72,116,442,411.33)	(67,334,090,333.39)
Taxes and surcharges	35	(1,302,545,981.38)	(1,156,007,376.12)
Operating and administrative expenses	36	(25,395,932,295.26)	(24,931,335,392.63)
Impairment losses on assets	37	(45,125,561,160.45)	(40,927,341,109.66)
Other operating expenses	38	(292,402,974.24)	(319,406,454.98)
Operating Profit		23,393,977,922.76	21,511,601,469.71
Add: Non-operating income		146,972,496.80	197,526,260.98
Less: Non-operating expenses		(237,105,458.08)	(349,716,346.44)
Profit before Income Tax		23,303,844,961.48	21,359,411,384.25
Less: Income tax expense	39	(2,773,311,041.46)	(2,146,482,935.25)
Net Profit		20,530,533,920.02	19,212,928,449.00
Attributable to equity shareholders of the Bank		20,527,720,239.40	19,212,084,277.77
Minority interests		2,813,680.62	844,171.23

CONSOLIDATED AND BANK INCOME STATEMENTS(CONT'D)
FOR THE YEAR ENDED 31 DECEMBER 2020
(All amounts in RMB Yuan unless otherwise stated)
[English translation for reference only]

	Note VIII	The Group 2020	The Group 2019
Other Comprehensive Income, Net of Tax	28	31,911,015.98	53,274,693.28
Attributable to equity shareholders of the Bank		31,911,015.98	53,274,693.28
Other comprehensive income that may be reclassified to profit or loss in subsequent periods			
—Share of other comprehensive income in investee under equity method that may be reclassified to profit or loss		55,129,806.86	8,931,793.28
—Others		(23,171,600.00)	44,342,900.00
Other comprehensive income that may not be reclassified to profit or loss in subsequent periods			
—Share of other comprehensive income in investee under equity method that may not be reclassified to profit or loss		(47,190.88)	-
Total Comprehensive Income		20,562,444,936.00	19,266,203,142.28
Equity shareholders of the Bank		20,559,631,255.38	19,265,358,971.05
Minority interests		2,813,680.62	844,171.23

CONSOLIDATED AND BANK INCOME STATEMENTS (CONT'D)
FOR THE YEAR ENDED 31 DECEMBER 2020
(All amounts in RMB Yuan unless otherwise stated)
[English translation for reference only]

	Note VIII	The Bank 2020	The Bank 2019
Operating Income		94,371,791,187.05	87,847,286,697.23
Net interest income	32	78,662,992,983.19	69,479,980,587.84
Interest income		284,987,968,530.61	264,164,524,407.40
Interest expenses		(206,324,975,547.42)	(194,684,543,819.56)
Net fee and commission (expenses)/income		(166,718,606.93)	186,939,041.04
Fee and commission income		17,104,728.27	351,784,193.96
Fee and commission expenses		(183,823,335.20)	(164,845,152.92)
Investment income	33	15,504,014,225.02	17,822,068,545.88
Including: Share of profit in associates and joint ventures		46,506,573.10	60,385,889.50
Net (losses)/gains on fair value changes	34	(283,371.71)	94,821,161.13
Foreign exchange gains and losses		84,448,628.58	95,322,915.11
Other operating income		46,031,026.09	43,531,775.26
Assets disposal income		186,251,819.61	88,591,011.56
Other income		55,054,483.20	36,031,659.41
Operating Expenses		(70,995,095,552.66)	(66,361,192,797.14)
Taxes and surcharges	35	(1,272,962,854.12)	(1,124,801,342.22)
Operation and administrative expenses	36	(25,373,608,736.16)	(24,916,785,315.38)
Impairment losses on assets	37	(44,056,120,988.14)	(40,000,199,684.56)
Other operating expenses	38	(292,402,974.24)	(319,406,454.98)
Operating Profit		23,376,695,634.39	21,486,093,900.09
Add: Non-operating income		146,972,496.80	197,526,260.98
Less: Non-operating expenses		(237,101,555.74)	(349,715,925.20)
Profit before Income Tax		23,286,566,575.45	21,333,904,235.87
Less: Income tax expense	39	(2,765,244,660.89)	(2,145,235,971.00)
Net profit		20,521,321,914.56	19,188,668,264.87

CONSOLIDATED AND BANK INCOME STATEMENTS (CONT'D)
FOR THE YEAR ENDED 31 DECEMBER 2020
(All amounts in RMB Yuan unless otherwise stated)
[English translation for reference only]

	Note VIII	The Bank 2020	The Bank 2019
Other Comprehensive Income, Net of Tax	28	31,911,015.98	53,274,693.28
Other comprehensive income that may be reclassified to profit or loss in subsequent periods			
—Share of other comprehensive income in investee under equity method that may be reclassified to profit or loss		55,129,806.86	8,931,793.28
—Others		(23,171,600.00)	44,342,900.00
Other comprehensive income that may not be reclassified to profit or loss in subsequent periods			
—Share of other comprehensive income in investee under equity method that may not be reclassified to profit or loss		(47,190.88)	-
Total Comprehensive Income		20,553,232,930.54	19,241,942,958.15

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

AGRICULTURAL DEVELOPMENT BANK OF CHINA

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020

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

	Note VIII	Share capital	Capital reserve	Other comprehensive income	Surplus reserve	General risk reserve	Retained earnings	Minority interests	Total equity
Balance at 1 January 2020		57,000,000,000.00	12,397,525.36	22,053,507.22	15,478,874,965.07	24,000,000,000.00	76,418,811,155.31	22,118,606.55	172,954,255,759.51
Movements during the year									
(1) Net profit		-	-	-	-	-	20,527,720,239.40	2,813,680.62	20,530,533,920.02
(2) Other comprehensive income	28	-	-	31,911,015.98	-	-	-	-	31,911,015.98
Subtotal of (1) and (2)		-	-	31,911,015.98	-	-	20,527,720,239.40	2,813,680.62	20,562,444,936.00
(3) Capital injection by equity holders									
1.Others		-	84,606.99	-	-	-	-	-	84,606.99
(4) Profit distribution									
1. Appropriation to surplus reserve	29	-	-	-	2,052,200,761.52	-	(2,052,200,761.52)	-	-
(5) Transfer within owners' equity									
1. Increase in paid-in capital from retained earnings		76,000,000,000.00	-	-	-	-	(76,000,000,000.00)	-	-
Balance at 31 December 2020		133,000,000,000.00	12,482,132.35	53,964,523.20	17,531,075,726.59	24,000,000,000.00	18,894,330,633.19	24,932,287.17	193,516,785,302.50
Balance at 1 January 2019		57,000,000,000.00	12,397,525.36	(31,221,186.06)	13,559,939,959.35	24,000,000,000.00	59,125,661,883.26	-	153,666,778,181.91
Movements during the year									
(1) Net profit		-	-	-	-	-	19,212,084,277.77	844,171.23	19,212,928,449.00
(2) Other comprehensive income	28	-	-	53,274,693.28	-	-	-	-	53,274,693.28
Subtotal of (1) and (2)		-	-	53,274,693.28	-	-	19,212,084,277.77	844,171.23	19,266,203,142.28
(3) Capital contribution and withdrawal by owners		-	-	-	-	-	-	21,274,435.32	21,274,435.32
(4) Profit distribution									
1. Appropriation to surplus reserve	29	-	-	-	1,918,935,005.72	-	(1,918,935,005.72)	-	-
Balance at 31 December 2019		57,000,000,000.00	12,397,525.36	22,053,507.22	15,478,874,965.07	24,000,000,000.00	76,418,811,155.31	22,118,606.55	172,954,255,759.51

AGRICULTURAL DEVELOPMENT BANK OF CHINA

BANK STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020

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

	Note VIII	Share capital	Capital reserve	Other comprehensive income	Surplus reserve	General risk reserve	Retained earnings	Total equity
Balance at 1 January 2020		57,000,000,000.00	12,397,525.36	22,053,507.22	15,478,233,263.42	24,000,000,000.00	76,390,301,619.90	172,902,985,915.90
Movements during the year								
(1) Net profit		-	-	-	-	-	20,521,321,914.56	20,521,321,914.56
(2) Other comprehensive income	28	-	-	31,911,015.98	-	-	-	31,911,015.98
Subtotal of (1) and (2)		-	-	31,911,015.98	-	-	20,521,321,914.56	20,553,232,930.54
(3) Capital contribution and withdrawal by owners								
1.Others		-	84,606.99	-	-	-	-	84,606.99
(4) Profit distribution								
1. Appropriation to surplus reserve	29	-	-	-	2,052,132,191.46	-	(2,052,132,191.46)	-
(5) Transfer within owners' equity								
1. Increase in paid-in capital from retained earnings		76,000,000,000.00	-	-	-	-	(76,000,000,000.00)	-
Balance at 31 December 2020		133,000,000,000.00	12,482,132.35	53,964,523.20	17,530,365,454.88	24,000,000,000.00	18,859,491,343.00	193,456,303,453.43
Balance at 1 January 2019		57,000,000,000.00	12,397,525.36	(31,221,186.06)	13,559,366,436.93	24,000,000,000.00	59,120,500,181.52	153,661,042,957.75
Movements during the year								
(1) Net profit		-	-	-	-	-	19,188,668,264.87	19,188,668,264.87
(2) Other comprehensive income	28	-	-	53,274,693.28	-	-	-	53,274,693.28
Subtotal of (1) and (2)		-	-	53,274,693.28	-	-	19,188,668,264.87	19,241,942,958.15
(3) Profit distribution								
1. Appropriation to surplus reserve	29	-	-	-	1,918,866,826.49	-	(1,918,866,826.49)	-
Balance at 31 December 2019		57,000,000,000.00	12,397,525.36	22,053,507.22	15,478,233,263.42	24,000,000,000.00	76,390,301,619.90	172,902,985,915.90

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

CONSOLIDATED AND BANK CASH FLOW STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

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

	Note VIII	The Group 2020	The Group 2019
1. Cash Flows from Operating Activities:			
Net decrease in deposits with the Central Bank, banks and non-bank financial institutions		11,392,389,855.68	190,832,069,919.46
Net increase in borrowings from the Central Bank		95,937,280,000.00	3,000,000,000.00
Net decrease in placements with other financial institutions		-	119,700,000,000.00
Net increase in placements from other financial institutions		-	78,155,000.00
Cash received from interest, fee and commission		293,518,164,709.55	268,066,016,960.85
Cash received from other operating activities		3,969,146,746.85	1,886,148,331.65
Subtotal of Cash Inflow from Operating Activities		404,816,981,312.08	583,562,390,211.96
Net increase in loans and advances to customers		(572,670,436,901.96)	(500,939,455,256.46)
Net decrease in deposits from customers and from banks and non-bank financial institutions		(427,936,249,209.87)	(174,588,168,198.10)
Net decrease in placements with other financial institutions		(78,155,000.00)	-
Net increase in financial assets held under resale agreements		(50,041,772,000.00)	(9,542,402,000.00)
Cash paid for interest, fee and commission		(34,163,121,816.41)	(38,824,643,043.69)
Cash paid to and for employees		(19,496,367,372.86)	(17,481,421,746.27)
Payments of all types of taxes		(16,414,232,931.20)	(22,800,912,216.96)
Cash paid relating to other operating activities		(6,960,850,989.52)	(8,041,151,315.50)
Subtotal of Cash Outflow from Operating Activities		(1,127,761,186,221.82)	(772,218,153,776.98)
Net Cash Flows from Operating Activities	40	(722,944,204,909.74)	(188,655,763,565.02)
2. Cash Flows From Investing Activities:			
Proceeds from sale and redemption of investment		599,284,308,425.24	651,526,446,628.99
Proceeds from investment income		20,389,164,603.42	28,449,354,355.55
Proceeds from other investing activities		332,435,985.44	461,533,781.01
Subtotal of Cash Inflow from Investing Activities		620,005,909,014.10	680,437,334,765.55
Purchase of investments		(516,200,000,000.00)	(599,515,000,000.00)
Purchase of fixed assets, intangible assets and other long-term assets		(1,642,765,436.91)	(1,588,093,323.55)
Acquisition of subsidiaries, associates and joint ventures		(1,250,000,000.00)	(704,789,315.49)
Subtotal of Cash Outflow from Investing Activities		(519,092,765,436.91)	(601,807,882,639.04)
Net Cash Flows from Investing Activities		100,913,143,577.19	78,629,452,126.51

CONSOLIDATED AND BANK CASH FLOW STATEMENTS(CONT'D)
FOR THE YEAR ENDED 31 DECEMBER 2020
(All amounts in RMB Yuan unless otherwise stated)
[English translation for reference only]

	Note VIII	The Group 2020	The Group 2019
3. Cash Flows from Financing Activities:			
Proceeds from debt securities issued		1,523,729,067,236.11	1,163,469,068,123.16
Subtotal of Cash Inflow from Financing Activities		1,523,729,067,236.11	1,163,469,068,123.16
Repayments of debts		(776,323,573,848.95)	(856,505,011,294.01)
Cash payments for interest		(160,327,236,363.73)	(153,856,810,526.07)
Subtotal of Cash Outflow from Financing Activities		(936,650,810,212.68)	(1,010,361,821,820.08)
Net Cash Flows from Financing Activities		587,078,257,023.43	153,107,246,303.08
4. Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents		(52,227,555.76)	17,282,500.66
5. Net (Decrease)/Increase in Cash and Cash Equivalents	40	(35,005,031,864.88)	43,098,217,365.23
Add: Opening balance of cash and cash equivalents		229,251,923,897.33	186,153,706,532.10
6. Closing Balance of Cash and Cash Equivalents	40	194,246,892,032.45	229,251,923,897.33

CONSOLIDATED AND BANK CASH FLOW STATEMENTS(CONT'D)
FOR THE YEAR ENDED 31 DECEMBER 2020

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

	Note VIII	The Bank 2020	The Bank 2019
1. Cash Flows Used In Operating Activities:			
Net decrease in deposits with the Central bank, banks and non-bank financial institutions		11,421,389,855.68	190,872,069,919.46
Net increase in borrowings from the Central Bank		95,937,280,000.00	3,000,000,000.00
Net decrease in placements with other financial institutions		-	119,700,000,000.00
Net increase in placements from other financial institutions		-	78,155,000.00
Cash received from interest, fee and commission		292,644,963,943.25	266,630,977,128.07
Cash received from other operating activities		3,966,263,750.01	1,532,752,940.70
Subtotal of Cash Inflow from Operating Activities		403,969,897,548.94	581,813,954,988.23
Net increase in loans and advances to customers		(572,670,436,901.96)	(500,939,455,256.46)
Net decrease in deposits from customers and from banks and non-bank financial institutions		(395,255,517,022.69)	(126,022,350,034.41)
Net decrease in placements with other financial institutions		(78,155,000.00)	-
Net increase in financial assets held under resale agreements		(50,041,772,000.00)	(9,542,402,000.00)
Cash paid for interest, fee and commission		(34,190,344,132.99)	(38,928,990,443.89)
Cash paid to and for employees		(19,486,438,219.98)	(17,475,510,439.04)
Payments of all types of taxes		(14,449,644,163.75)	(20,888,560,330.00)
Cash paid relating to other operating activities		(6,955,307,554.62)	(5,539,885,308.41)
Subtotal of Cash Outflow from Operating Activities		(1,093,127,614,995.99)	(719,337,153,812.21)
Net Cash Flows used in Operating Activities	40	(689,157,717,447.05)	(137,523,198,823.98)
2. Cash Flows from Investing Activities:			
Proceeds from sale and redemption of investment		568,211,880,000.00	626,855,740,000.00
Proceeds from investment income		16,023,038,480.63	23,875,409,385.73
Proceeds from other investing activities		332,435,985.44	461,531,241.01
Subtotal of Cash Inflow from Investing Activities		584,567,354,466.07	651,192,680,626.74
Purchase of investments		(516,200,000,000.00)	(599,510,000,000.00)
Purchase of fixed assets, intangible assets and other long-term assets		(1,642,554,300.91)	(1,588,059,297.89)
Acquisition of subsidiaries, associates and joint ventures		(1,250,000,000.00)	(774,459,872.00)
Subtotal of Cash Outflow from Investing Activities		(519,092,554,300.91)	(601,872,519,169.89)
Net Cash Flows from Investing Activities		65,474,800,165.16	49,320,161,456.85

