CHINA DEVELOPMENT BANK CORPORATION HONG KONG BRANCH

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

US$350,000,000 1.875 per cent. Notes due 2021 (the "USD Notes")

EUR500,000,000 0.125 per cent. Notes due 2019 (the "EUR Notes")

Issue Price for the USD Notes: 99.172 per cent.

Issue Price for the EUR Notes: 99.854 per cent.

These listing particulars (the "**Listing Particulars**") are prepared in connection with the issue of US$350,000,000 1.875 per cent. notes due 2021 (the "**USD Notes**") and EUR500,000,000 0.125 per cent. notes due 2019 (the "**EUR Notes**", together with the USD Notes, the "**Notes**") by China Development Bank Corporation Hong Kong Branch (the "**Issuer**") under the US$30,000,000,000 Debt Issuance Programme (the "**Programme**").

These Listing Particulars constitute listing particulars for the purposes of complying with Section 74 of the Financial Services and Markets Act 2000 (the "**FSMA**"). References in these Listing Particulars to Notes being "listed" (and all related references) shall mean that such Notes have been admitted to the Official List (as defined below). The Issuer accepts responsibility for the information contained in these Listing Particulars. To the best of the knowledge of the Issuer (having taken all reasonable care to ensure that such is the case), the information contained in these Listing Particulars is in accordance with the facts and does not omit anything likely to affect the import of such information.

Application has been made to the Financial Conduct Authority (the "**FCA**") in its capacity as competent authority (the "**UK Listing Authority**") under the FSMA for the Notes to be admitted to the official list (the "**Official List**") of the UK Listing Authority and to be admitted to trading on the Professional Securities Market (the "**PSM**") of the London Stock Exchange plc. The PSM is not a regulated market for the purposes of Directive 2004/39/EC (the Markets in Financial Instruments Directive). This application for listing of the Notes relates to the entire classes of Notes to be issued.

Application has also been made to The Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**") for the listing of and permission to deal in the Notes by way of debt issues to professional investors (as defined in Chapter 37 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and in the Securities and Futures Ordinance (Cap. 571) of Hong Kong) only. The listing of the Notes became effective on 4 November 2016. Listing of the Notes on the Hong Kong Stock Exchange is not to be taken as an indication of the commercial merits or credit quality of the Notes or the Issuer.

The Issuer is duly incorporated under the laws of the PRC and operates in conformity with its constitution. The Notes 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.

Each series of the Notes will be issued in registered form and represented by a global certificate (each, a "**Global Certificate**", and together, the "**Global Certificates**") which will be registered in the name of a nominee of, and shall be deposited on or about the Issue Date with, a common depositary for Euroclear Bank S.A./N.V. ("**Euroclear**") and Clearstream Banking S.A. ("**Clearstream, Luxembourg**"). Interests in each Global Certificate will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream, Luxembourg. Except as described herein, definitive certificates will not be issued in exchange for interests in such Global Certificates. The Notes constitute freely transferable securities.

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

Moody's Investors Service Hong Kong Ltd. ("**Moody's**") has assigned a rating of "Aa3" to the Programme and a rating of "Aa3" to the Notes. S&P Global Ratings, acting through Standard & Poor's Hong Kong Limited ("**S&P**") has assigned a rating of "AA-" to the Notes. Each of Moody's and S&P is not established in the European Union and has not applied for registration under Regulation (EC) No 1060/2009 (the "**CRA Regulation**") but is endorsed by Moody's Investors Service Ltd. and Standard & Poor's Credit Market Services Europe Limited respectively, each of which is established in the European Union and registered under the CRA Regulation.

Prospective investors should have regard to the factors described under the section headed "*Risk Factors*" in these Listing Particulars.

Investors should also be aware that the Issuer is a branch, not a subsidiary, of China Development Bank Corporation (the "Bank") and does not comprise a legal entity separate from it. As a result, in the case of any default by the Issuer under the Notes and any subsequent enforcement of an arbitral award in connection therewith, all claims of the holders of the Notes against the Issuer shall ultimately rank *pari passu* with the claims of other senior unsecured creditors of the Bank. Please see "*Description of the Issuer – Legal Status*" for further details. Notwithstanding that the Issuer does not have separate legal personality from the Bank, the Issuer conducts its banking business as an entity separate from the Bank from an operational perspective, and is regulated and subject to taxation in Hong Kong on this basis. Its funding activities, including the issue of Notes from time to time under the Programme, are part of its ordinary banking business and should be viewed accordingly.

Managers in relation to the USD Notes

Bank of China **BOCOM HK Branch** **China Construction Bank (Asia)**

HSBC **ICBC (Asia)** **OCBC Bank** **Standard Chartered Bank**

Managers in relation to the EUR Notes

Bank of China **Barclays** **China Construction Bank (Europe) S.A.**

Commerzbank **Crédit Agricole CIB** **HSBC**

The date of these Listing Particulars is 25 November 2016.

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DOCUMENTS INCORPRATED BY REFERENCE

These Listing Particulars should be read and construed in conjunction with the audited consolidated financial statements of the Bank as at and for the year ended 31 December 2014, audited by Deloitte Touche Tohmatsu CPA LLP, together with the audit report thereon (which appear at pages F-1 to F-95 (inclusive) of the Bank's Listing Particulars dated 30 September 2015 (the "**2015 Listing Particulars**")) which have been previously published and filed with the FCA. Such documents shall be incorporated in, and form part of, these Listing Particulars, save that any statement contained in a document which is incorporated by reference herein shall be modified or superseded for the purpose of these Listing Particulars to the extent that a statement contained herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of these Listing Particulars. Those parts of the documents incorporated by reference in these Listing Particulars which are not specifically incorporated by reference in these Listing Particulars are either not relevant for prospective investors in the Notes or the relevant information is included elsewhere in these Listing Particulars. Any documents themselves incorporated by reference in the documents incorporated by reference in these Listing Particulars shall not form part of these Listing Particulars.

Copies of all such documents which are incorporated by reference in, and to form part of, these Listing Particulars will be available free of charge during usual business hours on any weekday (Saturdays and public holidays excepted) at the registered office of the Fiscal Agent and Paying Agent at 20 Pedder Street, Central, Hong Kong SAR and will also be available for viewing on the Issuer's website at http://www.cdb.com.cn/english/Column.asp?ColumnId=285. The 2015 Listing Particulars are available free of charge at the following website: http://www.rns-pdf.londonstockexchange.com/rns/0040B_1-2015-10-1.pdf.

Any documents or information themselves incorporated by reference in, or cross-referred to in, the documents incorporated by reference in these Listing Particulars shall not form part of these Listing Particulars. Any non-incorporated parts of a document referred to herein are either deemed not relevant for an investor or are otherwise covered elsewhere in these Listing Particulars.

The section entitled "*Documents Incorporated by Reference*" found on page A-iv of the Offering Circular dated October 26, 2016 and set out in Annex A (the "**Offering Circular**") shall not form part of these Listing Particulars.

RISK FACTORS

Please see the risk factors set out in the section entitled "*Risk Factors*" of the Offering Circular on pages A-38 to A-45 therein. The risk factor disclosure encompasses all known material or principal risks relevant to the Issuer and Notes to be issued.

USE OF PROCEEDS

The section entitled "*Use of Proceeds*" of the Offering Circular shall be deleted and replaced in its entirety with the following:

The Issuer intends to use the net proceeds from the sale of the Notes for general corporate purposes.

DESCRIPTION OF THE BANK

The following shall be inserted in the section entitled "*Description of the Bank*".

The business licence – registration number of the Bank is 100000000016686 (4-1).

CORPORATE GOVERNANCE AND MANAGEMENT

The following shall be inserted in the section entitled "*Corporate Governance and Management*".

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

As at the date of these Listing Particulars, none of the directors, supervisors and senior management of the Bank has any potential conflicts of interests between his or her duties to the Bank and his or her private interests or other duties to third parties.

LEGAL STATUS

A branch of a bank incorporated outside Hong Kong having a place of business in Hong Kong must register with the Registrar of Companies pursuant to section 776 of the Companies Ordinance of the Laws of Hong Kong (Cap. 622). On 4 August 2009, the Bank registered its Hong Kong branch as a registered non-Hong Kong company and operates its business under the name "國家開發銀行股份有限公司香港分行 China Development Bank Corporation Hong Kong Branch" pursuant to a valid business registration certificate issued under section 6(3) of the Business Registration Ordinance of the Laws of Hong Kong (Cap. 310). China Development Bank Corporation Hong Kong branch is registered as a registered non-Hong Kong company under CR No. F0017015. The name "國家開發銀行股份有限公司香港分行 China Development Bank Corporation Hong Kong Branch" is merely the business name of the Bank in Hong Kong, and the Issuer has no separate legal personality from the Bank. As a result of the foregoing, in the case of any default by the Issuer under the Notes and any subsequent enforcement of an arbitral award in connection therewith, all claims of the holders of the Notes against the Issuer shall rank *pari passu* with the claims of other senior unsecured creditors of China Development Bank Corporation.