CONSOLIDATED AND BANK CASH FLOW STATEMENTS(CONT'D)
FOR THE YEAR ENDED 31 DECEMBER 2020
(All amounts in RMB Yuan unless otherwise stated)
[English translation for reference only]

		The Bank	
	Note VIII	2020	2019
3. Cash Flows from Financing Activities:			
Proceeds from debt securities issued		1,523,729,067,236.11	1,163,469,068,123.16
Subtotal of Cash Inflow from Financing Activities		1,523,729,067,236.11	1,163,469,068,123.16
Repayments of debts		(776,323,573,848.95)	(856,505,011,294.01)
Cash payments for interest		(160,327,236,363.73)	(153,856,810,526.07)
Subtotal of Cash Outflow from Financing Activities		(936,650,810,212.68)	(1,010,361,821,820.08)
Net Cash Flows from Financing Activities		587,078,257,023.43	153,107,246,303.08
4. Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents		(52,227,555.76)	17,282,500.66
5. Net (Decrease)/Increase in Cash and Cash Equivalents	40	(36,656,887,814.22)	64,921,491,436.61
Add: Opening balance of cash and cash equivalents		221,832,121,681.04	156,910,630,244.43
6. Closing Balance of Cash and Cash Equivalents	40	185,175,233,866.82	221,832,121,681.04

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

I General information

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

The Bank carries the financial institution license (No. A0002H111000001) issued by China Banking Regulatory Commission (the CBRC, which was renamed China Banking and Insurance Regulatory Commission, hereinafter referred to as "CBIRC"). The Bank's unified social credit code is 91100000100017045K, and it carries the business license to operate as a corporate entity issued by the Beijing Administration for Market Supervision. The registered address of the Bank is No. Jia 2, Yuetanbei Street, Xicheng District, Beijing. As at 31 December 2020, the Bank had a total of 32 Tier-1 branches (including outlets of the Head Office), 338 Tier-2 branches (including outlets of provincial-level branches), and 1,830 Tier-3 and lower-level branches (including outlets of Tier-2 branches).

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

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

The financial statements were reviewed and approved by the Board of Directors of the Group on 24 June 2021, and were authorised by the Chairman on 25 August 2021.

II Basis of preparation of the financial statements

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

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

III Statement of compliance with the Accounting Standards for Business Enterprises

The financial statements have been prepared in accordance with the requirements of the CAS and gives a true and fair view of the financial positions of the Group and as at 31 December 2020, and of the financial performance and cash flows for the year then ended 2020.

IV Significant accounting policies

1 Accounting year

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

2 Recording currency

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

3 Accounting basis and measurement principle

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

4 Foreign currency transactions

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

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

5 Cash and cash equivalents

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

IV Significant accounting policies (Cont'd)

6 Financial instruments

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

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

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

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

Level 2 inputs are inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs are unobservable inputs for the asset or liability.

(1) Classification, recognition and measurement of financial assets

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

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

Financial assets at fair value through profit or loss

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

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

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

VI Significant accounting policies (Cont'd)

6 Financial instruments (Cont'd)

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

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

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

Held-to-maturity investment

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

Held-to-maturity investments are subsequently measured at amortised cost using the effective interest method, with gains or losses arising from derecognition, impairment or amortisation recognised in profit or loss.

Loans and receivables

A loan or receivable is a non-derivative financial asset which is not quoted in an active market and of which the recoverable amount is either fixed or determinable. Financial assets classified as loans and receivables by the Group include deposits with the Central Bank, deposits with banks and non-bank financial institutions, placements with banks and non-bank financial institutions, financial assets held under resale agreements, loans and advances to customers, investment classified as receivables, etc.

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

Available-for-sale financial assets

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

Available-for-sale financial assets are subsequently measured at fair value. Gains or losses arising from changes in fair value are recognised in other comprehensive income, except for impairment losses and exchange difference arising from translation of monetary items denominated in foreign currencies relating to amortised cost. When such financial assets are derecognised, the gains or losses are transferred into profit or loss for the current period.

Interest calculated using the effective interest method and cash dividends received from the investee during the period in which available-for-sale financial assets are held are recognised into interest income and investment income, respectively.

Investments in equity instruments that are not quoted in an active market and whose fair value cannot be reliably measured, and derivative financial instruments linked to such equity instruments, provided that they should be settled through the delivery of such equity instruments, are measured at cost and regularly tested for impairment.

IV Significant accounting policies(Cont'd)

6 Financial instruments (Cont'd)

(2) Impairment of financial assets

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

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

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

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

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

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

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

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

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

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

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

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

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

IV Significant accounting policies (Cont'd)

6 Financial instruments (Cont'd)

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

Impairment of financial assets measured at amortised cost

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

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

The Group conducts impairment assessment on financial assets measured at amortised cost that are not individually significant or unimpaired in individual assessment on a collective basis. For the purposes of a collective assessment for impairment, financial assets are grouped on the basis of similar and relevant credit risk characteristics. These characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

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

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

Impairment of available-for-sale financial assets

If impairment losses on available-for-sale financial assets incurred, even though such assets are not derecognised, the cumulative losses arising from the decline in fair value that had been recognised directly in equity should transferred from equity to profit or loss for the current period. Such cumulative losses are measured at the initiation acquisition cost (net of any principal repayment and amortisation, the current fair value, and any impairment loss on that financial assets previously recognised in profit or loss).

Impairment losses of available-for-sale investments in equity instruments cannot be reversed through profit or loss. Investments in equity instruments that are not quoted in an active market and whose fair value cannot be reliably measured, or impairment of derivative financial assets that are linked to the equity instruments and should be settled through delivery of the equity instruments cannot be reversed.

Objective evidence of impairment of available-for-sale investments in equity instruments includes a significant or prolonged decline in the fair value of such investments.

IV Significant accounting policies (Cont'd)

6 Financial instruments (Cont'd)

(3) Derecognition of financial assets

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

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

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

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

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

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

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

Financial liabilities at fair value through profit or loss

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

IV Significant accounting policies (Cont'd)

6 Financial instruments (Cont'd)

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

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

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

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

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

Other financial liabilities

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

Equity instruments

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

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

(5) Derecognition of financial liabilities

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

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

(6) Offsetting of financial assets and financial liabilities

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

IV Significant accounting policies (Cont'd)

6 Financial instruments (Cont'd)

(7) Derivative financial instruments

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

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

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

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

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

8 Long-term equity investment

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

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

(2) Determination of investment costs

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

(3) Subsequent measurement

Long-term equity investment accounted for using the cost method

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

IV Significant accounting policies (Cont'd)

8 Long-term equity investment (Cont'd)

(3) Subsequent measurement (Cont'd)

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

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

Long-term equity investment accounted for using the equity method

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

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

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

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

9 Fixed assets

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

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

IV Significant accounting policies (Cont'd)

9 Fixed assets (Cont’d)

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

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

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

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

10 Intangible assets

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

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

11 Operating leases

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

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

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

For the rental waivers as a result of COVID-19 and for the period ended 30 June 2021 only, the applies the practical expedient and records the waivers in profit or loss in the waiving period.

12 Repossessed assets

If repossessed assets are non-financial instruments, such repossessed assets are initially recognised at cost, which is calculated at the fair value of quitclaimed debts, and the transaction-related expenses, such as relevant taxes and surcharges, advances for litigations and outstanding taxes and surcharges paid to acquire the repossessed assets. If there is indication that the realisable net value of a repossessed asset is less than its carrying amount, the Group decreases the carrying amount to the net realisable value. If repossessed assets are financial instruments, standards for financial instruments should apply.

IV Significant accounting policies (Cont'd)

13 Impairment of non-financial assets

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

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

14 Employee benefit

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

(1) Short-term employee benefits

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

(2) Post-employment benefits

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

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

IV Significant accounting policies (Cont'd)

15 Financial guarantees and loan commitments

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

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

16 Provisions and contingent liabilities

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

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

17 Interest income and expenses

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

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

18 Fee and commission income

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

IV Significant accounting policies (Cont'd)

19 Income tax

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

(1) Current income tax

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

(2) Deferred income tax

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

In general, deferred income taxes are recognised for all temporary differences. Deferred tax assets for deductible temporary differences are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences can be utilised. Taxable profit that will be available in the future includes the taxable profit that will be realised through normal operations and the taxable profit that will be increased upon the reversal of taxable temporary differences incurred in prior periods. Judgements and estimates are required to determine the time and amounts of taxable profit in the future. Any difference between the reality and the estimate may result in adjustment to the carrying amount of deferred tax assets.

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

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

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

(3) Offsetting of deferred tax assets and liabilities

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

IV Significant accounting policies (Cont'd)

20 Business combinations

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

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

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

Goodwill acquired in the business combination is separately presented in consolidated financial statements at the value of the cost net of accumulated provision for impairment losses. Impairment loss for goodwill is recognised into profit or loss for the current period when incurred and will not be reversed in the subsequent periods.

21 Fiduciary activities

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

22 Preparation of consolidated financial statements

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

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

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

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

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

IV Significant accounting policies (Cont'd)

23 Related parties

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

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

24 Government grants

Government grants are classified into government grants related to assets and government g related to income.

(1) Government grants related to assets are recorded as deferred income and recognised in profit or loss on a systemic basis over the useful lives of the assets. Where the related assets are sold, transferred, scraped or destroyed before the end of their useful lives, the undistributed deferred income shall be transferred to profit or loss for the period in which the assets are disposed.

(2) Government grants related to income that compensate the future costs, expenses or losses are recorded as deferred income and included in profit or loss in the period in which relevant costs, expenses or losses are recognised; government grants related to income that compensate the incurred costs, expenses or losses are directly recognised in profit or loss for current period.

Government grants related to ordinary activities are included in other income, otherwise, they are recorded in non-operating income.

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

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

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

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

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

1 Impairment of financial assets measured at amortised cost

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

Financial assets measured at amortised cost unimpaired based on separate assessment or with individually insignificant amounts are subject to collective assessment for impairment. Collective impairment assessment highly relies on judgments. Risk characteristics of the asset portfolios, changes and uncertainties of the macro-economic environment where the Group operates, and the management of the financial assets on a portfolio basis, are taken into consideration when evaluating the method for impairment estimates.

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

2 Fair value of financial instruments

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

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

3 Taxes

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

VI Taxation

1 Enterprise income tax

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

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

2 Value-added tax

Pursuant to the Circular on Policies relating to Pilot Programs for Transition from Business Tax to Value-added Tax (*Cai Shui* [2016] No. 39) (hereinafter referred to as Circular No. 39) promulgated by the Ministry of Finance and the State Administration of Taxation, the Bank is eligible for electing to adopt the simplified tax method for calculating and paying value-added taxes at 3% for its interest income from agricultural loans and loans to rural areas and farming households. The Bank calculates and pays VAT at a rate of 3% for its interest income from agriculture-related loans as listed in Circular No. 39, calculates and pays VAT at a rate of 6% for taxable income from its principal business operations, including interest income from other loans, fee and commission income, and investment income. Revenue from other operations is subject to VAT at the rates of 13%, 9% or other corresponding rates since 1 April 2019 in accordance with the policies, while they were 16%, 10% or the corresponding rates before then.

3 City maintenance and construction tax

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

4 Educational surcharge

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

VII Holding subsidiaries and the scope of consolidation

For information on the subsidiary within the scope of consolidation, see Note VIII 11 (1).

VIII Notes to key items in the financial statements

1 Cash and deposits with the Central Bank

	The Group and the Bank	
	31 December 2020	31 December 2019
Cash in hand	-	21,234,046.95
Statutory deposit reserve (1)	83,819,468,066.14	94,240,857,921.82
Surplus deposit reserve(2)	37,564,203,302.66	26,628,604,720.61
Special Deposits	-	117,000,000,000.00
Total	121,383,671,368.80	237,890,696,689.38

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

	The Group and the Bank	
Item	31 December 2020	31 December 2019
CNY	6.50%	7.00%
Foreign currencies	5.00%	5.00%

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

2 Deposits with banks and non-bank financial institutions

	The Group	
	31 December 2020	31 December 2019
Deposits with domestic banks	341,989,277,828.78	254,170,076,981.35
Deposits with offshore banks	562,410,901.01	750,922,148.42
Subtotal	342,551,688,729.79	254,920,999,129.77
Less: Allowances for impairment losses	(402,460,040.00)	(297,039,069.16)
Net balances	342,149,228,689.79	254,623,960,060.61

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

2 Deposits with banks and non-bank financial institutions (Cont'd)

	The Bank	
	31 December 2020	31 December 2019
Deposits with domestic banks	332,848,619,663.15	246,710,274,765.06
Deposits with offshore banks	562,410,901.01	750,922,148.42
Subtotal	333,411,030,564.16	247,461,196,913.48
Less: Allowances for impairment losses	(402,460,040.00)	(297,039,069.16)
Net balances	333,008,570,524.16	247,164,157,844.32

3 Placements with banks and non-bank financial institutions

	The Group and the Bank	
	31 December 2020	31 December 2019
Placements with domestic banks	61,700,000,000.00	74,809,286,000.00
Placements with domestic non-bank financial institutions	4,000,000,000.00	8,411,800,000.00
Subtotal	65,700,000,000.00	83,221,086,000.00
Less: Allowances for impairment losses	(73,440,000.00)	(95,676,446.40)
Net balances	65,626,560,000.00	83,125,409,553.60

4 Financial assets at fair value through profit or loss

	The Group	
	31 December 2020	31 December 2019
Financial assets designated as at fair value through profit or loss	265,806,625,303.43	296,626,650,655.12

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

5 Financial assets held under resale agreements

By types of underlying assets:

	The Group and the Bank	
	31 December 2020	31 December 2019
Debt securities	148,662,033,000.00	98,620,261,000.00
Less: Allowances for impairment losses	(166,348,044.00)	(90,705,391.20)
Net balances	148,495,684,956.00	98,529,555,608.80

By types of counterparties:

	The Group and the Bank	
	31 December 2020	31 December 2019
Banks	115,240,900,000.00	70,118,540,000.00
Fund and wealth management products	11,510,098,000.00	18,593,251,000.00
Security companies	20,661,220,000.00	6,208,500,000.00
Insurance companies	1,249,815,000.00	3,699,970,000.00
Total	148,662,033,000.00	98,620,261,000.00

6 Interest receivable

	The Group	
	31 December 2020	31 December 2019
Loans and advances to customers	12,831,499,071.45	11,912,400,320.37
Deposits with banks and non-bank financial institutions	1,815,710,972.44	1,209,527,652.32
Investment classified as receivables	5,670,510,760.13	6,366,815,044.84
Held-to-maturity investment and others	200,606,026.38	393,162,910.08
Total	20,518,326,830.40	19,881,905,927.61

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

6 Interest receivable (Cont'd)

	The Bank	
	31 December 2020	31 December 2019
Loans and advances to customers	12,831,499,071.45	11,912,400,320.37
Deposits with banks and non-bank financial institutions	1,813,948,690.76	1,208,680,720.24
Investment classified as receivables	5,670,510,760.13	6,366,815,044.84
Held-to-maturity investment and others	190,877,811.10	386,523,131.55
Total	20,506,836,333.44	19,874,419,217.00

7 Loans and advances to customers

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

	The Group and the Bank	
	31 December 2020	31 December 2019
Loans and advances to customers		
Loans and advances	6,023,298,913,993.81	5,486,734,486,629.39
Discounted bills	121,856,877,935.80	96,215,584,458.88
Total loans and advances to customers	6,145,155,791,929.61	5,582,950,071,088.27
Less: Allowances for impairment losses	(235,276,670,921.71)	(204,082,496,922.66)
Net balances	5,909,879,121,007.90	5,378,867,574,165.61

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

7 Loans and advances to customers (Cont'd)

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

	The Group and the Bank	
	2020	2019
Balance at the beginning of the year	204,082,496,922.66	173,196,663,353.07
Accruals	41,882,827,835.97	39,015,605,363.15
Write-offs	(10,581,944,716.04)	(7,944,761,945.31)
Recovery after write-offs	117,706,794.22	44,434,199.55
Transfer out due to rise in discounted value	(223,937,776.30)	(229,444,047.80)
Foreign exchange rate changes and others	(478,138.80)	-
Balance at the end of the year	235,276,670,921.71	204,082,496,922.66

8 Available-for-sale financial assets

	The Group and the Bank	
	31 December 2020	31 December 2019
Financial institution perpetual bonds	1,226,788,400.00	1,242,902,900.00

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

9 Held-to-maturity investment

	The Group and the Bank	
	31 December 2020	31 December 2019
Interbank deposits	108,243,924,097.68	117,938,469,623.56
Financial institution bonds	5,998,212,254.84	4,796,691,820.89
Subtotal	114,242,136,352.52	122,735,161,444.45
Less: Allowances for impairment losses	(137,079,998.97)	(148,166,100.45)
Net balances	114,105,056,353.55	122,586,995,344.00

10 Investment classified as receivables

As at 31 December 2020 and 31 December 2019, the Group and the Bank's investment classified as receivables were mainly investment in local government bonds.

11 Long-term equity investment

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

		The Bank	
		31 December 2020	31 December 2019
Investment in subsidiary	(1)	458,040,463,109.54	458,040,463,109.54
Investment in associates	(2)	2,160,726,131.29	2,059,052,335.22
Others		1,750,000,000.00	500,000,000.00
Total		461,951,189,240.83	460,599,515,444.76

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

11 Long-term equity investment (Cont'd)

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

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

Name of investee	Place of registration	Nature of business	Registered capital (RMB Million)	Shareholding and voting rights (%) in investees held by the Group
China Agricultural Development Key Construction Fund Co., Ltd.	China	Financial industry	50,000.00	100%
Beijing Shining Investment Management Co., Ltd.	China	Leasing and business service	36.36	67%

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

Name of investee	Place of registration	Nature of business	Registered capital (RMB Million)	Shareholding and voting rights (%) in investees held by the Group
China Agriculture Industry Development Fund	China	Leasing and business service	4,000.00	25%
Modern Seed Development Fund	China	Financial industry	2,424.41	39.69%

(3) Movement of Long-term equity investment

	The Group	
	2020	2019
Balance at the beginning of the year	2,559,839,022.57	1,755,737,889.98
Increase in the current year	1,250,000,000.00	750,000,000.00
Decrease in the current year	-	(15,216,550.19)
Share of profit and loss in associates	46,506,573.10	60,385,889.50
Share of other comprehensive income in associates	55,082,615.98	8,931,793.28
Share of other changes in equity of associates	84,606.99	-
Balance at the end of the year	3,911,512,818.64	2,559,839,022.57

	The Bank	
	2020	2019
Balance at the beginning of the year	460,599,515,444.76	459,755,737,889.98
Increase in the current year	1,250,000,000.00	774,459,872.00
Share of profit and loss in associates	46,506,573.10	60,385,889.50
Share of other comprehensive income in associates	55,082,615.98	8,931,793.28
Share of other changes in equity of associates	84,606.99	-
Balance at the end of the year	461,951,189,240.83	460,599,515,444.76

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

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

12 Fixed assets

The Group	Buildings	Transportation vehicles	Computers and ancillary equipment	Other equipment	Construction in progress	Total
Cost						
1 January 2020	18,445,635,261.68	1,001,024,694.89	2,265,559,563.77	3,653,654,955.68	2,232,469,390.00	27,598,343,866.02
Additions	47,273,041.82	321,229,270.95	118,340,281.35	199,322,919.65	667,533,409.30	1,353,698,923.07
Transfer in/(out)	506,807,668.34	-	-	-	(506,807,668.34)	-
Decreases	(164,347,417.91)	(130,333,829.16)	(173,005,312.65)	(120,130,466.86)	(40,923,082.25)	(628,740,108.83)
31 December 2020	18,835,368,553.93	1,191,920,136.68	2,210,894,532.47	3,732,847,408.47	2,352,272,048.71	28,323,302,680.26
Accumulated depreciation						
1 January 2020	(6,537,734,640.69)	(866,138,259.25)	(1,748,983,982.03)	(2,509,289,531.76)	-	(11,662,146,413.73)
Accruals	(593,744,343.40)	(57,122,680.83)	(128,098,892.71)	(362,795,875.55)	-	(1,141,761,792.49)
Decreases	59,543,470.52	121,333,837.42	160,428,890.65	105,114,150.09	-	446,420,348.68
31 December 2020	(7,071,935,513.57)	(801,927,102.66)	(1,716,653,984.09)	(2,766,971,257.22)	-	(12,357,487,857.54)
Provision for impairment loss						
1 January 2020	(1,320,364.74)	-	-	-	(1,290,000.00)	(2,610,364.74)
Accruals	-	-	-	-	-	-
Decreases	1,000,372.67	-	-	-	-	1,000,372.67
31 December 2020	(319,992.07)	-	-	-	(1,290,000.00)	(1,609,992.07)
Net carrying value						
31 December 2020	11,763,113,048.29	389,993,034.02	494,240,548.38	965,876,151.25	2,350,982,048.71	15,964,204,830.65

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

12 Fixed assets (Cont'd)

The Group	Buildings	Transportation vehicles	Computers and ancillary equipment	Other equipment	Construction in progress	Total
Cost						
1 January 2019	17,542,416,586.55	1,011,072,552.38	2,139,693,965.41	3,543,612,561.18	2,891,058,936.61	27,127,854,602.13
Additions	249,672,917.33	32,446,648.80	338,893,573.75	486,829,317.31	509,726,828.62	1,617,569,285.81
Transfer in/(out)	896,778,276.81	-	-	-	(896,778,276.81)	-
Decreases	(243,232,519.01)	(42,494,506.29)	(213,027,975.39)	(376,786,922.81)	(271,538,098.42)	(1,147,080,021.92)
31 December 2019	18,445,635,261.68	1,001,024,694.89	2,265,559,563.77	3,653,654,955.68	2,232,469,390.00	27,598,343,866.02
Accumulated depreciation						
1 January 2019	(6,007,981,608.94)	(808,251,048.12)	(1,761,006,774.13)	(2,195,322,307.76)	-	(10,772,561,738.95)
Accruals	(660,346,658.68)	(96,491,992.88)	(182,514,491.33)	(450,871,269.93)	-	(1,390,224,412.82)
Decreases	130,593,626.93	38,604,781.75	194,537,283.43	136,904,045.93	-	500,639,738.04
31 December 2019	(6,537,734,640.69)	(866,138,259.25)	(1,748,983,982.03)	(2,509,289,531.76)	-	(11,662,146,413.73)
Provision for impairment loss						
1 January 2019	(1,896,387.33)	-	-	-	(4,087,568.37)	(5,983,955.70)
Accruals	(1,151,610.55)	-	-	-	-	(1,151,610.55)
Decreases	1,727,633.14	-	-	-	2,797,568.37	4,525,201.51
31 December 2019	(1,320,364.74)	-	-	-	(1,290,000.00)	(2,610,364.74)
Net carrying value						
31 December 2019	11,906,580,256.25	134,886,435.64	516,575,581.74	1,144,365,423.92	2,231,179,390.00	15,933,587,087.55

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

12 Fixed assets (Cont'd)

The Bank	Buildings	Transportation vehicles	Computers and ancillary equipment	Other equipment	Construction in progress	Total
Cost						
1 January 2020	18,445,635,261.68	1,001,024,694.89	2,265,095,440.02	3,653,198,730.20	2,232,469,390.00	27,597,423,516.79
Additions	47,273,041.82	321,229,270.95	118,142,935.34	199,322,919.65	667,533,409.30	1,353,501,577.06
Transfer in/(out)	506,807,668.34	-	-	-	(506,807,668.34)	-
Decreases	(164,347,417.91)	(130,333,829.16)	(173,005,312.65)	(120,119,966.86)	(40,923,082.25)	(628,729,608.83)
31 December 2020	18,835,368,553.93	1,191,920,136.68	2,210,233,062.71	3,732,401,682.99	2,352,272,048.71	28,322,195,485.02
Accumulated depreciation						
1 January 2020	(6,537,734,640.69)	(866,138,259.25)	(1,748,654,806.82)	(2,508,875,110.62)	-	(11,661,402,817.38)
Accruals	(593,744,343.40)	(57,122,680.83)	(128,038,256.04)	(362,790,316.79)	-	(1,141,695,597.06)
Decreases	59,543,470.52	121,333,837.42	160,428,890.65	105,114,150.09	-	446,420,348.68
31 December 2020	(7,071,935,513.57)	(801,927,102.66)	(1,716,264,172.21)	(2,766,551,277.32)	-	(12,356,678,065.76)
Provision for impairment loss						
1 January 2020	(1,320,364.74)	-	-	-	(1,290,000.00)	(2,610,364.74)
Accruals	-	-	-	-	-	-
Decreases	1,000,372.67	-	-	-	-	1,000,372.67
31 December 2020	(319,992.07)	-	-	-	(1,290,000.00)	(1,609,992.07)
Net carrying value						
31 December 2020	11,763,113,048.29	389,993,034.02	493,968,890.50	965,850,405.67	2,350,982,048.71	15,963,907,427.19

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

12 Fixed assets (Cont'd)

The Bank	Buildings	Transportation vehicles	Computers and ancillary equipment	Other equipment	Construction in progress	Total
Cost						
1 January 2019	17,542,416,586.55	1,011,072,552.38	2,139,693,965.41	3,543,612,561.18	2,891,058,936.61	27,127,854,602.13
Additions	249,672,917.33	32,446,648.80	338,429,450.00	486,373,091.83	509,726,828.62	1,616,648,936.58
Transfer in/(out)	896,778,276.81	-	-	-	(896,778,276.81)	-
Decreases	(243,232,519.01)	(42,494,506.29)	(213,027,975.39)	(376,786,922.81)	(271,538,098.42)	(1,147,080,021.92)
31 December 2019	18,445,635,261.68	1,001,024,694.89	2,265,095,440.02	3,653,198,730.20	2,232,469,390.00	27,597,423,516.79
Accumulated depreciation						
1 January 2019	(6,007,981,608.94)	(808,251,048.12)	(1,761,006,774.13)	(2,195,322,307.76)	-	(10,772,561,738.95)
Accruals	(660,346,658.68)	(96,491,992.88)	(182,185,316.12)	(450,456,848.79)	-	(1,389,480,816.47)
Decreases	130,593,626.93	38,604,781.75	194,537,283.43	136,904,045.93	-	500,639,738.04
31 December 2019	(6,537,734,640.69)	(866,138,259.25)	(1,748,654,806.82)	(2,508,875,110.62)	-	(11,661,402,817.38)
Provision for impairment loss						
1 January 2019	(1,896,387.33)	-	-	-	(4,087,568.37)	(5,983,955.70)
Accruals	(1,151,610.55)	-	-	-	-	(1,151,610.55)
Decreases	1,727,633.14	-	-	-	2,797,568.37	4,525,201.51
31 December 2019	(1,320,364.74)	-	-	-	(1,290,000.00)	(2,610,364.74)
Net carrying value						
31 December 2019	11,906,580,256.25	134,886,435.64	516,440,633.20	1,144,323,619.58	2,231,179,390.00	15,933,410,334.67

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

13 Intangible assets

The Group	Land use rights	Computer Software	Others	Total
Cost				
1 January 2020	479,903,606.45	1,024,864,352.96	36,857,630.54	1,541,625,589.95
Additions	117,528,310.24	212,047,495.85	400,000.01	329,975,806.10
Decreases	(4,596,122.04)	(1,054,623.77)	(298,280.00)	(5,949,025.81)
31 December 2020	592,835,794.65	1,235,857,225.04	36,959,350.55	1,865,652,370.24
Accumulated amortisation				
1 January 2020	(75,795,787.11)	(795,757,745.86)	(7,037,669.53)	(878,591,202.50)
Accruals	(21,486,146.60)	(156,654,397.50)	(1,579,901.86)	(179,720,445.96)
Decreases	145,439.89	947,078.69	58,519.30	1,151,037.88
31 December 2020	(97,136,493.82)	(951,465,064.67)	(8,559,052.09)	(1,057,160,610.58)
Provision for impairment loss				
1 January 2020	(1,349,784.18)	-	-	(1,349,784.18)
Accruals	-	-	-	-
Decreases	-	-	-	-
31 December 2020	(1,349,784.18)	-	-	(1,349,784.18)
Net carrying value				
31 December 2020	494,349,516.65	284,392,160.37	28,400,298.46	807,141,975.48

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

13 Intangible assets (Cont'd)

The Group	Land use rights	Computer Software	Others	Total
Cost				
1 January 2019	339,272,070.83	927,536,365.18	35,826,649.24	1,302,635,085.25
Additions	151,002,521.12	102,427,891.05	1,044,255.64	254,474,667.81
Decreases	(10,370,985.50)	(5,099,903.27)	(13,274.34)	(15,484,163.11)
31 December 2019	479,903,606.45	1,024,864,352.96	36,857,630.54	1,541,625,589.95
Accumulated amortisation				
1 January 2019	(54,788,218.72)	(704,577,617.31)	(5,485,458.15)	(764,851,294.18)
Accruals	(23,290,316.65)	(95,029,462.72)	(1,552,211.38)	(119,871,990.75)
Decreases	2,282,748.26	3,849,334.17	-	6,132,082.43
31 December 2019	(75,795,787.11)	(795,757,745.86)	(7,037,669.53)	(878,591,202.50)
Provision for impairment loss				
1 January 2019	(486,744.00)	-	-	(486,744.00)
Accruals	(1,836,528.18)	-	-	(1,836,528.18)
Decreases	973,488.00	-	-	973,488.00
31 December 2019	(1,349,784.18)	-	-	(1,349,784.18)
Net carrying value				
31 December 2019	402,758,035.16	229,106,607.10	29,819,961.01	661,684,603.27

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

13 Intangible assets (Cont'd)

The Bank	Land use rights	Computer Software	Others	Total
Cost				
1 January 2020	479,903,606.45	1,024,746,552.96	36,697,630.54	1,541,347,789.95
Additions	117,528,310.24	212,047,495.85	400,000.01	329,975,806.10
Decreases	(4,596,122.04)	(1,054,623.77)	(298,280.00)	(5,949,025.81)
31 December 2020	592,835,794.65	1,235,739,425.04	36,799,350.55	1,865,374,570.24
Accumulated amortisation				
1 January 2020	(75,795,787.11)	(795,696,957.27)	(6,969,225.00)	(878,461,969.38)
Accruals	(21,486,146.60)	(156,642,617.46)	(1,569,235.18)	(179,697,999.24)
Decreases	145,439.89	947,078.69	58,519.30	1,151,037.88
31 December 2020	(97,136,493.82)	(951,392,496.04)	(8,479,940.88)	(1,057,008,930.74)
Provision for impairment loss				
1 January 2020	(1,349,784.18)	-	-	(1,349,784.18)
Accruals	-	-	-	-
Decreases	-	-	-	-
31 December 2020	(1,349,784.18)	-	-	(1,349,784.18)
Net carrying value				
31 December 2020	494,349,516.65	284,346,929.00	28,319,409.67	807,015,855.32