INFORMATION RELATING TO THE NOTES

LISTING

(i) Admission to trading	Application has been made by the Issuer (or on its behalf) for the Notes to be admitted to trading on the PSM of the London Stock Exchange with effect from 30 November 2016.
(ii) Estimate of total expenses related to admission to trading:	£7,250

1 **INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE**

Save as discussed in the Offering Circular under the heading "*Subscription and Sale*", so far as the Issuer is aware, no person involved in the issue of the Notes has an interest material to the offer.

2 **YIELD**

Indication of yield:	USD Notes: 1.350 per cent. EUR Notes: 0.174 per cent. The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.

3 **GOVERNING LAW**	The Notes and any non-contractual obligations arising out of or in connection with them will be governed by, and shall be construed in accordance with, English law.

PRICING SUPPLEMENT FOR THE USD NOTES

Pricing Supplement dated 27 October 2016

China Development Bank Corporation Hong Kong Branch

Issue of US$350,000,000 1.875 per cent. Notes due 2021
under the US$30,000,000,000 Debt Issuance Programme

This document constitutes the Pricing Supplement relating to the issue of Notes described herein.

Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions (the "**Conditions**") set forth in the Offering Circular dated 26 October 2016. This Pricing Supplement contains the final terms of the Notes and must be read in conjunction with the Offering Circular dated 26 October 2016.

1	Issuer:		China Development Bank Corporation Hong Kong Branch
2	(i)	Series Number:	023
	(ii)	Tranche Number:	001
3	Specified Currency or Currencies:		U.S. Dollar (**"US$"**)
4	Aggregate Principal Amount:		
	(i)	Series:	US$350,000,000
	(ii)	Tranche:	US$350,000,000
5	Issue Price:		99.172 per cent. of the Aggregate Principal Amount
6	(i)	Specified Denominations:	US$200,000 and integral multiples of US$1,000 in excess thereof
	(ii)	Calculation Amount:	US$1,000
7	(i)	Issue Date:	3 November 2016
	(ii)	Interest Commencement Date:	Issue Date
8	Maturity Date:		3 November 2021
9	Interest Basis:		1.875 per cent. Fixed Rate (further particulars specified below)
10	Redemption/Payment Basis:		Redemption at par
11	Change of Interest or Redemption/Payment Basis:		Not Applicable
12	Put/Call Options:		Not Applicable
13	Listing:		Application will be made to the Financial Conduct Authority under Part VI of the Financial Services and Markets Act 2000 (the "**UK Listing Authority**") for the Notes to be admitted to the official list of the UK Listing Authority and to the London Stock Exchange plc (the "**London Stock Exchange**") for such Notes to be admitted to trading on the London Stock Exchange's Professional Securities Market (the "**PSM**"). The PSM is not a regulated market for the purposes of Directive 2004/39/EC of the European Parliament and of the Council on markets in financial

		instruments. Application will also be made to the Hong Kong Stock Exchange for the listing of, and permission to deal in, the Notes by way of debt issues to Professional Investors. The expected effective listing date is 4 November 2016.
14	Dates of Board and shareholder approvals for the issuance of Notes obtained:	21 September 2015 and 1 December 2015, respectively
15	Method of distribution:	Syndicated

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

16	Fixed Rate Note Provisions		Applicable
	(i)	Rate of Interest:	1.875 per cent. per annum payable semi-annually in arrear
	(ii)	Interest Payment Dates:	3 May and 3 November in each year, commencing 3 May 2017 up to and including the Maturity Date
	(iii)	Fixed Coupon Amount (Applicable to Notes in definitive form):	US$9.375 per Calculation Amount
	(iv)	Broken Amount(Applicable to Notes in definitive form):	Not Applicable
	(v)	Day Count Fraction (Condition 5(h)):	30/360
	(vi)	Determination Date(s) (Condition 5(h)):	Not Applicable
	(vii)	Other terms relating to the method of calculating interest for Fixed Rate Notes:	Not Applicable
17	Floating Rate Note Provisions		Not Applicable
18	Zero Coupon Note Provisions		Not Applicable

PROVISIONS RELATING TO REDEMPTION

19	Call Option:	Not Applicable
20	Put Option:	Not Applicable
21	Final Redemption Amount of each Note:	US$1,000 per Calculation Amount
22	Early Redemption Amount(s) per Calculation Amount payable on redemption for taxation reasons or on event of default or other early redemption and/or the method of calculating the same (if required or if different from that set out in the Conditions):	US$1,000 per Calculation Amount

GENERAL PROVISIONS APPLICABLE TO THE NOTES

23	Forms of Notes:	**Registered Notes**:

		Global Certificate exchangeable for definitive Certificates in the limited circumstances described in the Global Certificate
24	Additional Financial Centre(s) (Condition 7(h)) or other special provisions relating to payment dates:	Hong Kong
25	Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature):	No
26	Redenomination, renominalisation and reconventioning provisions:	Not Applicable
27	Consolidation provisions:	Not Applicable
28	Other terms or special conditions:	Not Applicable

DISTRIBUTION

29	(i) If syndicated, names of Managers:	Bank of China (Hong Kong) Limited, BOCI Asia Limited, Bank of Communications Co., Ltd. Hong Kong Branch, China Construction Bank (Asia) Corporation Limited, The Hongkong and Shanghai Banking Corporation Limited, Industrial and Commercial Bank of China (Asia) Limited, Oversea-Chinese Banking Corporation Limited and Standard Chartered Bank (together the "**Managers**", each a "**Manager**")
	(ii) Stabilising Manager (if any):	Each of the Managers
30	If non-syndicated, name of Dealer:	Not Applicable
31	U.S. Selling Restrictions:	Reg. S Category 2; TEFRA Not Applicable
32	Additional selling restrictions:	Not Applicable

OPERATIONAL INFORMATION

33	ISIN Code:	XS1513492188
34	Common Code:	151349218
35	CMU Instrument Number:	Not Applicable
36	Any clearing system(s) other than Euroclear, Clearstream, Luxembourg and the CMU Service and the relevant identification number(s):	Not Applicable
37	Delivery:	Delivery against payment
38	Additional Paying Agents (if any):	Not Applicable

GENERAL

39	Ratings:	Moody's: Aa3 / S&P: AA-

STABILISATION

In connection with this issue, each of the Managers (the "**Stabilising Manager**") (or persons acting on behalf of any Stabilising Manager) may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, stabilisation may not necessarily occur. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Notes is made and, if begun, may cease at any time, but it must be end no later than the earlier of 30 days after the Issue Date of the Notes and 60 days after the date of allotment of the Notes. Such stabilising shall be in compliance with all applicable laws, regulations and rules.

LISTING APPLICATION

This Pricing Supplement comprises the final terms required to list the issue of Notes described herein pursuant to the US$30,000,000,000 Debt Issuance Programme of China Development Bank Corporation.

PRICING SUPPLEMENT FOR THE EUR NOTES

Pricing Supplement dated 27 October 2016

China Development Bank Corporation Hong Kong Branch

Issue of EUR500,000,000 0.125 per cent. Notes due 2019
under the US$30,000,000,000 Debt Issuance Programme

This document constitutes the Pricing Supplement relating to the issue of Notes described herein.

Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions (the "**Conditions**") set forth in the Offering Circular dated 26 October 2016. This Pricing Supplement contains the final terms of the Notes and must be read in conjunction with the Offering Circular dated 26 October 2016.

1	Issuer:		China Development Bank Corporation Hong Kong Branch
2	(i)	Series Number:	024
	(ii)	Tranche Number:	001
3	Specified Currency or Currencies:		Euro (**"EUR"**)
4	Aggregate Principal Amount:		
	(i)	Series:	EUR500,000,000
	(ii)	Tranche:	EUR500,000,000
5	Issue Price:		99.854 per cent. of the Aggregate Principal Amount
6	(i)	Specified Denominations:	EUR100,000 and integral multiples of EUR1,000 in excess thereof
	(ii)	Calculation Amount:	EUR1,000
7	(i)	Issue Date:	3 November 2016 8
	(ii)	Interest Commencement Date:	Issue Date
8	Maturity Date:		3 November 2019
9	Interest Basis:		0.125 per cent. Fixed Rate (further particulars specified below)
10	Redemption/Payment Basis:		Redemption at par
11	Change of Interest or Redemption/Payment Basis:		Not Applicable
12	Put/Call Options:		Not Applicable
13	Listing:		Application will be made to the Financial Conduct Authority under Part VI of the Financial Services and Markets Act 2000 (the "**UK Listing Authority**") for the Notes to be admitted to the official list of the UK Listing Authority and to the London Stock Exchange plc (the "**London Stock Exchange**") for such Notes to be admitted to trading on the London Stock Exchange's Professional Securities Market (the "**PSM**"). The PSM is not a regulated market for the purposes of Directive 2004/39/EC of the European

		Parliament and of the Council on markets in financial instruments. Application will also be made to the Hong Kong Stock Exchange for the listing of, and permission to deal in, the Notes by way of debt issues to Professional Investors. The expected effective listing date is 4 November 2016.
14	Dates of Board and shareholder approvals for the issuance of Notes obtained:	21 September 2015 and 1 December 2015, respectively
15	Method of distribution:	Syndicated