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

13 Intangible assets (Cont'd)

The Bank	Land use rights	Computer Software	Others	Total
Cost				
1 January 2019	339,272,070.83	927,536,365.18	35,826,649.24	1,302,635,085.25
Additions	151,002,521.12	102,310,091.05	884,255.64	254,196,867.81
Decreases	(10,370,985.50)	(5,099,903.27)	(13,274.34)	(15,484,163.11)
31 December 2019	479,903,606.45	1,024,746,552.96	36,697,630.54	1,541,347,789.95
Accumulated amortisation				
1 January 2019	(54,788,218.72)	(704,577,617.31)	(5,485,458.15)	(764,851,294.18)
Accruals	(23,290,316.65)	(94,968,674.13)	(1,483,766.85)	(119,742,757.63)
Decreases	2,282,748.26	3,849,334.17	-	6,132,082.43
31 December 2019	(75,795,787.11)	(795,696,957.27)	(6,969,225.00)	(878,461,969.38)
Provision for impairment loss				
1 January 2019	(486,744.00)	-	-	(486,744.00)
Accruals	(1,836,528.18)	-	-	(1,836,528.18)
Decreases	973,488.00	-	-	973,488.00
31 December 2019	(1,349,784.18)	-	-	(1,349,784.18)
Net carrying value				
31 December 2019	402,758,035.16	229,049,595.69	29,728,405.54	661,536,036.39

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

14 Deferred tax assets and liabilities

	The Group	
	31 December 2020	31 December 2019
Deferred tax assets	56,995,754,683.44	48,407,998,219.22
Deferred tax liabilities	(83,494,057.93)	(232,900,269.91)
Net balances	56,912,260,625.51	48,175,097,949.31

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

The Group

31 December 2020	Deductible/(Taxable) temporary differences	Deferred tax assets/(liabilities)
Deferred tax assets		
Provision for asset impairment	219,352,784,312.35	54,838,196,078.09
Wages and welfare accrued but not paid	7,849,476,697.00	1,962,369,174.25
Others	780,757,724.42	195,189,431.10
Total	227,983,018,733.77	56,995,754,683.44
Deferred tax liabilities		
Accrual for interest income	(97,513,459.86)	(24,378,364.97)
Fair value adjustments	(236,462,771.85)	(59,115,692.96)
Total	(333,976,231.71)	(83,494,057.93)

31 December 2019	Deductible/(Taxable) temporary differences	Deferred tax assets/(liabilities)
Deferred tax assets		
Provision for asset impairment	185,703,679,885.60	46,425,919,971.40
Wages and welfare accrued but not paid	7,525,143,204.44	1,881,285,801.11
Others	403,169,786.84	100,792,446.71
Total	193,631,992,876.88	48,407,998,219.22
Deferred tax liabilities		
Accrual for interest income	(769,589,909.16)	(192,397,477.29)
Fair value adjustments	(162,011,170.48)	(40,502,792.62)
Total	(931,601,079.64)	(232,900,269.91)

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

14 Deferred tax assets and liabilities (Cont'd)

	The Bank	
	31 December 2020	31 December 2019
Deferred tax assets	49,670,339,683.44	42,835,543,219.22
Deferred tax liabilities	(83,494,057.93)	(232,900,269.91)
Net balances	49,586,845,625.51	42,602,642,949.31

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

The Bank

31 December 2020	Deductible/(Taxable) temporary differences	Deferred tax assets/(liabilities)
Deferred tax assets		
Provision for asset impairment	190,051,124,312.35	47,512,781,078.09
Wages and welfare accrued but not paid	7,849,476,697.00	1,962,369,174.25
Other	780,757,724.42	195,189,431.10
Total	198,681,358,733.77	49,670,339,683.44
Deferred tax liabilities		
Accrual for interest income	(97,513,459.86)	(24,378,364.97)
Fair value adjustments	(236,462,771.85)	(59,115,692.96)
Total	(333,976,231.71)	(83,494,057.93)

31 December 2019	Deductible/(Taxable) temporary differences	Deferred tax assets/(liabilities)
Deferred tax assets		
Provision for asset impairment	163,413,859,885.60	40,853,464,971.40
Wages and welfare accrued but not paid	7,525,143,204.44	1,881,285,801.11
Other	403,169,786.84	100,792,446.71
Total	171,342,172,876.88	42,835,543,219.22
Deferred tax liabilities		
Accrual for interest income	(769,589,909.16)	(192,397,477.29)
Fair value adjustments	(162,011,170.48)	(40,502,792.62)
Total	(931,601,079.64)	(232,900,269.91)

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

15 Other assets

	The Group	
	31 December 2020	31 December 2019
Repossessed assets	2,519,592,392.93	3,375,730,403.75
Other receivables	1,998,116,653.83	1,987,197,764.43
Long-term prepaid expenses	61,449,043.85	3,130,659,940.26
Others	407,521,241.70	504,048,995.50
Total	4,986,679,332.31	8,997,637,103.94
Less: Provision for impairment of other assets	(2,888,496,459.02)	(3,183,721,127.82)
Net balances	2,098,182,873.29	5,813,915,976.12

	The Bank	
	31 December 2020	31 December 2019
Repossessed assets	2,519,592,392.93	3,375,730,403.75
Other receivables	1,995,011,015.57	1,978,635,262.04
Long-term prepaid expenses	61,449,043.85	3,130,659,940.26
Others	407,517,707.17	503,309,511.37
Total	4,983,570,159.52	8,988,335,117.42
Less: Provision for impairment of other assets	(2,888,496,459.02)	(3,183,721,127.82)
Net balances	2,095,073,700.50	5,804,613,989.60

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

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

16 Provision for asset impairment

The Group

2020	Balance at the beginning of the year	Charge for the year/(write-back)	Write-offs	Recovery after write-offs	Transfer in/(out)	Transfer out due to discounted value increase	Foreign exchange rate changes and others	Balance at the end of the year
Loans and advances to customers	204,082,496,922.66	41,882,827,835.97	(10,581,944,716.04)	117,706,794.22	-	(223,937,776.30)	(478,138.80)	235,276,670,921.71
Deposits with banks and non-bank financial institutions	297,039,069.16	105,420,970.84	-	-	-	-	-	402,460,040.00
Placements with banks and non-bank financial institutions	95,676,446.40	(22,236,446.40)	-	-	-	-	-	73,440,000.00
Financial assets held under resale agreements	90,705,391.20	75,642,652.80	-	-	-	-	-	166,348,044.00
Held-to-maturity investment	148,166,100.45	(11,086,101.48)	-	-	-	-	-	137,079,998.97
Investment classified as receivables	3,106,259,748.17	1,069,440,172.31	-	-	-	-	-	4,175,699,920.48
Fixed assets	2,610,364.74	-	-	-	(1,000,372.67)	-	-	1,609,992.07
Intangible assets	1,349,784.18	-	-	-	-	-	-	1,349,784.18
Other assets	3,185,161,127.82	351,069,126.92	-	35,308.00	(646,329,103.72)	-	-	2,889,936,459.02
Total	211,009,464,954.78	43,451,078,210.96	(10,581,944,716.04)	117,742,102.22	(647,329,476.39)	(223,937,776.30)	(478,138.80)	243,124,595,160.43

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

16 Provision for asset impairment (Cont'd)

The Group

2019	Balance at the beginning of the year	Charge for the year/(write-back)	Write-offs	Recovery after write-offs	Transfer in/(out)	Transfer out due to discounted value increase	Foreign exchange rate changes and others	Balance at the end of the year
Loans and advances to customers	173,196,663,353.07	39,015,605,363.15	(7,944,761,945.31)	44,434,199.55	-	(229,444,047.80)	-	204,082,496,922.66
Deposits with banks and non-bank financial institutions	1,540,563.87	295,498,505.29	-	-	-	-	-	297,039,069.16
Placements with banks and non-bank financial institutions	-	95,676,446.40	-	-	-	-	-	95,676,446.40
Financial assets held under resale agreements	-	90,705,391.20	-	-	-	-	-	90,705,391.20
Held-to-maturity investment	-	148,166,100.45	-	-	-	-	-	148,166,100.45
Investment classified as receivables	2,179,118,323.07	927,141,425.10	-	-	-	-	-	3,106,259,748.17
Fixed assets	5,983,955.70	1,375.65	-	-	(3,374,966.61)	-	-	2,610,364.74
Intangible assets	486,744.00	-	-	-	863,040.18	-	-	1,349,784.18
Other assets	4,158,504,141.73	(109,732,031.29)	-	-	(863,610,982.62)	-	-	3,185,161,127.82
Total	179,542,297,081.44	40,463,062,575.95	(7,944,761,945.31)	44,434,199.55	(866,122,909.05)	(229,444,047.80)	-	211,009,464,954.78

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

16 Provision for asset impairment (Cont'd)

The Bank

2020	Balance at the beginning of the year	Charge for the year/(write-back)	Write-offs	Recovery after write-offs	Transfer in/(out)	Transfer out due to discounted value increase	Foreign exchange rate changes and others	Balance at the end of the year
Loans and advances to customers	204,082,496,922.66	41,882,827,835.97	(10,581,944,716.04)	117,706,794.22	-	(223,937,776.30)	(478,138.80)	235,276,670,921.71
Deposits with banks and non-bank financial institutions	297,039,069.16	105,420,970.84	-	-	-	-	-	402,460,040.00
Placements with banks and non-bank financial institutions	95,676,446.40	(22,236,446.40)	-	-	-	-	-	73,440,000.00
Financial assets held under resale agreements	90,705,391.20	75,642,652.80	-	-	-	-	-	166,348,044.00
Held-to-maturity investment	148,166,100.45	(11,086,101.48)	-	-	-	-	-	137,079,998.97
Fixed assets	2,610,364.74	-	-	-	(1,000,372.67)	-	-	1,609,992.07
Intangible assets	1,349,784.18	-	-	-	-	-	-	1,349,784.18
Other assets	3,185,161,127.82	351,069,126.92	-	35,308.00	(646,329,103.72)	-	-	2,889,936,459.02
Total	207,903,205,206.61	42,381,638,038.65	(10,581,944,716.04)	117,742,102.22	(647,329,476.39)	(223,937,776.30)	(478,138.80)	238,948,895,239.95

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

16 Provision for asset impairment (Cont'd)

The Bank

2019	Balance at the beginning of the year	Charge for the year/(write-back)	Write-offs	Recovery after write-offs	Transfer out	Transfer out due to discounted value increase	Foreign exchange rate changes and others	Balance at the end of the year
Loans and advances to customers	173,196,663,353.07	39,015,605,363.15	(7,944,761,945.31)	44,434,199.55	-	(229,444,047.80)	-	204,082,496,922.66
Deposits with banks and non-bank financial institutions	1,540,563.87	295,498,505.29	-	-	-	-	-	297,039,069.16
Placements with banks and non-bank financial institutions	-	95,676,446.40	-	-	-	-	-	95,676,446.40
Financial assets held under resale agreements	-	90,705,391.20	-	-	-	-	-	90,705,391.20
Held-to-maturity investment	-	148,166,100.45	-	-	-	-	-	148,166,100.45
Fixed assets	5,983,955.70	1,375.65	-	-	(3,374,966.61)	-	-	2,610,364.74
Intangible assets	486,744.00	-	-	-	863,040.18	-	-	1,349,784.18
Other assets	4,158,504,141.73	(109,732,031.29)	-	-	(863,610,982.62)	-	-	3,185,161,127.82
Total	177,363,178,758.37	39,535,921,150.85	(7,944,761,945.31)	44,434,199.55	(866,122,909.05)	(229,444,047.80)	-	207,903,205,206.61

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

17 Borrowings from the Central Bank

	The Group and the Bank	
	31 December 2020	31 December 2019
Pledged supplementary loan	469,300,000,000.00	406,400,000,000.00
Policy reloan	272,000,000,000.00	272,000,000,000.00
Special reloan for poverty-alleviation	14,837,000,000.00	3,000,000,000.00
Special reloan for COVID-19 prevention and control	17,100,000,000.00	-
Special credit line for agriculture-supporting reloan	4,100,280,000.00	-
Total	777,337,280,000.00	681,400,000,000.00

18 Deposits from banks and non-bank financial institutions

	The Group and the Bank	
	31 December 2020	31 December 2019
Domestic banks	1,353,344,370.32	285,552,402,482.59
Domestic non-bank financial institutions	77,515,082.62	11,860,674.00
Total	1,430,859,452.94	285,564,263,156.59

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

19 Due to customers

	The Group	
	31 December 2020	31 December 2019
Corporate demand deposits	948,732,033,931.34	1,090,444,633,683.99
Corporate time deposits	106,010,981,445.26	105,718,806,434.27
Corporate margin deposits	14,850,883,227.71	16,790,281,151.89
Outward remittance and drafts and telegraphic transfers payable	309,783,719.71	752,806,560.09
Total	1,069,903,682,324.02	1,213,706,527,830.24

	The Bank	
	31 December 2020	31 December 2019
Corporate demand deposits	1,076,298,488,186.03	1,185,330,355,751.50
Corporate time deposits	106,010,981,445.26	105,718,806,434.27
Corporate margin deposits	14,850,883,227.71	16,790,281,151.89
Outward remittance and drafts and telegraphic transfers payable	309,783,719.71	752,806,560.09
Total	1,197,470,136,578.71	1,308,592,249,897.75

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

20 Employee benefits payable

	The Group	
	31 December 2020	31 December 2019
Short-term employee benefits (1)	9,240,718,695.25	9,299,335,265.86
Post-employment benefits (2)	408,228,514.20	403,025,996.59
Total	9,648,947,209.45	9,702,361,262.45

	The Bank	
	31 December 2020	31 December 2019
Short-term employee benefits (1)	9,224,170,128.44	9,286,049,345.05
Post-employment benefits (2)	408,228,514.20	403,025,996.59
Total	9,632,398,642.64	9,689,075,341.64

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

20 Employee benefits payable (Cont'd)

(1) Short-term employee benefits

The Group

	2020			
	Opening balance	**Increased**	**Decreased**	**Closing balance**
Wages and salaries, bonuses, allowances and subsidies	9,138,901,307.31	13,807,999,999.97	(13,791,931,636.66)	9,154,969,670.62
Employee welfare	-	782,775,510.02	(782,775,510.02)	-
Social insurance	1,468,610.77	581,360,913.95	(581,398,231.99)	1,431,292.73
Including: Medical insurance	1,415,109.60	552,113,754.88	(552,158,536.64)	1,370,327.84
Employment injury and maternity insurance	38,535.65	25,733,754.27	(25,716,295.03)	55,994.89
Others	14,965.52	3,513,404.80	(3,523,400.32)	4,970.00
Housing funds	5,719,889.43	1,231,869,933.05	(1,233,714,830.35)	3,874,992.13
Labour union fee and Employee education fee	40,240,237.88	354,246,510.46	(357,890,550.30)	36,596,198.04
Other short-term employee benefits	113,005,220.47	341,150,970.37	(410,309,649.11)	43,846,541.73
Total	9,299,335,265.86	17,099,403,837.82	(17,158,020,408.43)	9,240,718,695.25

The Group

	2019			
	Opening balance	**Increased**	**Decreased**	**Closing balance**
Wages and salaries, bonuses, allowances and subsidies	8,664,876,810.04	12,562,834,871.63	(12,088,810,374.36)	9,138,901,307.31
Employee welfare	-	855,075,344.04	(855,075,344.04)	-
Social insurance	1,363,831.18	600,107,497.14	(600,002,717.55)	1,468,610.77
Including: Medical insurance	1,259,791.57	538,770,147.64	(538,614,829.61)	1,415,109.60
Employment injury and maternity insurance	56,924.57	52,216,002.74	(52,234,391.66)	38,535.65
Others	47,115.04	9,121,346.76	(9,153,496.28)	14,965.52
Housing funds	12,022,570.61	1,114,019,071.17	(1,120,321,752.35)	5,719,889.43
Labour union fee and Employee education fee	58,582,508.45	430,716,615.12	(449,058,885.69)	40,240,237.88
Other short-term employee benefits	108,025,318.84	281,662,999.12	(276,683,097.49)	113,005,220.47
Total	8,844,871,039.12	15,844,416,398.22	(15,389,952,171.48)	9,299,335,265.86

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

20 Employee benefits payable (Cont'd)

(1) Short-term employee benefits (Cont'd)

The Bank

	2020			
	Opening balance	Increased	Decreased	Closing balance
Wages and salaries, bonuses, allowances and subsidies	9,127,653,507.31	13,793,097,900.00	(13,779,928,521.69)	9,140,822,885.62
Employee welfare	-	782,522,211.98	(782,522,211.98)	-
Social insurance	1,468,610.77	580,725,274.93	(580,762,592.97)	1,431,292.73
Including: Medical insurance	1,415,109.60	551,481,310.58	(551,526,092.34)	1,370,327.84
Employment injury and maternity insurance	38,535.65	25,730,559.55	(25,713,100.31)	55,994.89
Others	14,965.52	3,513,404.80	(3,523,400.32)	4,970.00
Housing funds	5,719,889.43	1,230,747,115.05	(1,232,592,012.35)	3,874,992.13
Labour union fee and Employee education fee	38,202,117.07	353,575,915.96	(357,583,616.80)	34,194,416.23
Other short-term employee benefits	113,005,220.47	340,961,338.25	(410,120,016.99)	43,846,541.73
Total	9,286,049,345.05	17,081,629,756.17	(17,143,508,972.78)	9,224,170,128.44

The Bank

	2019			
	Opening balance	Increased	Decreased	Closing balance
Wages and salaries, bonuses, allowances and subsidies	8,664,876,810.04	12,544,999,999.92	(12,082,223,302.65)	9,127,653,507.31
Employee welfare	-	854,881,714.29	(854,881,714.29)	-
Social insurance	1,363,831.18	599,757,293.92	(599,652,514.33)	1,468,610.77
Including: Medical insurance	1,259,791.57	538,480,434.54	(538,325,116.51)	1,415,109.60
Employment injury and maternity insurance	56,924.57	52,155,512.62	(52,173,901.54)	38,535.65
Others	47,115.04	9,121,346.76	(9,153,496.28)	14,965.52
Housing funds	12,022,570.61	1,113,631,989.09	(1,119,934,670.27)	5,719,889.43
Labour union fee and Employee education fee	58,582,508.45	428,512,623.24	(448,893,014.62)	38,202,117.07
Other short-term employee benefits	108,025,318.84	281,662,999.12	(276,683,097.49)	113,005,220.47
Total	8,844,871,039.12	15,823,446,619.58	(15,382,268,313.65)	9,286,049,345.05

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

20 Employee benefits payable (Cont'd)

(2) Post-employment benefits

The Group

	2020			
	Opening balance	**Increased**	**Decreased**	**Closing balance**
Basic pensions	25,418,965.95	1,729,071,965.31	(1,732,294,892.08)	22,196,039.18
Unemployment insurance	670,257.10	18,291,158.82	(17,105,807.75)	1,855,608.17
Supplementary retirement benefits	342,096,341.89	63,412.65	(53,542.41)	342,106,212.13
Supplementary pensions	2,945,434.06	511,852.56	(110,179.06)	3,347,107.56
Supplementary medical insurance	31,894,997.59	612,994,325.82	(606,165,776.25)	38,723,547.16
Total	403,025,996.59	2,360,932,715.16	(2,355,730,197.55)	408,228,514.20

The Group

	2019			
	Opening balance	**Increased**	**Decreased**	**Closing balance**
Basic pensions	22,388,925.55	1,516,273,051.85	(1,513,243,011.45)	25,418,965.95
Unemployment insurance	778,197.21	28,352,529.28	(28,460,469.39)	670,257.10
Supplementary retirement benefits	342,116,493.68	2,055,944.07	(2,076,095.86)	342,096,341.89
Supplementary pensions	8,119,569.38	(995,017.85)	(4,179,117.47)	2,945,434.06
Supplementary medical insurance	26,233,792.28	550,320,050.61	(544,658,845.30)	31,894,997.59
Total	399,636,978.10	2,096,006,557.96	(2,092,617,539.47)	403,025,996.59

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

20 Employee benefits payable (Cont'd)

(2) Post-employment benefits (Cont'd)

The Bank

	2020			
	Opening balance	Increased	Decreased	Closing balance
Basic pensions	25,418,965.95	1,728,914,939.57	(1,732,137,866.34)	22,196,039.18
Unemployment insurance	670,257.10	18,284,770.04	(17,099,418.97)	1,855,608.17
Supplementary retirement benefits	342,096,341.89	63,412.65	(53,542.41)	342,106,212.13
Supplementary pensions	2,945,434.06	-	401,673.50	3,347,107.56
Supplementary medical insurance	31,894,997.59	612,913,535.73	(606,084,986.16)	38,723,547.16
Total	403,025,996.59	2,360,176,657.99	(2,354,974,140.38)	408,228,514.20

The Bank

	2019			
	Opening balance	Increased	Decreased	Closing balance
Basic pensions	22,388,925.55	1,515,852,800.01	(1,512,822,759.61)	25,418,965.95
Unemployment insurance	778,197.21	28,333,647.04	(28,441,587.15)	670,257.10
Supplementary retirement benefits	342,116,493.68	2,055,944.07	(2,076,095.86)	342,096,341.89
Supplementary pensions	8,119,569.38	68,702.15	(5,242,837.47)	2,945,434.06
Supplementary medical insurance	26,233,792.28	550,320,050.61	(544,658,845.30)	31,894,997.59
Total	399,636,978.10	2,096,631,143.88	(2,093,242,125.39)	403,025,996.59

21 Tax payable

	The Group	
	31 December 2020	31 December 2019
Enterprise income tax	11,030,235,667.76	5,437,282,470.14
Value added tax	2,346,427,786.68	2,107,566,555.31
Others	377,797,587.73	327,529,156.10
Total	13,754,461,042.17	7,872,378,181.55

	The Bank	
	31 December 2020	31 December 2019
Enterprise income tax	9,277,924,023.57	3,807,879,095.20
Value added tax	2,268,063,193.30	2,028,100,843.05
Others	369,738,540.01	319,126,484.10
Total	11,915,725,756.88	6,155,106,422.35

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

22 Interest payable

	The Group	
	31 December 2020	31 December 2019
Interest of debt securities issued	119,811,980,736.70	111,833,289,148.08
Interest of due to customers	2,387,219,486.19	2,065,244,186.78
Others	19,610,307.22	18,287,884.13
Total	122,218,810,530.11	113,916,821,218.99

	The Bank	
	31 December 2020	31 December 2019
Interest of debt securities issued	119,811,980,736.70	111,833,289,148.08
Interest of due to customers	5,636,889,986.19	3,203,732,936.78
Others	19,610,307.22	18,287,884.13
Total	125,468,481,030.11	115,055,309,968.99

23 Provisions

	The Group and the Bank	
	31 December 2020	31 December 2019
Financial guarantee and loan commitment	11,158,687,442.48	9,484,204,492.99

24 Debt securities issued

	The Group and the Bank	
	31 December 2020	31 December 2019
Debt securities issued	5,258,742,301,325.81	4,509,905,875,174.76

Based on national credit, debt securities issued by the Bank are all debt securities or unsecured bonds. As at 31 December 2020 and 31 December 2019, there were no defaults on the principal, interest or redemption payments regarding debt securities issued by the Bank. The interest rates for the debt securities issued by the Group were determined with reference to the prevailing market rates in the same periods.

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

24 Debt securities issued (Cont'd)

The principal and maturity date of debt securities issued by the Group are as follows:

	The Group and the Bank	
31 December 2020	**Principal**	**Maturity date**
Debt securities issued domestically	5,235,565,136,098.00	1至20年
Debt securities issued offshore	26,579,930,000.00	1至5年

	The Group and the Bank	
31 December 2019	**Principal**	**Maturity date**
Debt securities issued domestically	4,483,574,098,851.00	1至20年
Debt securities issued offshore	18,491,090,000.00	2至5年

25 Other liabilities

	The Group	
	31 December 2020	**31 December 2019**
Other payables	1,251,966,130.13	3,060,620,914.87
Deferred income	113,684,901.78	115,742,664.18
Others	838,561,859.08	615,074,803.69
Total	2,204,212,890.99	3,791,438,382.74

	The Bank	
	31 December 2020	**31 December 2019**
Other payables	1,244,402,248.79	3,058,489,493.74
Deferred income	113,684,901.78	115,742,664.18
Others	838,561,859.08	615,074,803.69
Total	2,196,649,009.65	3,789,306,961.61

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

26 Share capital

The Group and the Bank	31 December 2020	
	Balance	Shareholding ratio
Ministry of Finance of the People's Republic of China	133,000,000,000.00	100%

	31 December 2019	
	Balance	Shareholding ratio
Ministry of Finance of the People's Republic of China	57,000,000,000.00	100%

On 3 August 2020, with the approval of the Ministry of Finance, the Bank could transfer RMB 76,000,000,000.00 of its retained earnings for 2019 to its paid-in capital. On 25 December 2020, the 6th meeting of the first Board of Directors' meeting of the Bank in 2020 deliberated and passed the *Proposal of the Agricultural Development Bank of China on Transfer of Retained Earnings to Paid-in Capital*. After the transfer, the paid-in capital of the Bank increased from RMB 57,000,000,000.00 to RMB 133,000,000,000.00. As of the reporting date, matters concerning such increase in registered capital and paid-in capital were still in the process of approval by the competent authorities.

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

27 Capital reserve

	The Group and the Bank	
	31 December 2020	31 December 2019
Other capital reserve	12,482,132.35	12,397,525.36

28 Other comprehensive income

Other comprehensive income movement:

	Share of changes of other comprehensive income in associates	Others	Total
Balance at 1 January 2019	(31,221,186.06)	-	(31,221,186.06)
Movements during 2019	8,931,793.28	44,342,900.00	53,274,693.28
Balance at 31 December 2019	(22,289,392.78)	44,342,900.00	22,053,507.22
Balance at 1 January 2020	(22,289,392.78)	44,342,900.00	22,053,507.22
Movements during 2020	55,082,615.98	(23,171,600.00)	31,911,015.98
Balance at 31 December 2020	32,793,223.20	21,171,300.00	53,964,523.20

29 Surplus reserve

According to relevant laws and regulations, the Group is required to appropriate 10% of net profit, under the Accounting Standards for Business Enterprises, to statutory surplus reserve. When the statutory surplus reserve accounts for more than 50% of the Bank's capital, the Group can cease appropriation. The statutory surplus reserve appropriated by the Group can be used to offset accumulated losses of the Group or to contribute to its capital, with remaining balance being no less than 25% of the share capital of the Group. The Bank set aside RMB 2,052,132,191.46 (2019: RMB 1,918,866,826.49) for statutory surplus reserve at 10% of its year-end net profit.

In addition, the Bank can appropriate discretionary surplus reserve upon approval. No surplus reserve had been appropriated by the Bank in 2020 and 2019.

30 General risk reserve

	The Group and the Bank	
	31 December 2020	31 December 2019
General risk reserve	24,000,000,000.00	24,000,000,000.00

Pursuant to the requirement of the Ministry of Finance, in addition to the provision for impairment of assets, the Bank establishes general risk reserve to address unidentified potential impairment losses associated with risk assets.

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

31 Retained earnings

	The Group	
	2020	2019
Balance at the beginning of the year	76,418,811,155.31	59,125,661,883.26
Less: Transfer to paid-in capital	(76,000,000,000.00)	-
Add: Net profit attributable to the Bank's equity shareholders for the current year	20,527,720,239.40	19,212,084,277.77
Less: Appropriation to statutory surplus reserve	(2,052,200,761.52)	(1,918,935,005.72)
Balance at the end of the year	18,894,330,633.19	76,418,811,155.31

	The Bank	
	2020	2019
Balance at the beginning of the year	76,390,301,619.90	59,120,500,181.52
Less: Transfer to paid-in capital	(76,000,000,000.00)	-
Add: Net profit for the year	20,521,321,914.56	19,188,668,264.87
Less: Appropriation to statutory surplus reserve	(2,052,132,191.46)	(1,918,866,826.49)
Balance at the end of the year	18,859,491,343.00	76,390,301,619.90

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

32 Net interest income

	The Group	
	2020	2019
Interest income		
Deposits with the Central Bank	2,259,767,075.72	6,339,438,667.24
Deposits with banks and non-bank financial institutions	6,480,245,353.41	6,940,304,442.16
Placements with banks and non-bank financial institutions	1,612,743,257.09	3,358,262,416.15
Financial assets held under resale agreements	2,041,140,737.66	2,669,681,316.57
Loans and advances to customers	272,608,733,363.63	245,012,513,352.03
Others	771,030,744.37	841,952,916.29
Subtotal	285,773,660,531.88	265,162,153,110.44
Interest expenses		
Borrowings from the Central Bank	(25,924,130,681.10)	(22,077,446,666.66)
Deposits from banks and non-bank financial institutions	(1,024,999,756.60)	(8,966,127,775.49)
Placements from banks and non-bank financial institutions	(3,737,466.66)	(530,368.51)
Debt securities issued	(169,885,297,700.22)	(154,801,362,931.04)
Due to customers	(7,348,405,876.26)	(7,596,239,927.66)
Subtotal	(204,186,571,480.84)	(193,441,707,669.36)
Net interest income	81,587,089,051.04	71,720,445,441.08
Interest income includes:		
Interest income on impaired financial assets	223,937,776.30	229,444,047.80

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

32 Net interest income (Cont'd)

	The Bank	
	2020	2019
Interest income		
Deposits with the Central Bank	2,259,767,075.72	6,339,438,667.24
Deposits with banks and non-bank financial institutions	6,465,584,096.51	6,784,628,655.41
Placements with banks and non-bank financial institutions	1,612,743,257.09	3,358,262,416.15
Financial assets held under resale agreements	2,041,140,737.66	2,669,681,316.57
Loans and advances to customers	272,608,733,363.63	245,012,513,352.03
Subtotal	284,987,968,530.61	264,164,524,407.40
Interest expenses		
Borrowings from the Central Bank	(25,924,130,681.10)	(22,077,446,666.66)
Deposits from banks and non-bank financial institutions	(1,024,999,756.60)	(8,966,127,775.49)
Placements from banks and non-bank financial institutions	(3,737,466.66)	(530,368.51)
Debt securities issued	(169,885,297,700.22)	(154,801,362,931.04)
Due to customers	(9,486,809,942.84)	(8,839,076,077.86)
Subtotal	(206,324,975,547.42)	(194,684,543,819.56)
Net Interest Income	78,662,992,983.19	69,479,980,587.84
Interest income includes:		
Interest income on impaired financial assets	223,937,776.30	229,444,047.80