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

16	Fixed Rate Note Provisions		Applicable
	(i)	Rate of Interest:	0.125 per cent. per annum payable annually in arrear
	(ii)	Interest Payment Date:	3 November in each year, commencing 3 November 2017 up to and including the Maturity Date
	(iii)	Fixed Coupon Amount: (Applicable to Notes in definitive form)	EUR1.25 per Calculation Amount
	(iv)	Broken Amount(Applicable to Notes in definitive form):	Not Applicable
	(v)	Day Count Fraction (Condition 5(h)):	Actual/Actual-ICMA
	(vi)	Determination Date(s) (Condition 5(h)):	Not Applicable
	(vii)	Other terms relating to the method of calculating interest for Fixed Rate Notes:	Not Applicable
17	Floating Rate Note Provisions		Not Applicable
18	Zero Coupon Note Provisions		Not Applicable

PROVISIONS RELATING TO REDEMPTION

19	Call Option:	Not Applicable
20	Put Option:	Not Applicable
21	Final Redemption Amount of each Note:	EUR1,000 per Calculation Amount
22	Early Redemption Amount(s) per Calculation Amount payable on redemption for taxation reasons or on event of default or other early redemption and/or the method of calculating the same (if required or if different from that set out in the Conditions):	EUR1,000 per Calculation Amount

GENERAL PROVISIONS APPLICABLE TO THE NOTES

23	Forms of Notes:	**Registered Notes**: Global Certificate exchangeable for definitive Certificates in the limited circumstances described in the Global Certificate
24	Additional Financial Centre(s) (Condition 7(h)) or other special provisions relating to payment dates:	Hong Kong
25	Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature):	No
26	Redenomination, renominalisation and reconventioning provisions:	Not Applicable
27	Consolidation provisions:	Not Applicable
28	Other terms or special conditions:	Not Applicable

DISTRIBUTION

29	(i)	If syndicated, names of Managers:	Bank of China (Hong Kong) Limited, Barclays Bank PLC, BOCI Asia Limited, China Construction Bank (Europe) S.A., Commerzbank Aktiengesellschaft, Crédit Agricole Corporate and Investment Bank and The Hongkong and Shanghai Banking Corporation Limited (together the "**Managers**", each a "**Manager**")
	(ii)	Stabilising Manager (if any):	Each of the Managers
30	If non-syndicated, name of Dealer:		Not Applicable
31	U.S. Selling Restrictions:		Reg. S Category 2; TEFRA Not Applicable
32	Additional selling restrictions:		Not Applicable

OPERATIONAL INFORMATION

33	ISIN Code:	XS1513480761
34	Common Code:	151348076
35	CMU Instrument Number:	Not Applicable
36	Any clearing system(s) other than Euroclear, Clearstream, Luxembourg and the CMU Service and the relevant identification number(s):	Not Applicable
37	Delivery:	Delivery against payment
38	Additional Paying Agents (if any):	Not Applicable

GENERAL

39	The aggregate principal amount of Notes issued has been translated into US$ at the rate of US$1.0934: EUR1.00, producing a sum of (for Notes not denominated in US$):	US$546,700,000
40	Ratings:	Moody's: Aa3 / S&P: AA-

STABILISATION

In connection with this issue, each of the Managers (the "**Stabilising Manager**") (or persons acting on behalf of any Stabilising Manager) may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, stabilisation may not necessarily occur. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Notes is made and, if begun, may cease at any time, but it must be end no later than the earlier of 30 days after the Issue Date of the Notes and 60 days after the date of allotment of the Notes. Such stabilising shall be in compliance with all applicable laws, regulations and rules.

LISTING APPLICATION

This Pricing Supplement comprises the final terms required to list the issue of Notes described herein pursuant to the US$30,000,000,000 Debt Issuance Programme of China Development Bank Corporation.

SUBSCRIPTION AND SALE

The Issuer has entered into a subscription agreement with the Managers in relation to the USD Notes dated October 27, 2016 and a subscirption agreemtn with the Managers in relation to the EUR Notes dated October 27, 2016 in connection with each of the USD Notes and the EUR Notes, respectively (together, the "**Subscription Agreements**", as may be supplemented from time to time). Pursuant to each Subscription Agreement, subject to certain conditions contained therein, the Issuer has agreed to sell to the relevant Managers and each of the relevant Managers has severally and not jointly agreed to subscribe for the aggregate principal amount of the USD Notes or the EUR Notes, as the case may be, set forth in such Subscription Agreement.

Each Subscription Agreement provides that the Issuer will indemnify the relevant Managers against certain liabilities in connection with any loss arising out of any misrepresentation made in the Offering Circular. The Subscription Agreement provides that the obligations of the relevant Managers to pay for and accept delivery of the USD Notes or the EUR Notes, as the case may be, are subject to certain conditions precedent.

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

The Managers and certain of their affiliates may have performed certain investment banking and advisory services for the Issuer and/or its affiliates from time to time for which they have received customary fees and expenses and may, from time to time, engage in transactions with and perform services for the and/or its affiliates in the ordinary course of their business. The Managers or certain of their affiliates may purchase the Notes and be allocated the Notes for asset management and/or proprietary purposes but not with a view to distribution.

The Managers or their respective affiliates may purchase the Notes 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 Notes and/or other securities of the Issuer and/or its subsidiaries or associates at the same time as the offer and sale of the Notes 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 Notes to which these Listing Particulars relate (notwithstanding that such selected counterparties may also be purchasers of the Notes).

General

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

No action has been or will be taken in any jurisdiction by the Issuer or the Managers that would, or is intended to, permit the public offering of the Notes, or possession or distribution of this document, any amendment or supplement thereto or any other offering or publicity material relating to the Notes, in any country or jurisdiction where action for that purpose is required, except to the extent provided in the following paragraph. Accordingly, the Notes may not be offered or sold, directly or indirectly, and neither this document nor any other offering material or advertisements in connection with the Notes may be distributed or published, by the Issuer or any Manager, 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 Issuer or any Manager.

Each Manager has given the representations and warranties on the selling restrictions below in respect of the Notes for which it has entered into the Subscription Agreement.

Hong Kong SAR

Please refer to the paragraphs headed "Hong Kong SAR" under the section entitled "*Subcription and Sale*" on page A-95 of the Offering Circular.

United States

Please refer to the paragraphs headed "United States" under the section entitled "*Subcription and Sale*" on pages A-96 to A-97 of the Offering Circular.

The People's Republic of China

Please refer to the paragraph headed "The People's republic of China" under the section entitled "*Subcription and Sale*" on page A-97 of the Offering Circular.

United Kingdom

Please refer to the paragraphs headed "United Kingdom" under the section entitled "*Subcription and Sale*" on page A-98 of the Offering Circular.

Singapore

Please refer to the paragraphs headed "Singapore" under the section entitled "*Subcription and Sale*" on pages A-98 to A-99 of the Offering Circular.

GENERAL INFORMATION

The section entitled "*General Information*" of the Offering Circular shall be deleted and replaced in its entirety with the following:

Authorisation

The issue of the Notes was authorised by a resolution of the board of directors of the Issuer passed on 21 September 2015 and a resolution of the shareholders passed on 1 December 2015, respectively. The Issuer has obtained or will obtain from time to time all necessary consents, approvals and authorisations in connection with the issue and performance of the Notes.

Legal and Arbitration Proceedings

There are no governmental, legal or arbitration proceedings, (including any such proceedings which are pending or threatened, of which the Bank is aware), which may have, or have had during the 12 months prior to the date of these Listing Particulars, a significant effect on the financial position or profitability of the Bank and its subsidiaries.

Significant/Material Change

Since 31 December 2015, there has been no material adverse change in the financial position or prospects of the Bank and,there has been no significant change in the financial or trading position or prospects of the Bank and its subsidiaries.

Auditor

The Issuer's audited consolidated financial statements as at and for the years ended 31 December 2014 and 2015 have been audited by Deloitte Touche Tohmatsu CPA LLP of 30th Floor, Bund Center, 222 Yan An Road East, Shanghai 200002, People's Republic of China, as stated in its report appearing herein.

Documents on Display

Copies of the following documents may be inspected during normal business hours on any weekday (Saturday's and public holidays excepted) at the registered office of the Fiscal Agent and Paying Agent at 20 Pedder Street, Central, Hong Kong SAR for so long as the Notes are outstanding:

(i) the memorandum and articles of association of the Issuer;

(ii) the audited consolidated financial statements of the Issuer for the financial years ended 31 December 2014 and 2015;

(iii) copies of the latest annual report and audited annual consolidated financial statements of the Issuer;

(iv) a copy of these Listing Particulars;

(v) a copy of the amended and restated agency agreement (including relvant amendments and supplements thereto);and

(vi) a copy of the amended and restated deed of covenant (including relvant amendments and supplements thereto).