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

33 Investment income

	The Group	
	2020	2019
Investment classified as receivables	13,061,076,948.17	14,242,059,537.79
Financial assets at fair value through profit or loss	4,120,871,212.18	4,318,952,989.41
Held-to-maturity investment	2,636,237,656.00	3,719,914,417.87
Others	(193,300,379.15)	(118,858,271.00)
Total	19,624,885,437.20	22,162,068,674.07

	The Bank	
	2020	2019
Investment classified as receivables	13,061,076,948.17	14,242,059,537.79
Held-to-maturity investment	2,636,237,656.00	3,719,887,576.31
Others	(193,300,379.15)	(139,878,568.22)
Total	15,504,014,225.02	17,822,068,545.88

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

34 Net (losses) /gains on fair value changes

	The Group	
	2020	2019
Financial instruments at fair value through profit or loss	(5,942,399,827.69)	(5,599,220,574.90)
Foreign exchange derivative product	(283,371.71)	94,821,161.13
Total	(5,942,683,199.40)	(5,504,399,413.77)

	The Bank	
	2020	2019
Foreign exchange derivative product	(283,371.71)	94,821,161.13

35 Taxes and surcharges

	The Group	
	2020	2019
City maintenance and construction tax	558,225,419.44	486,870,484.42
Educational surcharge	421,814,775.37	353,862,958.97
Others	322,505,786.57	315,273,932.73
Total	1,302,545,981.38	1,156,007,376.12

	The Bank	
	2020	2019
City maintenance and construction tax	543,414,696.81	486,783,079.70
Educational surcharge	407,042,769.92	353,831,158.81
Others	322,505,387.39	284,187,103.71
Total	1,272,962,854.12	1,124,801,342.22

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

36 Operation and administrative expenses

	The Group	
	2020	2019
Staff expenses	19,460,336,552.98	17,933,128,121.20
Management expenses	2,872,145,240.30	3,190,284,576.02
Depreciation and amortisation expenses	1,359,237,341.62	1,411,254,837.18
Electronic equipment maintenance expenses	496,555,149.33	539,553,070.36
Business expenses	618,342,260.77	645,684,258.16
Others	589,315,750.26	1,211,430,529.71
Total	25,395,932,295.26	24,931,335,392.63

	The Bank	
	2020	2019
Staff expenses	19,441,806,414.16	17,920,077,763.46
Management expenses	2,869,186,133.14	3,188,952,904.25
Depreciation and amortisation expenses	1,359,148,699.47	1,411,228,053.31
Electronic equipment maintenance expenses	496,478,445.34	539,547,070.36
Business expenses	617,791,220.91	645,561,823.50
Others	589,197,823.14	1,211,417,700.50
Total	25,373,608,736.16	24,916,785,315.38

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

37 Impairment losses on assets

	The Group	
	2020	2019
Loans and advances to customers	41,882,827,835.97	39,015,605,363.15
Investment classified as receivables	1,069,440,172.31	927,141,425.10
Financial guarantees and loan commitments	1,674,482,949.49	464,278,533.71
Repossessed assets	(9,349,950.96)	(432,420,745.94)
Deposits with banks and non-bank financial institutions	105,420,970.84	295,498,505.29
Held-to-maturity investment	(11,086,101.48)	148,166,100.45
Placements with banks and non-bank financial institutions	(22,236,446.40)	95,676,446.40
Financial assets held under resale agreements	75,642,652.80	90,705,391.20
Others	360,419,077.88	322,690,090.30
Total	45,125,561,160.45	40,927,341,109.66

	The Bank	
	2020	2019
Loans and advances to customers	41,882,827,835.97	39,015,605,363.15
Financial guarantees and loan commitments	1,674,482,949.49	464,278,533.71
Repossessed assets	(9,349,950.96)	(432,420,745.94)
Deposits with banks and non-bank financial institutions	105,420,970.84	295,498,505.29
Held-to-maturity investment	(11,086,101.48)	148,166,100.45
Placements with banks and non-bank financial institutions	(22,236,446.40)	95,676,446.40
Financial assets held under resale agreements	75,642,652.80	90,705,391.20
Others	360,419,077.88	322,690,090.30
Total	44,056,120,988.14	40,000,199,684.56

38 Other operating expenses

	The Group and the Bank	
	2020	2019
Deposit insurance expenses	280,712,679.91	300,846,396.46
Repossessed assets custodian expenses	6,345,888.30	7,903,332.62
Others	5,344,406.03	10,656,725.90
Total	292,402,974.24	319,406,454.98

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

39 Income tax expense

	The Group	
	2020	2019
Current income tax expenses	11,517,530,817.66	11,006,707,170.91
Deferred income tax expenses (Notes VIII 14)	(8,744,219,776.20)	(8,860,224,235.66)
Total	2,773,311,041.46	2,146,482,935.25

	The Group	
	2020	2019
Total profit	23,303,844,961.48	21,359,411,384.25
Income tax expenses calculated at applicable tax rate of 25%	5,825,961,240.37	5,339,852,846.06
Impact of tax-exempt income	(3,265,269,237.04)	(3,570,156,919.04)
Costs, expenses and losses not deductible for tax purposes	163,558,210.51	365,011,619.50
Adjustments on income tax for prior years which affect profit or loss	49,060,827.62	11,775,388.73
Income tax expenses	2,773,311,041.46	2,146,482,935.25

	The Bank	
	2020	2019
Current income tax expenses	9,756,504,437.09	9,373,869,706.66
Deferred income tax expenses (Note VIII 14)	(6,991,259,776.20)	(7,228,633,735.66)
Total	2,765,244,660.89	2,145,235,971.00

	The Bank	
	2020	2019
Total profit	23,286,566,575.45	21,333,904,235.87
Income tax expenses calculated at applicable tax rate of 25%	5,821,641,643.86	5,333,476,058.97
Impact of tax-exempt income	(3,265,269,237.04)	(3,564,901,844.73)
Costs, expenses and losses not deductible for tax purposes	159,811,426.45	364,886,368.03
Adjustments on income tax for prior years which affect profit or loss	49,060,827.62	11,775,388.73
Income tax expenses	2,765,244,660.89	2,145,235,971.00

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

40 Supplementary information to the cash flow statement

(1) Reconciliation from net profit to cash flows from operating activities

	The Group	
	2020	2019
Net profit	20,530,533,920.02	19,212,928,449.00
Add: Impairment loss on loans	41,882,827,835.97	39,015,605,363.15
Impairment loss on financial guarantees and loan commitment	1,674,482,949.49	464,278,533.71
Impairment loss on repossessed assets	(9,349,950.96)	(432,420,745.94)
Impairment loss on other assets	1,577,600,325.95	1,879,877,958.74
Depreciation and amortisation of fixed assets, intangible assets and long-term prepaid expenses	1,359,237,341.62	1,411,254,837.18
Investment Income	(19,624,885,437.20)	(22,162,068,674.07)
Losses arising from changes in fair value	5,942,683,199.40	5,504,399,413.77
Net gains on disposal of fixed assets, intangible assets and other long-term assets	(186,251,819.61)	(88,591,011.56)
Interest expenses of debt instrument issued	169,885,297,700.22	154,801,362,931.04
Increase in deferred tax assets	(8,744,219,776.20)	(8,860,224,235.66)
Net increase in operating receivables	(609,529,127,443.66)	(207,474,277,601.29)
Net decrease in operating payables	(327,703,033,754.78)	(171,927,888,783.09)
Net cash flows used in operating activities	(722,944,204,909.74)	(188,655,763,565.02)

	The Bank	
	2020	2019
Net profit	20,521,321,914.56	19,188,668,264.87
Add: Impairment loss on loans	41,882,827,835.97	39,015,605,363.15
Impairment loss on financial guarantees and loan commitment	1,674,482,949.49	464,278,533.71
Impairment loss on repossessed assets	(9,349,950.96)	(432,420,745.94)
Impairment loss on other assets	508,160,153.64	952,736,533.64
Depreciation and amortisation of fixed assets, intangible assets and long-term prepaid expenses	1,359,148,699.47	1,411,228,053.31
Investment Income	(15,504,014,225.02)	(17,822,068,545.88)
Losses/(Gains) arising from changes in fair value	283,371.71	(94,821,161.13)
Net gains on disposal of fixed assets, intangible assets and other long-term assets	(186,251,819.61)	(88,591,011.56)
Interest expenses of debt instrument issued	169,885,297,700.22	154,801,362,931.04
Increase in deferred tax assets	(6,991,259,776.20)	(7,228,633,735.66)
Net increase in operating receivables	(609,502,316,471.04)	(205,648,515,948.10)
Net decrease in operating payables	(292,796,047,829.28)	(122,042,027,355.43)
Net cash flows used in operating activities	(689,157,717,447.05)	(137,523,198,823.98)

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

40 Supplementary information to the cash flow statement (Cont'd)

(2) Net changes in cash and cash equivalents

	The Group	
	2020	2019
Cash and cash equivalents at the end of the year	194,246,892,032.45	229,251,923,897.33
Less: Cash and cash equivalents at the beginning of the year	(229,251,923,897.33)	(186,153,706,532.10)
Net (decrease)/increase in cash and cash equivalents	(35,005,031,864.88)	43,098,217,365.23

	The Bank	
	2020	2019
Cash and cash equivalents at the end of the year	185,175,233,866.82	221,832,121,681.04
Less: Cash and cash equivalents at the beginning of the year	(221,832,121,681.04)	(156,910,630,244.43)
Net (decrease)/increase in cash and cash equivalents	(36,656,887,814.22)	64,921,491,436.61

(3) Cash and cash equivalents presented in the cash flow statement include:

	The Group	
	31 December 2020	31 December 2019
Cash in hand	-	21,234,046.95
Deposits with the Central Bank that can be used for payment	37,564,203,302.66	26,628,604,720.61
Within the original maturity of no more than three months:		
Deposits with banks and non-bank financial financial institutions	90,982,688,729.79	119,380,999,129.77
Placements with banks and non-bank financial institutions	65,700,000,000.00	83,221,086,000.00
Total	194,246,892,032.45	229,251,923,897.33

	The Bank	
	31 December 2020	31 December 2019
Cash in hand	-	21,234,046.95
Deposits with the Central Bank that can be used for payment	37,564,203,302.66	26,628,604,720.61
Within the original maturity of no more than three months:		
Deposits with banks and non-bank financial institutions	81,911,030,564.16	111,961,196,913.48
Placements with banks and non-bank financial institutions	65,700,000,000.00	83,221,086,000.00
Total	185,175,233,866.82	221,832,121,681.04

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

IX Segment reporting

The Bank coordinates and allocates resources at the bank level. Therefore, based on the internal organisational structure, management requirements and internal reporting system, the Bank operates as a whole segment, and thus there is no need to disclose segment information.

X Related party relationships and transactions

1 Ministry of Finance

The Ministry of Finance holds 100% of the Group's equity. As at 31 December 2020 and 31 December 2019, there were no transactions and ending balance between the Group and the Ministry of Finance.

2 Transactions with associates

The transactions with associates take normal trading prices as the pricing base and are conducted on normal commercial terms. The details of main balances and transactions are set out below:

(1) Balance at the end of the year

	31 December 2020	**31 December 2019**
Other assets	177,403,590.00	-
Due to customers	624,182,152.90	314,662,819.14
Interest payable	5,465,012.50	1,155,550.00

(2) Profit and loss from transactions for the current year

	2020	**2019**
Interest expenses	8,151,923.52	13,608,115.00

X Related party relationships and transactions (Cont'd)

2 Transactions with associates (Cont'd)

The Bank appropriated additional capital contribution of RMB 4,804,620.00 and RMB 172,598,970.00 to Beijing Shining Investment Management Co., Ltd. and Modern Seed Development Fund respectively in 2020. As the investment was not completed, the Bank provisionally recorded the additional capital contribution into other assets.

3 Key management personnel

Key management personnel refers those persons who are authorized and responsible to plan, conduct and control the Group's activities. In 2020 and 2019, the Group's transactions and transaction amounts with key management personnel were not significant.

XI Contingencies and commitments

1 Legal proceedings

As at 31 December 2020 and 2019, the Group and the Bank were involved in a number of litigations. Management of the Bank believes that the final results of these litigations will not have a material impact on the financial positions or operating results of the Group and the Bank.

2 Capital commitments

The Group's capital commitments that are contracted but yet to be presented on the balance sheets as of balance sheets date are as follows:

	The Group and the Bank	
	31 December 2020	31 December 2019
Equity investment	663,941,710.00	500,000,000.00
Fixed assets investment	131,284,856.62	294,567,687.29
Total	795,226,566.62	794,567,687.29

3 Credit commitments

	The Group and the Bank	
	31 December 2020	31 December 2019
Loan commitments	1,949,287,628,264.49	1,657,176,348,242.51
Letters of credit issued	2,733,550,652.86	3,953,337,635.72
Bank acceptance notes	1,159,553,740.00	1,443,037,954.70
Letters of guarantee issued	233,551,498.86	263,162,045.68
Total	1,953,414,284,156.21	1,662,835,885,878.61

XII Risk management

1 Target and policy of risk management

The Group mainly undertakes the agricultural policy-oriented financial business stipulated by the state in accordance with the industrial policy of the Chinese government, and acts as the agent for the financial support of agriculture, serving the agricultural and rural economic development. In accordance with the policy goal, the Group achieves moderate profits on basis of capital level instead of pursuing the maximization of profits. The operating activities of the Group are exposed to various financial risks. The Group identifies, monitors, reports and deals with these financial risks and their combinations in the course of operations. Primary financial risks that the Group is confronted with are credit risk, market risk, operation risk and liquidity risk, among which, exchange rate risk and interest rate risk are included in market risk. The target of the Group is to achieve proper balance between risks and rewards, and reduce the negative impact to the financial reports.

The Group mainly raises funds by issuing financial bonds, and uses the proceeds in asset business to obtain revenues. The Group strives to reduce the cost of capital to increase profits by issuing different types of bonds in accordance with its own asset and liability management requirements and demand for funds.

2 Credit risk

Credit risk is the risk of financial losses caused by default of the debtor or the counterparty. The credit risk of the Group exists mainly in loans and advances to customers, interbank loans, bond investments, bill acceptances, letters of credit issued, bank guarantees and other on- and off-balance sheet activities.

The Risk Management Department takes the lead in the Bank's enterprise-wide risk management, and the Credit Management Department specialises in managing credit risk. Front-, middle- and back-offices implement risk management policies and standards in their daily operations as per their respective functions and responsibilities, and contribute to risk management by carrying out specific risk control activities before, during and after the loan origination.

The Group continues to make solid improvements to standardising its end-to-end credit management process, step up efforts in the specialisation of key areas in the credit process, including optimization of credit rating and credit limits, credit review and approval, disbursement oversight, post-lending management, and disposal and workout of non-performing assets, and enhance the quality and efficiency of its overall credit risk management.

(1) Loans

In accordance with *Guidelines for Classification of Loan Risks* (Yin Jian Fa [2007] No. 54) issued by CBRC, the Group has established the credit risk classification system to measure and manage the quality of the Group's credit assets. The Group's five-tier credit risk classification system and the *Guidelines for Classification of Loan Risks* require that the credit assets be classified into the pass, special-mention, substandard, doubtful and loss categories and the last three categories are non-performing loans.

The core definitions of the credit assets in the *Guidelines for Classification of Loan Risks* are:

Pass: the borrower is able to perform the contract, and there is no sufficient reason to suspect the timely and full payment of the principal and interest of a loan.

Special-mention: although the borrower currently has the ability to pay the principal and interest of a loan, there are some factors which may have unfavorable effect on the payment of the loan.