ANNEX A – OFFERING CIRCULAR DATED OCTOBER 26, 2016

国家开发银行
China Development Bank

CHINA DEVELOPMENT BANK CORPORATION

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

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

We, China Development Bank Corporation (the "**Bank**"), are a development financial institution which is wholly owned by the PRC government and reports directly to the State Council. Under the US$30,000,000,000 Debt Issuance Programme described in this Offering Circular (the "**Programme**"), (i) the Bank and (ii) China Development Bank Corporation Hong Kong Branch (the "**Hong Kong Branch**") (each an "**Issuer**"), subject to compliance with all relevant laws, regulations and directives, may from time to time issue notes (the "**Notes**").

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

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

Application will be made to The Stock Exchange of Hong Kong Limited (the "**SEHK**") for the listing of the Programme by way of debt issues to professional investors (as defined in Chapter 37 of the Rules Governing the Listing of Securities on SEHK and in the Securities and Futures Ordinance (Cap. 571) of Hong Kong) (together, "**Professional Investors**") only during the 12-month period from the date of this document on the SEHK. This document is for distribution to Professional Investors only. **Investors should not purchase the Notes in the primary or secondary markets unless they are Professional Investors and understand the risks involved. The Notes are only suitable for Professional Investors.**

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

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

The Programme is rated "Aa3" by Moody's Investors Service, Inc. ("**Moody's**"). Such rating is only correct as at the date of this Offering Circular. Tranches of Notes (as defined in "*Summary of the Programme*") to be issued under the Programme may be rated or unrated. Where a Tranche of Notes is to be rated, such rating will not necessarily be the same as the rating assigned to the Programme. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction, revision or withdrawal at any time by the assigning rating agency.

Arrangers

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

Dealers

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

ABC International | **Bank of Communications Co., Ltd. Hong Kong Branch** | **CCB International** | **ICBC (Asia)** | **ICBC International**

October 26, 2016

This Offering Circular includes particulars in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to us and the Notes. Each of the Issuers accepts full responsibility for the accuracy of the information contained in this Offering Circular. The Issuers confirm, having made all reasonable enquiries, that to the best of the Issuers' knowledge and belief this Offering Circular contains no untrue statement (including a statement which is misleading in the form and context in which it is included and including an omission of which would make any statement herein misleading).

Listing of the Notes on the SEHK is not to be taken as an indication of the merits of us or the Notes. You should rely only on the information contained in this Offering Circular in making your investment decision. Neither ourselves nor any Arranger, Dealer, fiscal agent or paying agent participating in the Programme or any of their respective affiliates or advisors has authorized anyone to provide you with any other information.

None of us, The Hongkong and Shanghai Banking Corporation Limited, Standard Chartered Bank (Hong Kong) Limited, Barclays Bank PLC and Bank of China (Hong Kong) Limited (together, the "**Arrangers**"), ABCI Securities Company Limited, Bank of Communications Co., Ltd. Hong Kong Branch, CCB International Capital Limited, ICBC International Securities Limited and Industrial and Commercial Bank of China (Asia) Limited (together with the Arrangers, the "**Dealers**") is making an offer to sell the Notes in any jurisdiction except where an offer or sale is permitted. The distribution of this Offering Circular and the offering of the Notes under the Programme may in certain jurisdictions be restricted by law. None of us, the Arrangers and the Dealers represents that this Offering Circular may be lawfully distributed, or that the Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assumes any responsibility for facilitating any such distribution or offering.

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

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

No representation or warranty, express or implied, is made by any Arranger, Dealer, fiscal agent, paying agent or any of their respective officers, employees, affiliates, advisors or agents as to the accuracy, completeness or sufficiency of the information contained in this Offering Circular, and nothing contained in this Offering Circular is, or should be, relied upon as a promise or representation by any Arranger, Dealer, fiscal agent, paying agent or their officers, employees, affiliates, advisors or agents. The Arrangers, the Dealers, the fiscal agent, the paying agents and their respective officers, employees, affiliates, advisors and agents have not independently verified the information contained herein (financial, legal or otherwise) and, to the fullest extent permitted by law, none of the Arrangers, the Dealers, the fiscal agent, the paying agents or their respective officers, employees, affiliates, advisors or agents accepts any responsibility for the contents of this Offering Circular or for any other statement, made or purported to be made by the Arrangers or Dealers or on their behalf in connection with us or the Programme or the issue and offering of the Notes under the Programme. The Arrangers, the Dealers, the fiscal agent, the paying agents and their respective officers, employees, affiliates, advisors or agents accordingly disclaim all and any liability whether arising in tort or contract or otherwise (save as referred to above) which might otherwise have in respect of this Offering Circular or any such statement.

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

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

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

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

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

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

Forward-looking Statements

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

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

Rounding

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

Certain Definitions and Conventions

Unless otherwise indicated, all references in this Offering Circular to "**we**", "**us**", "**our**" and words of similar import are to China Development Bank Corporation itself or China Development Bank Corporation and its subsidiaries, as the context requires; all references in this Offering Circular to "**China**" or the "**PRC**" are to the People's Republic of China, for the information and data presentation purposes only, excluding Hong Kong SAR, the Macau Special Administrative Region and Taiwan; all references to "**Hong Kong SAR**" or "**Hong Kong**" are to the Hong Kong Special Administrative Region of China; and all statistical information in this Offering Circular relating to China or the PRC excludes information with respect to Hong Kong SAR, the Macau Special Administrative Region and Taiwan.

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

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

Solely for your convenience, we have translated amounts between different currencies for the purpose of consistent presentation in this Offering Circular. These translations follow the rates of exchange we use in preparing our accounts as described in note 3(7) to our financial statements on page F-12. We are not making any representation that Renminbi or any other currency referred to in this Offering Circular could have been or can be converted into any other currency at any particular rate or at all.

DOCUMENTS INCORPORATED BY REFERENCE

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

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SUMMARY OF CHINA DEVELOPMENT BANK CORPORATION

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

China Development Bank Corporation

We are a development financial institution which is wholly owned by the PRC government and reports directly to the State Council. We were established on March 17, 1994 pursuant to a special decree issued by the State Council ("**Special Decree**"). On December 11, 2008, in accordance with the deployment of the State Council, we were converted into a joint stock company with limited liability pursuant to the PRC Company Law and other applicable laws and regulations. In March 2015, the State Council approved the Bank's reform deepening plan, affirming the position of the Bank as a development financial institution and the relevant policy support, and stressing the need to strengthen our role and function as a development financial institution to provide financing to national priorities, weak links in the economy and during critical periods. We are currently wholly owned, directly or indirectly, by the PRC government, with the Ministry of Finance of China ("**MOF**"), Central Huijin Investment Ltd. (中央匯金投資有限責任公司) ("**Huijin**"), Buttonwood Investment Holding Company Ltd. (梧桐樹投資平臺有限責任公司) ("**Buttonwood**") and National Council for Social Security Fund holding 36.54%, 34.68%, 27.19% and 1.59%, respectively, of our issued share capital. According to CBRC, the investment of financial institutions in the banking industry in our financial bonds (excluding subordinated bonds) shall be treated the same way as policy-oriented bonds, the risk weighting of which shall be at 0%.

We are headquartered in Beijing, China and currently have CDB Housing Finance business unit, Poverty Relief Program Finance business unit and 38 tier-one branch offices in China (including one in Hong Kong SAR) and six representative offices in Cairo, Moscow, Rio de Janeiro, Caracas, London and Vientiane (established in September 2016). Our major subsidiaries include CDB Capital Co., Ltd. (國開金融有限責任公司) ("**CDB Capital**"), CDB Securities Co., Ltd. (國開證券有限責任公司) ("**CDB Securities**"), CDB Leasing Co., Ltd. (國銀金融租賃有限公司) ("**CDB Leasing**"), China-Africa Development Fund (中非發展基金有限公司), CDB Development Fund Co., Ltd. (國開發展基金有限公司) ("**CDB Development Fund**") and 15 village banks. Our place of business in China is No. 18 Fuxingmennei Street, Xicheng District, Beijing, People's Republic of China and our place of business in Hong Kong SAR is located at Suite 3307–3315, One International Finance Center, No. 1 Harbour View Street, Central, Hong Kong.

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

- deposit taking from corporate customers;
- making short-, medium- and long-term loans;
- domestic and international settlement;
- acceptance and discount of negotiable instruments;
- issuance of financial bonds;
- acting as agent for the issuance, repayment and underwriting of government bonds;
- trading in government bonds and financial bonds;

- interbank borrowing and lending;
- sale and purchase of foreign exchange on our own account or for customers;
- letter of credit related business and issuance of guarantees;
- collection and payment agent and bancassurance business;
- safety deposit box service; and
- other businesses authorised by the banking regulatory body under the State Council.

The following summary of our historical financial information as of or for the years ended December 31, 2014 and 2015 is derived from our audited financial statements included in this Offering Circular. We have prepared and presented our financial statements in accordance with the International Financial Reporting Standards ("**IFRS**") issued by the International Accounting Standards Board. The information set out below should be read in conjunction with, and is qualified in its entirety by reference to, our relevant audited consolidated financial statements and the notes thereto included elsewhere in this Offering Circular.