XII Risk management (Cont'd)

2 Credit risk (Cont'd)

(1) Loans (Cont'd)

Substandard: the borrower lacks solvency obviously, and the principal and interest of the loan cannot be fully repaid in reliance on the normal income of the borrower. A loss may exist even if the security provided is executed.

Doubtful: the borrower is unable to repay the principal and interest of a loan and significant loss will happen even if the securities provided are executed.

Loss: the principal and interest still cannot be recovered, or, only an extremely small part thereof, can be recovered after all possible measures or all necessary legal actions have been carried out.

(2) Bonds and derivative financial instruments

The Group manages the credit risk exposure of bonds based on internal rating, and with reference to Standard & Poor's ratings and other similar external ratings. Investment in these bonds is to obtain good credit rating assets and at the same time, maintain sufficient liquidity to satisfy capital demands. The management of financial derivatives' credit risk is incorporated into the unified credit management of customers.

(3) Interbank loans

The Group conducts regular reviews and management of the credit risk of individual financial institutions. A credit line is set for any bank or non-bank financial institution that has balances with the Group.

(4) Off-balance sheet credit risk exposure

The Group manages its off-balance sheet credit risk exposures separately by the characteristics of the products. Off-balance sheet credit risk exposures include conditional irrevocable loan commitments, letters of guarantee issued, bank acceptance notes, and letters of credit issued. The Group deems the conditional uncancellable loan commitments, letters of guarantee issued, bank acceptance notes and letters of credit issued also have credit risk, just like loans.

XII Risk management (Cont'd)

2 Credit risk (Cont'd)

(5) Maximum exposures to credit risk before considering collateral held or other credit enhancements

As at the balance sheet date, the information on the maximum exposures of credit risk is set out below:

	The Group	
	31 December 2020	**31 December 2019**
On-balance sheet items		
Deposits with the Central Bank	121,383,671,368.80	237,869,462,642.43
Deposits with banks and non-bank financial institutions	342,149,228,689.79	254,623,960,060.61
Placements with banks and non-bank financial institutions	65,626,560,000.00	83,125,409,553.60
Financial assets at fair value through profit or loss	265,806,625,303.43	296,626,650,655.12
Financial assets held under resale agreements	148,495,684,956.00	98,529,555,608.80
Interest receivable	20,518,326,830.40	19,881,905,927.61
Loans and advances to customers	5,909,879,121,007.90	5,378,867,574,165.61
Held-to-maturity investment	114,105,056,353.55	122,586,995,344.00
Investment classified as receivables	391,322,588,297.61	441,998,711,371.16
Other financial assets	1,204,999,229.27	1,531,082,207.81
Subtotal	7,380,491,862,036.75	6,935,641,307,536.75
Off-balance sheet items		
Loan commitments	1,949,287,628,264.49	1,657,176,348,242.51
Letters of guarantee issued	2,733,550,652.86	3,953,337,635.72
Letters of credit issued	1,159,553,740.00	1,443,037,954.70
Bank acceptance notes	233,551,498.86	263,162,045.68
Subtotal	1,953,414,284,156.21	1,662,835,885,878.61
Total	9,333,906,146,192.96	8,598,477,193,415.36

XII Risk management (Cont'd)

2 Credit risk (Cont'd)

(5) Maximum exposures to credit risk before considering collaterals held or other credit enhancements (Cont'd)

As at the balance sheet date, the information of maximum exposures of credit risk is set out below:

	The Bank	
	31 December 2020	31 December 2019
On-balance sheet items		
Deposits with the Central Bank	121,383,671,368.80	237,869,462,642.43
Deposits with banks and other financial institutions	333,008,570,524.16	247,164,157,844.32
Placements with banks and other financial institutions	65,626,560,000.00	83,125,409,553.60
Financial assets held under resale agreements	148,495,684,956.00	98,529,555,608.80
Interest receivable	20,506,836,333.44	19,874,419,217.00
Loans and advances to customers	5,909,879,121,007.90	5,378,867,574,165.61
Held-to-maturity investment	114,105,056,353.55	122,586,995,344.00
Investment classified as receivables	344,480,931,878.92	387,892,811,878.92
Other financial assets	1,201,893,591.01	1,521,898,402.82
Subtotal	7,058,688,326,013.78	6,577,432,284,657.50
Off-balance sheet items		
Loan commitments	1,949,287,628,264.49	1,657,176,348,242.51
Letters of guarantee issued	2,733,550,652.86	3,953,337,635.72
Letters of credit issued	1,159,553,740.00	1,443,037,954.70
Bank acceptance notes	233,551,498.86	263,162,045.68
Subtotal	1,953,414,284,156.21	1,662,835,885,878.61
Total	9,012,102,610,169.99	8,240,268,170,536.11

The above table represents the worst case scenario of credit risk exposure to the Group and the Bank as at 31 December 2020 and 2019, without taking account of any collateral held or other credit enhancements attached. For on-balance-sheet assets, the credit risk exposures set out above are based on the net book value as reported in the balance sheet.

XII Risk management (Cont'd)

2 Credit risk (Cont'd)

(6) Loans and advances to customers

(a) Analysed by geographical sector concentrations

	The Group and the Bank	
	31 December 2020	31 December 2019
Eastern district	1,992,396,531,555.99	1,741,517,809,553.83
Western district	1,728,122,425,337.17	1,543,282,274,759.51
Central district	1,700,727,870,506.96	1,522,258,279,147.83
Northeastern district	723,908,964,529.49	775,891,707,627.10
Total loans and advances to customers	6,145,155,791,929.61	5,582,950,071,088.27

XII Risk management (Cont’d)

2 Credit risk (Cont'd)

(6) Loans and advances to customers (Cont'd)

(b) Financial assets by customer industries

The Group and the Bank	31 December 2020	
	Balance	%
Wholesale and retail trade	1,321,147,886,824.30	21.50%
Leasing and commercial services	1,602,754,666,107.25	26.08%
Water conservancy, environment and public facilities management	1,212,407,320,769.28	19.73%
Public transportation, storage and posting	434,153,003,482.78	7.06%
The construction industry	467,018,971,176.26	7.60%
The real estate industry	329,371,996,498.31	5.36%
Manufacturing industry	164,250,349,351.31	2.67%
Public management, social security and social organisation	270,619,333,429.50	4.40%
Agriculture, forestry, animal husbandry and fishery industry	117,160,443,427.79	1.91%
Others	104,414,942,927.03	1.70%
Subtotal	6,023,298,913,993.81	98.01%
Discounted bill	121,856,877,935.80	1.99%
Total loans and advances to customers	6,145,155,791,929.61	100.00%

The Group and the Bank	31 December 2019	
	Balance	%
Wholesale and retail trade	1,340,951,909,665.04	24.02%
Leasing and commercial services	1,272,139,816,881.26	22.78%
Water conservancy, environment and public facilities management	1,079,148,476,873.67	19.33%
Public transportation, storage and posting	426,476,527,269.08	7.64%
The construction industry	542,194,175,806.47	9.71%
The real estate industry	316,860,625,400.93	5.68%
Manufacturing industry	135,831,966,620.61	2.43%
Public management, social security and social organisation	156,126,670,621.77	2.80%
Agriculture, forestry, animal husbandry and fishery industry	111,729,539,817.89	2.00%
Others	105,274,777,672.67	1.89%
Subtotal	5,486,734,486,629.39	98.28%
Discounted bill	96,215,584,458.88	1.72%
Total loans and advances to customers	5,582,950,071,088.27	100.00%

XII Risk management (Cont'd)

2 Credit risk (Cont'd)

(6) Loans and advances to customers (Cont'd)

(c) Analysed by types of collateral

	The Group and the Bank	
	31 December 2020	31 December 2019
Unsecured loans	2,074,704,007,668.86	2,156,340,291,469.40
Guaranteed loans	2,044,984,744,612.25	1,527,719,093,694.92
Mortgage loans	522,458,500,967.32	495,636,618,512.94
Pledged loans	1,503,008,538,681.18	1,403,254,067,411.01
Total loans and advances to customers	6,145,155,791,929.61	5,582,950,071,088.27

(d) Loans and advances by overdue and impairment status are as below:

	The Group and the Bank	
	31 December 2020	31 December 2019
Neither overdue or stayed in account nor impaired	6,108,763,756,801.71	5,531,184,401,294.27
Overdue but not impaired (i)	7,392,909,473.37	15,811,166,638.91
Impaired (ii)	28,999,125,654.53	35,954,503,155.09
Total	6,145,155,791,929.61	5,582,950,071,088.27
Less: Allowances for impairment losses	(235,276,670,921.71)	(204,082,496,922.66)
Total	5,909,879,121,007.90	5,378,867,574,165.61

XII Risk management (Cont'd)

2 Credit risk (Cont'd)

(6) Loans and advances to customers (Cont'd)

(d) Loans and advances by overdue and impairment status are as below: (Cont'd)

(i) Overdue but not impaired

	The Group and The Bank	
	31 December 2020	31 December 2019
Overdue within 1 month	6,570,554,825.43	11,208,754,138.91
Overdue within 1-2 months	822,354,647.94	475,112,500.00
Overdue within 2-3 months	-	-
Overdue over 3 months	-	4,127,300,000.00
Total	7,392,909,473.37	15,811,166,638.91

(ii) Impaired

	The Group and The Bank	
	31 December 2020	31 December 2019
Impaired	28,999,125,654.53	35,954,503,155.09
Less: Allowances for impairment losses	(21,436,130,401.70)	(27,979,085,291.36)
Net balances	7,562,995,252.83	7,975,417,863.73

XII Risk management (Cont'd)

3 Market risk

Market risk refers to the potential loss in both on and off-balance sheet businesses of a bank caused by adverse changes of market prices (interest rates, exchange rates, goods prices and stock prices). The market risks exist in the Group's proprietary trading activities and agency trading.

Exchange rate risk refers to the risk of loss due to changes in exchanges rates on its foreign exchange positions assumed as a result of transactions involving assets and liabilities denominated in foreign currencies. The mismatches between the repricing date of interest-bearing assets and interest-bearing liabilities are the main cause of the interest rate risk.

(1) Interest rate risk

Interest rate risk refers to the risk of loss due to uncertainties arising from changes in market interest rates, and mainly includes gap risk, basis risk, and option risk. Of these three types, gap risk and basis risk are currently the main risk which commonly exist among banks. Currently, the Bank mainly uses interest rate sensitivity analysis to measure and analyse the impact of interest rate changes on the Bank's income and economic value for the current period. As interest rates become further market-driven, the banking industry will face increasingly greater interest rate risk, and all asset and liability business lines will be subject to interest risk arising from market interest rate fluctuations.

Since the Central Bank's Loan Prime Rate (LPR) reform, the Group has implemented relevant policies in accordance with regulatory requirements, promoted the transformation of business systems and improved the internal and external interest rate pricing mechanism, so that the benchmark interest rate for loans after the LPR reform is closely aligned with market interest rates.

XII Risk management (Cont'd)

3 Market risk (Cont'd)

(1) Interest rate risk (Cont'd)

Repricing gap analysis

The Bank's exposures to interest rate risk from financial instruments at carrying amount by the earlier of contractual repricing or maturity dates are analysed as follows:

The Bank	Within 1 year	1 to 5 years	Over 5 years	Non-interest bearing	Total
31 December 2020					
Financial assets:					
Cash and deposits with the Central Bank	121,383,671,368.80	-	-	-	121,383,671,368.80
Deposits with banks and non-bank financial institutions	333,008,570,524.16	-	-	-	333,008,570,524.16
Placements with banks and non-bank financial institutions	65,626,560,000.00	-	-	-	65,626,560,000.00
Financial assets held under resale agreements	148,495,684,956.00	-	-	-	148,495,684,956.00
Interest receivable	-	-	-	20,506,836,333.44	20,506,836,333.44
Loans and advances to customers	5,906,437,412,622.52	-	-	3,441,708,385.38	5,909,879,121,007.90
Available-for-sale financial assets	-	-	-	1,226,788,400.00	1,226,788,400.00
Held-to-maturity investment	108,114,041,398.73	5,991,014,954.82	-	-	114,105,056,353.55
Investment classified as receivables	78,004,280,000.00	182,614,151,878.92	83,862,500,000.00	-	344,480,931,878.92
Total Financial assets	6,761,070,220,870.21	188,605,166,833.74	83,862,500,000.00	25,175,333,118.82	7,058,713,220,822.77

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020
(All amounts in RMB Yuan unless otherwise stated)
[English translation for reference only]

XII Risk management (Cont'd)

3 Market risk (Cont'd)

(1) Interest rate risk (Cont'd)

Repricing gap analysis (Cont'd)

The Bank	Within 1 year	1 to 5 years	Over 5 years	Non-interest bearing	Total
31 December 2020					
Financial liabilities:					
Borrowings from the Central Bank	777,337,280,000.00	-	-	-	777,337,280,000.00
Deposits from banks and non-bank financial institutions	1,430,859,452.94	-	-	-	1,430,859,452.94
Derivative financial liabilities	-	-	-	308,429,979.47	308,429,979.47
Due to customers	1,174,807,135,043.39	22,184,947,815.61	168,270,000.00	309,783,719.71	1,197,470,136,578.71
Interest payable	-	-	-	125,468,481,030.11	125,468,481,030.11
Debt securities issued	894,754,937,281.90	2,482,657,991,275.57	1,881,329,372,768.34	-	5,258,742,301,325.81
Total Financial liabilities	2,848,330,211,778.23	2,504,842,939,091.18	1,881,497,642,768.34	126,086,694,729.29	7,360,757,488,367.04
Total Interest repricing gap	3,912,740,009,091.98	(2,316,237,772,257.44)	(1,797,635,142,768.34)	(100,911,361,610.47)	(302,044,267,544.27)
31 December 2019					
Total Financial assets	6,198,987,954,588.73	239,192,524,565.45	109,879,550,000.00	29,114,494,047.45	6,577,174,523,201.63
Total Financial liabilities	3,012,025,429,416.59	2,083,291,148,167.43	1,689,471,159,084.99	115,967,826,152.86	6,900,755,562,821.87
Total Interest repricing gap	3,186,962,525,172.14	(1,844,098,623,601.98)	(1,579,591,609,084.99)	(86,853,332,105.41)	(323,581,039,620.24)

XII Risk management (Cont'd)

3 Market risk (Cont'd)

(2) Foreign exchange risk

The Group is exposed to exchange rate risks arising from changes in foreign exchange rates, which will affect its financial position and cash flow.

The majority of the Group's businesses are denominated in RMB, with small-scale operations denominated in US dollars, Euros and other foreign currencies. Through purchasing foreign currency swaps, the Group's exchange rate risk is mainly concentrated on USD. The Group has used exchange rate derivatives to hedge some of its USD exposures.

The Group measures the impact of exchange rate changes on its operations principally by using foreign currency exposures, exchange rate sensitivity analysis and tries to mitigate the exchange rate risk by actively adjusting its asset and liability structure and adopting hedging strategies in its transactions.

4 Liquidity risk

Liquidity risk is the risk that the Group is unable to fund its current obligations to deliver cash or other financial assets. Liquidity risk is the risk that the Group is unable to fund its current obligations to deliver cash or other financial assets. Liquidity risk arises when the Group cannot obtain sufficient funds at a reasonable cost for capital increase, timely repayment of debts, performance of other payment obligations or satisfaction of other financial needs during the ordinary course of business.

The Group adheres to a prudent liquidity management strategy and the principle of "liquidity, safety and efficiency", and forms an ADBC-specified liquidity risk management system in alignment with the regulation requirements, based on the requirements of asset and liability management and comprehensive risk management. The Bank closely monitors liquidity levels and changes in indicators, regularly conducts stress tests, strengthens emergency management, balances the utilisation scale, duration and structure of funding sources, and maintains a reasonable level of sufficient liquidity to ensure stable and safe liquidity.