	For the year ended December 31,	
	2014	**2015**
	(in millions of RMB)	
Income Statement Data		
Interest income	509,168	503,286
Interest expense	(330,478)	(344,929)
Profit before income tax	129,537	136,888
Net profit	98,204	104,416

	As of December 31,	
	2014	**2015**
	(in millions of RMB)	
Balance Sheet Data		
Cash and balance with the central bank	57,400	263,932
Deposits with banks and other financial institutions	1,005,026	596,724
Loans and advances to customers, net	7,669,351	8,865,360
Total assets	10,316,354	12,619,022
Total liabilities	9,636,190	11,549,418
Total equity	680,164	1,069,604

The Hong Kong Branch

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

We are a licensed bank (Licence No. B296) in Hong Kong and are regulated by the Hong Kong Monetary Authority (the "**HKMA**"). The core business strategy of the Hong Kong Branch is to develop and expand corporate banking services for the Bank's China-based clients and their overseas subsidiaries. As of December 31, 2015, the Hong Kong Branch had 152 employees.

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

- multi-currency denominated lending services, including term loans, syndicated loans, commercial lending and mortgage lending;

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

- trade finance, including issuing letters of credit, shipping guarantees, trust receipts and inward collections, advising and confirming letters of credit, negotiation of letters of credit, outward collections, bill discounts and packing loans;

- deposit and remittance services; and

- issuance of certificates of deposit.

Our Strategies

Our main strategies include the following:

- supporting the "Two-Fundamental-One-Pillar" key sectors;

- improving areas relating to basic people's livelihood; and

- assisting in China's "Go Global" strategy.

Our Competitive Strengths

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

- a development financial institution wholly owned by the PRC central government and relying on state credit to raise medium- and long-term funds;

- strategically positioned in the PRC national economy with quality customer base, well-regarded brand name and solid financial partners;

- the largest bond house amongst Chinese banks, a major player in the PRC debt capital market and a leader in financial innovation;

- sound risk management and quality assets;

- reasonable and steady profitability and efficient operation management; and

- experienced management team and well-trained work force.

Our Challenges

We face challenges in our business operations, including:

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

Credit Ratings

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

As at the date of this Offering Circular, Moody's assigns an Aa3 rating to our long-term foreign currency senior unsecured debt rating with a negative outlook. S&P Global Ratings assigns an AA- rating to our long-term issuer credit rating with a negative outlook. You may find our latest credit ratings on our website: www.cdb.com.cn.

The Programme is rated "Aa3" by Moody's. Such rating is only correct as at the date of this Offering Circular. Tranches of Notes (as defined in "*Summary of the Programme*") to be issued under the Programme may be rated or unrated. Where a Tranche of Notes is to be rated, such rating will not necessarily be the same as the ratings assigned to the Programme. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction, revision or withdrawal at any time by the assigning rating agency.

SUMMARY OF THE PROGRAMME

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

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

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

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

Optional Redemption	The applicable Pricing Supplement issued in respect of each issue of Notes will state whether such Notes may be redeemed prior to their stated maturity at the option of the relevant Issuer (either in whole or in part) and/or the holders, and if so the terms applicable to such redemption. Otherwise Notes will not be redeemable at the option of the relevant Issuer prior to maturity. See "*Terms and Conditions of the Notes — Redemption, Purchase and Options*".
Status of Notes	The Notes and the coupons (if any) will constitute direct, unconditional, unsubordinated and (subject to the creation of any security permitted or approved in accordance with Condition 4 of "*Terms and Conditions of the Notes*") unsecured obligations of the Bank. The Notes and the coupons (if any) will at all times rank *pari passu* among themselves and at least *pari passu* with all other existing and future unsubordinated and unsecured obligations of the Bank from time to time outstanding (except for any statutory preference or priority applicable in the winding-up of the Bank).
Negative Pledge	See "*Terms and Conditions of the Notes — Negative Pledge*".
Events of Default	See "*Terms and Conditions of the Notes — Events of Default*".
Ratings	The Programme is rated "Aa3" by Moody's. Tranches of Notes will be rated or unrated. Where a Tranche of Notes is to be rated, such rating will be specified in the relevant Pricing Supplement.
Taxation.	Under existing Hong Kong SAR law, payments of principal and interest in respect of our Notes may be made without withholding or deduction for any Hong Kong SAR taxes. If we are required by PRC law to withhold or deduct taxes, duties or other charges from any payments of principal or interest on our Notes, we will make the withholding or deduction and remit the amount so withheld or deducted to the PRC tax authorities. We will, however, subject to some exceptions, increase the amounts paid so that investors receive the full amount of the scheduled payment. Please refer to the section entitled "*Taxation of Notes*" for detailed explanations.

Listing	Application will be made to the SEHK for the listing of the Programme by way of debt issues to Professional Investors only during the 12-month period from the date of this Offering Circular. The Notes may also be listed on such other or further stock exchange(s) as may be agreed between the relevant Issuer and the relevant Dealer in relation to each Series. Unlisted Notes may also be issued. The applicable Pricing Supplement will state whether or not the relevant Notes are to be listed and, if so, on which stock exchange(s). Notes listed on the SEHK will be traded on the SEHK in a board lot size of at least HK$500,000 (or its equivalent in other currencies).
Selling Restrictions	For a description of certain restrictions on offers, sales and deliveries of Notes and on the distribution of offering material in the United States, the European Economic Area, the United Kingdom, Hong Kong, Japan, the People's Republic of China and Singapore, see "*Subscription and Sale*".
Governing Law	English law.
Arbitration	Any dispute, controversy or claim arising out of or relating to the Notes, including any question regarding the breach, termination, existence or invalidity thereof, shall be settled by arbitration administered by the Hong Kong International Arbitration Centre ("**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.

TERMS AND CONDITIONS OF THE NOTES

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

The Notes are issued by the issuer specified in the applicable pricing supplement (the "**Issuer**") pursuant to an amended and restated agency agreement (as amended or supplemented as at the Issue Date, the "**Agency Agreement**") dated October 26, 2016 between China Development Bank Corporation (the "**Bank**"), China Development Bank Corporation Hong Kong Branch (the "**Hong Kong Branch**"), Bank of Communications Co., Ltd. Hong Kong Branch as fiscal agent, Bank of Communications Co., Ltd. Hong Kong Branch as CMU lodging agent and the other agents named in it and with the benefit of an amended and restated deed of covenant (as amended or supplemented as at the Issue Date, the "**Deed of Covenant**") dated October 26, 2016 executed by the Bank and the Hong Kong Branch in relation to the Notes. The fiscal agent, the paying agents, the registrar, the CMU lodging agent, the transfer agents and the calculation agent(s) for the time being (if any) are referred to below respectively as the "**Fiscal Agent**", the "**Paying Agents**" (which expression shall include the Fiscal Agent), the "**Registrar**", the "**CMU Lodging Agent**", the "**Transfer Agents**" and the "**Calculation Agent(s)**". For the purposes of these Conditions, all references to the Fiscal Agent shall, with respect to a Series of Notes to be held in the CMU Service (as defined herein), be deemed to be a reference to the CMU Lodging Agent (unless the context requires otherwise) and all such references shall be construed accordingly.

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

As used in these terms and conditions (the "**Conditions**"), "**Tranche**" means Notes which are identical in all respects.

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

1 Form, Denomination and Title

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

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

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

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

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

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

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

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

2 No Exchange of Notes and Transfers of Registered Notes

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

(b) **Transfer of Registered Notes**: One or more Registered Notes may be transferred upon the surrender (at the specified office of the Registrar or any Transfer Agent) of the Certificate representing such Registered Notes to be transferred, together with the form of transfer endorsed on such Certificate (or another form of transfer substantially in the same form and containing the same representations and certifications (if any), unless otherwise agreed by the

Bank), duly completed and executed and any other evidence as the Registrar or Transfer Agent may reasonably require. In the case of a transfer of part only of a holding of Registered Notes represented by one Certificate, a new Certificate shall be issued to the transferee in respect of the part transferred and a further new Certificate in respect of the balance of the holding not transferred shall be issued to the transferor. All transfers of Notes and entries on the Register will be made subject to the detailed regulations concerning transfers of Notes scheduled to the Agency Agreement. The regulations may be changed by the Issuer, with the prior written approval of the Registrar and the Noteholders. A copy of the current regulations will be made available by the Registrar to any Noteholder upon request.

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

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

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

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

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

3 Status

The Notes and the Coupons (if any) relating to them constitute direct, unconditional, unsubordinated and, subject to the creation of any security permitted or approved in accordance with Condition 4, unsecured obligations of the Bank. The Notes and the Coupons (if any) will at all times rank *pari passu* among themselves and at least *pari passu* with all other existing and future unsubordinated and unsecured obligations of the Bank from time to time outstanding (except for any statutory preference or priority applicable in the winding-up of the Bank).

4 Negative Pledge

So long as any Note or Coupon remains outstanding (as defined in the Agency Agreement), the Bank shall not create or permit to subsist any Security Interest on any of its present or future assets or revenues to secure the repayment of, or any guarantee or indemnity in respect of, any Public External Indebtedness, unless the Notes and the Coupons are secured by such Security Interest *pari passu* with such other Public External Indebtedness. This provision, however, will not apply to any (i) Security Interest on any property or asset existing at the time of acquisition of such property or asset or to secure the payment of all or any part of the purchase price or construction cost thereof, or to secure any indebtedness incurred prior to, or at the time of, such acquisition or the completion of construction of such property or asset for the purpose of financing all or any part of the purchase price or construction cost thereof, or (ii) lien arising by operation of law.

In these Conditions:

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

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

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

(iv) "**Public External Indebtedness**" means any indebtedness of the Bank for moneys borrowed (including indebtedness represented by bonds, notes, debentures or other similar instruments) or any guarantee by the Bank of indebtedness for moneys borrowed which, in either case, (i) has an original maturity in excess of one year, and (ii) is, or is capable of being, quoted, listed or traded on any stock exchange or over-the-counter or other similar securities market outside 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 moneys owed to any financial institution in the PRC; and

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

5 Interest and other Calculations

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

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

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

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

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

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

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

(1) the offered quotation; or

(2) the arithmetic mean of the offered quotations,

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

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

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

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

(1) the offered quotation; or

(2) the arithmetic mean of the offered quotations,

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

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

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

Accrual Period, the Margin or Maximum or Minimum Rate of Interest relating to the relevant Interest Accrual Period, in place of the Margin or Maximum or Minimum Rate of Interest relating to that last preceding Interest Accrual Period);

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

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

(1) the offered quotation; or

(2) the arithmetic mean of the offered quotations,

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

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

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

(xx) in no event shall the Rate of Interest be less than zero per cent. per annum.

If the Reference Rate from time to time in respect of Floating Rate Notes is specified hereon as being other than SHIBOR, CNH HIBOR, LIBOR, EURIBOR or HIBOR, the Rate of Interest in respect of such Notes will be determined as provided hereon.

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

Where ISDA Determination is specified hereon as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period shall be determined by the Calculation Agent as a rate equal to the relevant ISDA Rate. For the purposes of this sub-paragraph (B), "ISDA Rate" for an Interest Accrual Period means a rate equal to the Floating Rate that would be determined by the Calculation Agent under a Swap Transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

(x) the Floating Rate Option is as specified hereon;

(y) the Designated Maturity is a period specified hereon; and

(z) the relevant Reset Date is the first day of that Interest Accrual Period unless otherwise specified hereon.

For the purposes of this sub-paragraph (B), "**Floating Rate**", "**Calculation Agent**", "**Floating Rate Option**", "**Designated Maturity**", "**Reset Date**" and "**Swap Transaction**" have the meanings given to those terms in the ISDA Definitions.

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

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

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

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

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

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

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

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

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

"**Business Day**" means:

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

(ii) in the case of euro, a day on which the TARGET System is operating (a "**TARGET Business Day**"); and/or

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

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

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

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

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

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

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

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

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

where:

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

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

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

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

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

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

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

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

where:

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

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

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

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

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

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

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

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

where:

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

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

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

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

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

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

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

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

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

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

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

where:

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

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

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

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

"**Interest Amount**" means:

1 in respect of an Interest Accrual Period, the amount of interest payable per Calculation Amount for that Interest Accrual Period and which, in the case of Fixed Rate Notes, and unless otherwise specified hereon, shall mean the Fixed Coupon Amount or Broken Amount specified hereon as being payable on the Interest Payment Date ending the Interest Period of which such Interest Accrual Period forms part; and

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

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

"**Interest Determination Date**" means, with respect to a Rate of Interest and Interest Accrual Period, the date specified as such hereon or, if none is so specified, (i) the first day of such Interest Accrual Period if the Specified Currency is Sterling or euro or Hong Kong dollars or Renminbi other than where the Specified Currency is Renminbi and the Reference

Rate is SHIRBOR or CNH HIBOR or (ii) the day falling two Business Days in London for the Specified Currency prior to the first day of such Interest Accrual Period if the Specified Currency is neither Sterling nor euro nor Hong Kong dollars nor Renminbi or (iii) the day falling two TARGET Business Days prior to the first day of such Interest Accrual Period if the Specified Currency is euro or (iv) the Business Day prior to the first day of such Interest Accrual Period if the Specified Currency is Renminbi and the Reference Rate is SHIBOR or (v) the day falling two Business Days in Hong Kong prior to the first day of such Interest Accrual Period if the Specified Currency is Renminbi and the Reference Rate is CNH HIBOR;

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

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

"**ISDA Definitions**" means the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc., unless otherwise specified hereon;

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

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

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

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

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

"**TARGET System**" means the Trans-European Automated Real-Time Gross Settlement Express Transfer (known as TARGET2) System which was launched on November 19, 2007 or any successor thereto.

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

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

6 Redemption, Purchase and Options

(a) Final Redemption:

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

(b) Early Redemption:

(i) Zero Coupon Notes:

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

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

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

Where such calculation is to be made for a period of less than one year, it shall be made on the basis of the Day Count Fraction shown hereon.

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

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

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

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

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

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

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

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

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

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

7 Payments and Talons

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

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

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

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

(b) **Registered Notes**:

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

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

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

(y) in the case of Renminbi, by transfer to the registered account of the Noteholder.

In this paragraph, "**registered account**" means the Renminbi account maintained by or on behalf of the Noteholder with a bank in Hong Kong, details of which appear on the Register at the close of business on the fifth business day before the due date for payment.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

8 Taxation

All payments of principal and/or interest by or on behalf of the Issuer in respect of the Notes and the Coupons shall be made free and clear of, and without deduction or withholding for, or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of the PRC or Hong Kong (where the Issuer is the Hong Kong Branch only), or any political subdivision or authority therein or thereof having power to tax, unless such withholding or deduction is required by law. In that event, the Issuer shall pay such additional amounts as shall result in receipt by the Noteholders and the Couponholders of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable in respect of any Note or Coupon for or on account of:

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

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

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

As used in these Conditions, "**Relevant Date**" in respect of any Note or Coupon means the date on which payment in respect of it first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the date seven days after that on which notice is duly given to the Noteholders that, upon further presentation of the Note (or relative Certificate) or Coupon being made in accordance with the Conditions, such payment will be made, provided that payment is in fact made upon such presentation. References in these Conditions to (i) "**principal**" shall be deemed to include any premium payable in respect of the Notes, Final Redemption Amounts, Early Redemption Amounts, Optional Redemption Amounts, Amortised Face Amounts and all other amounts in the nature of principal payable pursuant to Condition 7 or any amendment or supplement to it, (ii) "**interest**" shall be deemed to include all Interest Amounts and all other amounts payable pursuant to Condition 5 or any amendment or supplement to it and (iii) "**principal**" and/or "**interest**" shall be deemed to include any additional amounts that may be payable under this Condition.

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

9 Prescription

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

10 Events of Default

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

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

(b) **Breach of Other Obligations**: default by the Bank in the performance or observance of any one of its other obligations under or in respect of the Notes or the Agency Agreement and such default remains unremedied for 60 days following receipt by the Bank of written notice of such default (with a copy to the Fiscal Agent) from holders of an aggregate principal amount of not less than 10 per cent. of the Notes outstanding, to remedy such failure; or

(c) **Cross-Default**: failure by the Bank to make any payment when due of principal or interest in excess of US$50,000,000 (or its equivalent in any other currency or currencies) (whether upon maturity, acceleration or otherwise) on or in connection with Public External Indebtedness (other than that represented by the Notes) or guarantees given by the Bank in respect of Public External Indebtedness of others, and such failure by the Bank to make payment or to validly reschedule the payment (with the consent of the persons to which such Public External Indebtedness is owed) of such Public External Indebtedness continues for 30 days or more after the expiry of any applicable grace period following the date on which such payment became due; or

(d) **Insolvency**: the Bank is insolvent or bankrupt or unable to pay its debts, stops or suspends payment of all or a material part of its debts, proposes or makes any agreement for the deferral, rescheduling or other readjustment of all or a material part of its debts, proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any of such debts or a moratorium is agreed or declared in respect of or affecting all or a material part of the debts of the Bank; or

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

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

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

11 Meeting of Noteholders and Modifications

(a) **Calling of Meeting, Notice and Quorum**: The Issuer may call a meeting of holders of Notes at any time and from time to time to make, give or take any request, demand, authorisation, direction, notice, consent, waiver or other action provided by the Agency Agreement or the Notes to be made, given or taken by holders of the Notes or to modify, amend or supplement the terms and conditions of the Notes. Any such meeting shall be held at such time and at such place in Hong Kong as the Issuer shall determine and as shall be specified in a notice of such a meeting that shall be furnished to the holders of Notes at least 30 days and not more than 60 days prior to the date fixed for the meeting. In addition, the Fiscal Agent may at any time and from time to time call a meeting of holders of the Notes, for any such purpose, to be held at such time and at such place in Hong Kong as the Fiscal Agent shall determine, after consultation with the Issuer, and as shall be specified in a notice of such meeting that shall be furnished to holders of the Notes, at least 30 days and no more than 60 days prior to the date fixed for the meeting. In case at any time the holders of at least 15 per cent. in aggregate principal amount of the outstanding Notes shall have requested the Fiscal Agent to call a meeting of the Notes, for any such purpose as specified above, by written request setting forth in reasonable detail the action proposed to be taken at the meeting, the Fiscal Agent shall call such meeting for such purposes by giving notice thereof. Such notice shall be given at least 30 days and not more than 60 days prior to the meeting. Notice of every meeting of holders of Notes shall set forth the time and place of the meeting and in general terms the action proposed to be taken at such meeting. In the case of any meeting to be reconvened after adjournment for lack of a quorum, notice of such meeting shall be given not less than 10 nor more than 15 days prior to the date fixed for such meeting.