XII Risk management (Cont'd)

4 Liquidity risk (Cont'd)

Liquidity analysis of financial instruments

Maturity analysis

The Bank's undiscounted cash flows of non-derivative and derivative financial instruments (settled in net or gross) by maturities in contracts are analysed as follows. The cash flows of financial instruments estimated by the Bank may be significantly different from the analysis below:

The Bank	Overdue/Indefinite	Repayable on demand	Within 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
31 December 2020								
Non-derivative financial assets								
Cash and deposits with the Central Bank	-	37,564,203,302.66	-	-	83,819,468,066.14	-	-	121,383,671,368.80
Deposits with banks and non-bank financial institutions	-	1,908,751,897.00	179,782,706,946.87	151,317,111,680.29	-	-	-	333,008,570,524.16
Placements with banks and non-bank financial institutions	-	-	63,928,460,273.97	1,698,099,726.03	-	-	-	65,626,560,000.00
Financial assets held under resale agreements	-	-	148,495,684,956.00	-	-	-	-	148,495,684,956.00
Loans and advances to customers	11,886,558,009.30	-	95,127,524,519.83	235,146,251,615.52	1,839,329,990,289.77	1,480,493,285,008.50	2,247,895,511,564.98	5,909,879,121,007.90
Available-for-sale financial assets	-	-	-	-	-	1,226,788,400.00	-	1,226,788,400.00
Held-to-maturity investment	-	-	68,323,313,009.72	39,790,728,389.01	-	5,991,014,954.82	-	114,105,056,353.55
Investment classified as receivables	-	-	-	14,555,290,000.00	63,448,990,000.00	182,614,151,878.92	83,862,500,000.00	344,480,931,878.92
Total non-derivative financial assets	11,886,558,009.30	39,472,955,199.66	555,657,689,706.39	442,507,481,410.85	1,986,598,448,355.91	1,670,325,240,242.24	2,331,758,011,564.98	7,038,206,384,489.33

XII Risk management (Cont'd)

4 Liquidity risk (Cont'd)

Liquidity analysis of financial instruments (Cont'd)

Maturity analysis (Cont'd)

The Bank (Cont'd)	Overdue/Indefinite	Repayable on demand	Within 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
31 December 2020								
Non-derivative financial liabilities								
Borrowings from the Central Bank	-	-	14,200,000,000.00	237,500,000,000.00	525,637,280,000.00	-	-	777,337,280,000.00
Deposits from banks and non-bank financial institutions	-	1,430,859,452.94	-	-	-	-	-	1,430,859,452.94
Due to customers	-	969,464,077,761.53	128,129,938,715.76	14,473,871,436.30	63,049,030,849.51	22,184,947,815.61	168,270,000.00	1,197,470,136,578.71
Interest payable	-	125,468,481,030.11	-	-	-	-	-	125,468,481,030.11
Debt securities issued	-	-	191,410,660,715.38	77,920,548,468.25	625,423,728,098.28	2,482,657,991,275.56	1,881,329,372,768.34	5,258,742,301,325.81
Total non-derivative financial liabilities	-	1,096,363,418,244.58	333,740,599,431.14	329,894,419,904.55	1,214,110,038,947.79	2,504,842,939,091.17	1,881,497,642,768.34	7,360,449,058,387.57
Net position	11,886,558,009.30	(1,056,890,463,044.92)	221,917,090,275.25	112,613,061,506.30	772,488,409,408.12	(834,517,698,848.93)	450,260,368,796.64	(322,242,673,898.24)
Derivative financial liabilities								
Notional amounts of derivatives	-	-	-	-	8,792,410,000.00	-	-	8,792,410,000.00

XII Risk management (Cont'd)

4 Liquidity risk (Cont'd)

Liquidity analysis of financial instruments (Cont'd)

Maturity analysis (Cont'd)

The Bank (Cont'd)	Overdue/Indefinite	Repayable on demand	Within 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
31 December 2019								
Total non-derivative financial assets	22,756,290,505.91	28,608,681,566.07	349,786,876,063.77	379,518,059,020.56	2,320,680,103,919.68	1,373,059,934,805.26	2,082,890,158,103.38	6,557,300,103,984.63
Total non-derivative financial liabilities	-	1,209,749,023,596.09	252,820,757,860.02	217,949,360,674.28	1,447,314,403,815.28	2,083,291,148,167.43	1,689,471,159,084.99	6,900,595,853,198.09
Net position	22,756,290,505.91	(1,181,140,342,030.02)	96,966,118,203.75	161,568,698,346.28	873,365,700,104.40	(710,231,213,362.17)	393,418,999,018.39	(343,295,749,213.46)
Derivative financial liabilities								
Notional amounts of derivatives	-	-	-	-	-	8,792,410,000.00	-	8,792,410,000.00

XII Risk management (Cont'd)

4 Liquidity risk (Cont'd)

Liquidity analysis of financial instruments (Cont'd)

Undiscounted cash flow analysis

The Group and the Bank's undiscounted cash flows of non-derivative financial liabilities by maturities in contracts are analysed as follows. The cash flows of financial instruments estimated by the Group and the Bank may be significantly different from the analysis below.

The Group	Overdue/Indefinite	Repayable on demand	Within 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
31 December 2020								
Non-derivative financial liabilities								
Borrowings from the Central Bank	-	-	16,152,429,700.00	241,463,825,000.00	530,884,977,525.00	-	-	788,501,232,225.00
Deposits from banks and non-bank financial institutions	-	1,438,342,522.22	-	-	-	-	-	1,438,342,522.22
Due to customers		841,907,287,391.65	131,734,438,486.17	14,678,920,352.65	64,610,558,193.46	24,236,549,901.41	202,077,125.00	1,077,369,831,450.34
Debt securities issued	-	-	237,275,737,972.32	100,357,366,915.76	743,760,398,664.24	2,979,540,174,890.59	2,094,172,418,369.86	6,155,106,096,812.77
Total non-derivative financial liabilities	-	843,345,629,913.87	385,162,606,158.49	356,500,112,268.41	1,339,255,934,382.70	3,003,776,724,792.00	2,094,374,495,494.86	8,022,415,503,010.33
31 December 2019	-	1,094,704,578,801.57	205,929,163,857.38	249,977,647,217.82	1,560,434,484,458.10	2,525,737,692,923.92	1,892,585,845,420.38	7,529,369,412,679.17

XII Risk management (Cont'd)

4 Liquidity risk (Cont'd)

Liquidity analysis of financial instruments (Cont'd)

Contractual undiscounted cash flow analysis (Cont'd)

The Bank	Overdue/Indefinite	Repayable on demand	Within 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
31 December 2020								
Non-derivative financial liabilities								
Borrowings from the Central Bank	-	-	16,152,429,700.00	241,463,825,000.00	530,884,977,525.00	-	-	788,501,232,225.00
Deposits from banks and non-bank financial institutions	-	1,438,342,522.22	-	-	-	-	-	1,438,342,522.22
Due to customers		969,473,741,646.34	131,734,438,486.17	14,678,920,352.65	64,610,558,193.46	24,236,549,901.41	202,077,125.00	1,204,936,285,705.03
Debt securities issued	-	-	237,275,737,972.32	100,357,366,915.76	743,760,398,664.24	2,979,540,174,890.59	2,094,172,418,369.86	6,155,106,096,812.77
Total non-derivative financial liabilities	-	970,912,084,168.56	385,162,606,158.49	356,500,112,268.41	1,339,255,934,382.70	3,003,776,724,792.00	2,094,374,495,494.86	8,149,981,957,265.02
31 December 2019	-	1,094,704,578,801.57	302,022,005,299.89	249,977,647,217.82	1,560,434,484,458.10	2,525,737,692,923.92	1,892,585,845,420.38	7,625,462,254,121.68

XII Risk management (Cont'd)

4 Liquidity risk (Cont'd)

Off-balance sheet items

Loan commitments, letters of guarantee issued, bank acceptance notes and letters of credit issued by maturities in contacts are analysed as follows:

The Group and The Bank	Within 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
31 December 2020						
Loan commitments	10,467,572,048.70	10,892,502,494.81	176,998,406,589.29	107,376,073,042.94	1,643,553,074,088.75	1,949,287,628,264.49
Bank acceptance notes	61,134,540.00	447,099,200.00	651,320,000.00	-	-	1,159,553,740.00
Letters of credit issued	1,628,680,521.82	803,933,720.35	300,936,410.69	-	-	2,733,550,652.86
Letters of guarantee issued	73,736,038.89	40,852,195.00	63,423,923.97	55,539,341.00	-	233,551,498.86
Total	12,231,123,149.41	12,184,387,610.16	178,014,086,923.95	107,431,612,383.94	1,643,553,074,088.75	1,953,414,284,156.21
31 December 2019	4,570,703,465.93	6,734,360,568.52	158,759,796,605.38	70,162,840,399.12	1,422,608,184,839.66	1,662,835,885,878.61

XII Risk management (Cont'd)

5 Fair value of financial assets and liabilities

The best evidence of the fair value of a financial instrument is the unadjusted quoted prices in active markets for identical assets or liabilities. When quoted prices in active markets are unavailable, the Group uses valuation techniques to determine the fair value of its financial instruments. The valuation techniques maximize the use of observable market data and minimize the reliance on the Group's own data, i.e., the valuation techniques used by the Group comprehensively consider all the factors that market participants consider in their pricing process, while remaining consistent with generally accepted economic theories for financial instrument pricing.

Financial instruments at fair value are classified into the following three levels of measurement hierarchy：

Level 1: Fair value is determined based on quoted market prices (unadjusted) in active markets assets or liabilities.

Level 2: Fair value based on inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3: Fair value based on inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

XII Risk management (Cont'd)

5 Fair value of financial assets and liabilities (Cont'd)

(1) Financial instruments measured at fair value

The Group and the Bank's financial instruments by fair value hierarchy level are analysed as follows:

The Group	Level 1	Level 2	Level 3	Total
31 December 2020				
Financial assets				
Financial assets designated as at fair value through profit or loss				
-Equity investment	-	-	265,806,625,303.43	265,806,625,303.43
Available-for-sale financial assets				
-Equity instruments	-	1,226,788,400.00	-	1,226,788,400.00
Derivative financial liabilities				
-Exchange rate derivatives	-	308,429,979.47	-	308,429,979.47

The Group	Level 1	Level 2	Level 3	Total
31 December 2019				
Financial assets				
Financial assets designated as at fair value through profit or loss				
-Equity investment	-	-	296,626,650,655.12	296,626,650,655.12
Available-for-sale financial assets				
-Equity instruments	-	1,242,902,900.00	-	1,242,902,900.00
Derivative financial liabilities				
-Exchange rate derivatives	-	159,709,623.78	-	159,709,623.78

The Bank	Level 1	Level 2	Level 3	Total
31 December 2020				
Available-for-sale financial assets				
-Equity instruments	-	1,226,788,400.00	-	1,226,788,400.00
Derivative financial liabilities				
-Exchange rate derivatives	-	308,429,979.47	-	308,429,979.47

The Bank	Level 1	Level 2	Level 3	Total
31 December 2019				
Available-for-sale financial assets				
-Equity instruments	-	1,242,902,900.00	-	1,242,902,900.00
Derivative financial liabilities				
-Exchange rate derivatives	-	159,709,623.78	-	159,709,623.78

In 2020 and 2019, there were no significant movements of financial instruments between Level 1 and Level 2.

XII Risk management (Cont'd)

5 Fair value of financial assets and liabilities (Cont'd)

(2) Financial instruments not measured at fair value

The financial assets and liabilities not measured at fair value on balance sheet mainly include: cash and deposits with the Central Bank, deposits with banks and non-bank financial institutions, placements with banks and non-bank financial institutions, financial assets held under resale agreements, interest receivable, loans and advances to customers, held-to-maturity investment, investment classified as receivables, borrowings from the Central Bank, placements from banks and non-bank financial institutions, due to customers, debt securities issued and interest payable.

The table below presents the carrying amount and corresponding fair value of held-to-maturity investment, investment classified as receivables and debt securities issued. Except part of investment classified as receivables which is classified into Level 3, other following financial assets and liabilities are all classified into Level 2:

The Group

	31 December 2020	
	Carrying amount	Fair value
Held-to-maturity investment	114,105,056,353.55	113,823,571,100.00
Investment classified as receivables	391,322,588,297.61	392,192,715,967.27
Debt securities issued	5,258,742,301,325.81	5,315,026,716,398.00

	31 December 2019	
	Carrying amount	Fair value
Held-to-maturity investment	122,586,995,344.00	122,839,034,100.00
Investment classified as receivables	441,998,711,371.16	443,931,548,568.62
Debt securities issued	4,509,905,875,174.76	4,588,701,298,561.00

The Bank

	31 December 2020	
	Carrying amount	Fair value
Held-to-maturity investment	114,105,056,353.55	113,823,571,100.00
Investment classified as receivables	344,480,931,878.92	345,351,059,548.58
Debt securities issued	5,258,742,301,325.81	5,315,026,716,398.00

	31 December 2019	
	Carrying amount	Fair value
Held-to-maturity investment	122,586,995,344.00	122,839,034,100.00
Investment classified as receivables	387,892,811,878.92	389,825,649,076.38
Debt securities issued	4,509,905,875,174.76	4,588,701,298,561.00

Apart from financial assets and liabilities above, the fair value of other financial assets and liabilities that are not measured at fair value is recognised through discounted cash flow method, and there is no significant difference between carrying amount and fair value.

XII Risk management (Cont'd)

6 Capital management

The concept of capital defined by the Group when performing capital management is broader than the "equity" item presented in the balance sheet, the aim of which is to:

- comply with the capital requirements set by the banking regulatory agency located at the place where the Group operates;

- guarantee the Group's abilities to continue as a going concern so as to be able to continue providing return for equity holders; and

- maintain a strong capital base to support the development of its business.

The capital adequacy and the utilisation of regulatory capital are monitored in real time by the management of the Group in accordance with *Measures for Supervision and Management of Agricultural Development Bank of China* and relevant regulations promulgated by the CBIRC. Required information related to the levels and utilisation of capital is filed quarterly with the CBIRC.

XIII Subsequent events after the balance sheet date

1 Issuance of policy financial bonds

As at 25 August 2021, the Bank has made 211 issues of financial bonds within China, totaling RMB 12,488 billion; and has not made any issuance abroad.

2 Standards applicable to the Group that are issued but not adopted in the current year

In 2017, the Ministry of Finance revised the *Accounting Standard for Business Enterprises No. 22 - Recognition and Measurement of Financial Instruments, Accounting Standard for Business Enterprises No. 23 - Transfer of Financial Assets, Accounting Standard for Business Enterprises No. 24 - Hedge Accounting* and *Accounting Standard for Business Enterprises No. 37 - Presentation of Financial Instruments*, which became applicable to the Group from 1 January 2021.

In 2017, the Ministry of Finance revised the *Accounting Standard for Business Enterprises No. 14 - Revenue*, which became applicable to the Group from 1 January 2021.

In 2018, the Ministry of Finance revised the Accounting Standard for Business Enterprises No. 21 - Lease, which became applicable to the Group from 1 January 2021.

3 Ongoing equity investment

In December 2020, the China Banking and Insurance Regulatory Commission replied and approved the Bank's acquisition of all the equities held by Sinochem Group in Modern Seed Development Fund and Beijing Shining Investment Management Co., Ltd. at the consideration of RMB 575,329,900.00 and RMB 16,015,400.00 respectively. After the additional contribution, the Bank's shareholdings in Modern Seed Development Fund and Beijing Shining Investment Management Co., Ltd. were 60.31% and 91.75% respectively. The Bank is currently handling follow-up procedures related to the acquisition.

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