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

(b) **Voting and Consents**: If sanctioned by an Extraordinary Resolution, the Issuer and the Fiscal Agent may modify, amend or supplement the terms of the Notes in any way, and the holders of the Notes may make, take or give any request, demand, authorisation, direction, notice, consent, waiver (including waiver of future compliance or past default) or other action given or taken by holders of the Notes; provided, however, that the following matters ("**Reserved Matters**" and each, a "**Reserved Matter**") shall require (i) the affirmative vote, in person or by proxy thereunto duly authorised in writing, of the holders of not less than 75 per cent. of the aggregate principal amount of the Notes then outstanding represented at such meeting, or (ii) the written consent of the holders of not less than 75 per cent. of the aggregate principal amount of the Notes then outstanding: (A) change the due dates for the payment of principal of, or any instalment of interest on, or any other amount in respect of, the Notes; (B) reduce or cancel, or change the method of calculating, any amounts payable in respect of the Notes; (C) change the provision of the Notes describing circumstances in which the Notes may be declared due and payable prior to its stated maturity; (D) change the currency or places in which payment of interest or principal in respect of the Notes is payable; (E) change the quorum required at any Meeting or the majority required to pass an Extraordinary Resolution; (F) amend the definition of "Reserved Matters"; (G) permit early redemption of the Notes or, if early redemption is already permitted, set a redemption date earlier than the date previously specified or the redemption price; (H) reduce the above-stated percentage of the principal amount of outstanding Notes the vote or consent of the holders of which is necessary to modify, amend or supplement the terms and conditions of the Notes or to make, take or give any request, demand, authorisation, direction, notice, consent, waiver or other action provided hereby or thereby to be made, taken or given; (I) change the obligation of the Issuer to pay additional amounts as provided in Condition 8 (Taxation); or (J) change the status of the Notes as described in Condition 3 (Status). In these Conditions, "**Extraordinary Resolution**" means (a) in respect of a matter other than a Reserved Matter a resolution passed at a meeting of the Noteholders, duly convened and held in accordance with these Conditions, by a majority of not less than 66.67 per cent. of the aggregate principal amount of Notes then outstanding represented at such meeting; and (b) in respect of a Reserved Matter a resolution passed at a meeting of the Noteholders, duly convened and held in accordance with these Conditions, by a majority of not less than 75 per cent. of the aggregate principal amount of Notes then outstanding represented at such meeting.

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

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

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

(c) **Binding Nature of Amendments, Notices, Notations, etc.**: Any instrument given by or on behalf of any holder of a Note in connection with any consent to or vote for any such modification, amendment, supplement, request, demand, authorisation, direction, notice, consent, waiver or other action shall be irrevocable once given and shall be conclusive and binding on all subsequent holders of such Note or any Note issued directly or indirectly in exchange or substitution therefor or in lieu thereof. Any such modification, amendment, supplement, request, demand, authorisation, direction, notice, consent, waiver or other action taken, made or given in accordance with Condition 11(b) (Voting and Consents) hereof shall be conclusive and binding on all holders of Notes, whether or not they have given such consent or cast such vote or were present at any meeting, and whether or not notation of such modification, amendment, supplement, request, demand, authorisation, direction, notice, consent, waiver or other action is made upon the Notes. Notice of any modification or amendment of, supplement to, or request, demand, authorisation, direction, notice, consent, waiver or other action with respect to the Notes or the Agency Agreement (other than for purposes of curing any ambiguity or of curing, correcting or supplementing any defective provision hereof or thereof) shall be given to such holder of Notes affected thereby, in all cases as provided in the relevant Notes.

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

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

12 Replacement of Notes, Certificates, Coupons and Talons

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

13 Further Issues

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

14 Notices

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

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

So long as the Notes are represented by a Global Note or a Global Certificate and such Global Note or Global Certificate is held on behalf of (i) Euroclear or Clearstream, Luxembourg or any other clearing system (except as provided in (ii) below), notices to the holders of Notes of that Series may be given by delivery of the relevant notice to that clearing system for communication by it to entitled accountholders in substitution for publication as required by the Conditions or by delivery of the relevant notice to the holder of the Global Note or Global Certificate or (ii) the CMU Service, notices to the holders of Notes of that Series may be given by delivery of the relevant notice to the Persons shown in the CMU Instrument Position Report issued by the CMU on the second business day preceding the date of despatch of such notice as holding interests in the relevant Global Note or Global Certificate.

15 Governing Law and Jurisdiction

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

(b) **Arbitration**:

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

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

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

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

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

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

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

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

(i) the amended and restated dealer agreement dated October 26, 2016 between the Bank, the Hong Kong Branch and the arrangers and the dealers set out therein (as amended or supplemented as at the Issue Date);

(ii) the Agency Agreement; and

(iii) the Deed of Covenant.

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

(d) **Waiver of Immunity**: To the extent that the Bank, or if the Issuer is the Hong Kong Branch, each of the Bank and the Hong Kong Branch may in any jurisdiction claim for itself or its assets immunity from suit, execution, attachment (whether in aid of execution, before judgment or otherwise) or other legal process, and to the extent that in any such jurisdiction there may be attributed to the Bank, or if the Issuer is the Hong Kong Branch, each of the Bank and the Hong Kong Branch or its assets such immunity (whether or not claimed), the Bank, or if the Issuer is the Hong Kong Branch, each of the Bank and the Hong Kong Branch hereby irrevocably agrees not to claim and hereby irrevocably waives and will waive such immunity in the face of the courts (if required) to the full extent permitted by the laws of such jurisdiction.

16 Contracts (Rights of Third Parties) Act 1999

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

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

Risks Relating to Our Business

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

Our conversion from a government policy-oriented financial institution to a joint stock company with limited liability was completed on December 11, 2008. Subsequent to this reform, we remain a wholly state-owned bank and support the nation's major medium- and long-term economic development strategies by providing medium- and long-term credit facilities and investments and undertaking a significant amount of businesses of a policy, development and strategic nature. In March 2015, the State Council approved the Bank's reform deepening plan, affirming the position of the Bank as a development financial institution and the relevant policy support, and stressing the need to strengthen our role and function as a development financial institution to provide financing to national priorities, weak links in the economy and during critical periods. According to CBRC, the investment of financial institutions in the banking industry in our financial bonds (excluding subordinated bonds) shall be treated the same way as policy-oriented bonds, the risk weighting of which shall be at 0%. Although currently we enjoy support from the PRC government, we are subject to risk relating to future changes of the PRC government's banking regulatory policies, industrial policies and overseas investment policies.

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

Our loan portfolio consists substantially of project financing and loans for infrastructure, basic and pillar industries and basic finance and international cooperation, including loans to local and international government entities. As of December 31, 2015, medium- and long-term loans accounted for 95% of our total outstanding loan balance. Although some of our projects were, and may continue to be, recommended by either PRC central or local governmental agencies and we evaluate each project in accordance with our evaluation standards before we approve a loan, we cannot assure you, however, that the creditworthiness of our borrowers will not change over time or that there will be no default by our borrowers to meet their payment and other obligations. Most of our loans are secured by security interests in the borrowers' assets and/or guarantees from the borrowers' sponsors or affiliates. The value of such collateral, however, may significantly fluctuate or decline during any given period of time and the creditworthiness of the guarantors may also change over time as their risk profiles change due to changes in their operating environment as well as global or national macro-economic situation. As of December 31, 2015, approximately 64% and 13% of our loans were secured by collateral or by guarantees, respectively, with some of the loans secured by both. With respect to collateral, any decline in the value of such collateral could reduce the amount we may recover in respect of the underlying loans. In addition, the procedures in China for liquidating or otherwise realising the value of collateral may be protracted, and it may be difficult to enforce claims in respect of such collateral. With respect to guarantees, our exposure to the guarantors is generally unsecured. Any significant deterioration in the financial condition of the guarantors could significantly reduce our comfort level and the amount we may recover under the guarantees. In addition, our credit evaluation is also subject to periodic reviews. If the quality of our loan portfolio should deteriorate or we fail to realise the full value of the collateral or the guarantees securing our loans on a timely basis, our business, financial condition and results of operations may be adversely affected.

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

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

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

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

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

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

Our overseas business grows rapidly as our cooperation with foreign governments, enterprises and financial institutions continuously deepens and the scope of services provided by us in assisting Chinese enterprises to "Go Global" continuously expands. Although at present the impacts of the subprime crisis and the European sovereign debt crisis are fading, the global economy growth remains slow. Certain governments implemented loose monetary policies to stabilise economy. Meanwhile, the Federal Reserve started gradually ending its quantitative easing programme and the markets in emerging market countries experienced relatively high volatility. Such uncertainties and instability in the global economy may adversely affect our business, financial condition and results of operations.

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

Our results of operations depend to a significant extent on our net interest income. We operate our business predominantly in China under the interest rate regime regulated by the People's Bank of China, or PBOC. Historically, interest rates in China were highly regulated, which over the years have gradually become much more liberalised. Interest rates of Renminbi-denominated loans could float up and down based on PBOC benchmark rates. Renminbi-denominated deposits are subject to the benchmark rates and floating range set by the PBOC as maximum rates, but generally are not subject to minimum rates. Although it has been the practice in China for the interest rates of both interest-earning assets and interest-bearing liabilities to move in the same directions, there is no guarantee that PBOC will continue this practice in the future or that the move for both interest-earning assets and interest-bearing liabilities will be of the same magnitude or in different magnitude in favour of the commercial banks.

As of December 31, 2015, approximately 81% of our total loans and 96% of our total indebtedness (including debt securities, subordinated debts and borrowings from governments and other financial institutions) were denominated in Renminbi and the remaining were denominated in foreign currencies. Changes in currency exchange rates, interest rates or other market factors could have a material adverse effect on our financial condition and results of operations. We cannot predict the impact of future exchange rate fluctuations on our results of operations and may incur net foreign currency losses in the future.

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

Risks Relating to China's Economic and Social Developments

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

At present, PRC's economic and social development is generally stable with steady progress: the economy is operating in a reasonable range; price level in general is stable; changes in economic structure are positive; the comprehensive economic reforms are deepening and have made significant progress; and people's living standards are improving. PRC's economic development has entered a "new norm", and is shifting from high-speed growth to mid high speed growth. China is currently in a strategically important period with substantial scalability, potentials, resilience and flexibility. At the same time, the PRC economy faces many difficulties, including downward pressure on the economic growth and the growing prominence of some deep-rooted problems from past economic development.

We assisted in the implementation of the key medium- and long-term development strategies of China's economy through conducting finance business such as medium- and long-term lending and investment and carried out a large amount of policy-oriented and development businesses. Our businesses cover four major sectors, including the "Two Fundamental-One-Pillar" (namely, infrastructure, basic industries and pillar industries) sector, the consumer financing sector, the international cooperation sector and the integrated business sector. In 2015, we continued to concentrate on the industries of electric power, road construction, railway, petroleum and petrochemical, coal, postal and telecommunications, agriculture, forestry, water facilities and public infrastructure, supporting projects such as modern urbanisation and shantytown redevelopment. Loans denominated in Renminbi we extended for the year ended December 31, 2015 increased by RMB889.2 billion compared to the year ended December 31, 2014. In the meantime, we have continued to focus on improving our risk management standards through promoting a comprehensive risk management system, improving our risk assessment methodology and procedure and enhancing the dynamic management of assets quality and our risk responsibility system. As at December 31, 2015, with a total asset of over RMB12,000 billion and a non-performing loan ratio of less than 1% which we had maintained for 43 consecutive quarters, we were one of the leading development financial institutions in the world.

If the PRC economy and social development or the industries in which our loans are concentrated experience any significant downturn, or the national macro-control policies, industry policies and financial regulatory policies are materially adjusted, our business, financial condition and results of operations could be adversely affected.

Risks Relating to the Notes

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

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

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

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

The Notes may not be a suitable investment for all investors

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

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

(ii) custodians or intermediaries with care (to ensure each is compliant with FATCA or other laws or its particular financial situation, an investment in the Notes and the impact such investment will have on its overall investment portfolio;

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

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

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

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

The trading market for the Notes is expected to be limited

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

The PRC government does not guarantee the Notes

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

Risks relating to the structure of a particular issue of Notes

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

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

Unless in the case of any particular Tranche of Notes the relevant Pricing Supplement specifies otherwise, in the event that the relevant Issuer would be obligated to increase the amounts payable in respect of any Notes due to any withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of Hong Kong, or any political subdivision thereof or any authority therein or thereof having power to tax, such Issuer may redeem all outstanding Notes in accordance with the Conditions.

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

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

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

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

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

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

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

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

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

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

Risks Relating to Renminbi-denominated Notes ("RMB Notes")

Your investment in RMB Notes is subject to exchange rate risks

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

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

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

However, remittance of Renminbi by foreign investors into the PRC for the purposes of capital account items, such as capital contributions, is generally only permitted upon obtaining specific approvals from, or completing specific registrations or filings with, the relevant authorities on a case-by-case basis and is subject to a strict monitoring system. Regulations in the PRC on the remittance of Renminbi into the PRC for settlement of capital account items are developing gradually.

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

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

As the above measures and circulars are relatively new circulars, they will be subject to interpretation and application by the relevant authorities in the PRC.

There is no assurance that the PRC government will continue to gradually liberalise control over cross-border remittance of Renminbi in the future, that the pilot scheme for Renminbi cross-border utilisation will not be discontinued or that new regulations in 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. In the event that funds cannot be repatriated outside 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 Notes.

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

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

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. The Renminbi Clearing Banks only have 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 obligated to square for participating banks any open positions resulting from other foreign exchange transactions or conversion services. In such cases, the participating banks will need to source Renminbi from outside 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 establishment of Renminbi clearing and settlement mechanisms outside the PRC 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 Notes. To the extent the Bank is required to source Renminbi in the offshore market to service its Notes, there is no assurance that the Bank will be able to source such Renminbi on satisfactory terms, if at all.

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

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

CAPITALISATION

The following table sets forth our capitalisation as of December 31, 2015, prepared in accordance with IFRS, and should be read in conjunction with our audited consolidated financial statements and related notes included in this Offering Circular:

	December 31, 2015
	(in millions of RMB)
Long-term Debt[1]:	
Bonds issued	6,328,811
Other debts[2]	1,280,199
Total long-term debt	7,609,010
Capital Accounts:	
Share capital	421,248
Capital reserves	168,969
Investment revaluation reserve	15,427
Surplus reserve	80,404
General reserve	147,064
Retained earnings	230,569
Currency translation differences	(10)
No-controlling interest	5,933
Total equity	1,069,604
Total capitalisation[3]	8,678,614

Notes:

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

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

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

There has been no material adverse change in our capitalisation since December 31, 2015.

USE OF PROCEEDS

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

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

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

Overview

China Development Bank Corporation is a development financial institution which is wholly owned by the PRC government and reports directly to the State Council. We were established on March 17, 1994 pursuant to the Special Decree. On December 11, 2008, in accordance with the deployment of the State Council, we were converted into a joint stock company with limited liability pursuant to the PRC Company Law and other applicable laws and regulations. In March 2015, the State Council approved the Bank's reform deepening plan, affirming the position of the Bank as a development financial institution and the relevant policy support, and stressing the need to strengthen our role and function as a development financial institution to provide financing to national priorities, weak links in the economy and during critical periods. We are currently wholly owned, directly or indirectly, by the PRC government, with MOF, Huijin, Buttonwood and National Council for Social Security Fund holding 36.54%, 34.68%, 27.19% and 1.59%, respectively, of our issued share capital. According to CBRC, the investment of financial institutions in the banking industry in our financial bonds (excluding subordinated bonds) shall be treated the same way as policy-oriented bonds, the risk weighting of which shall be at 0%.

We are headquartered in Beijing, China and currently have CDB Housing Finance business unit, Poverty Relief Program Finance business unit and 38 tier-one branch offices in China (including one in Hong Kong SAR) and six representative offices in Cairo, Moscow, Rio de Janeiro, Caracas, London and Vientiane (established in September 2016). Our major subsidiaries include CDB Capital, CDB Securities, CDB Leasing, China-Africa Development Fund, CDB Development Fund and 15 village banks. Our place of business in China is No. 18 Fuxingmennei Street, Xicheng District, Beijing, People's Republic of China and our place of business in Hong Kong SAR is located at Suite 3307–3315, One International Finance Center, No. 1 Harbour View Street, Central, Hong Kong.

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

- deposit taking from corporate customers;
- making short-, medium- and long-term loans;
- domestic and international settlement;
- acceptance and discount of negotiable instruments;
- issuance of financial bonds;
- acting as agent for the issuance, repayment and underwriting of government bonds;
- trading in government bonds and financial bonds;
- interbank borrowing and lending;
- sale and purchase of foreign exchange on our own account or for customers;
- letter of credit-related business and issuance of guarantees;
- collection and payment agent and bancassurance business;

- safety deposit box service; and
- other businesses authorised by the banking regulatory body under the State Council.

As of December 31, 2015, our total assets amounted to RMB12,619.0 billion, representing an increase of 22.32% from December 31, 2014, and our net loans and advances grew by RMB1,196 billion, representing an increase of 15.59% from December 31, 2014. Our results of operations depend to a significant extent on our net interest income. For each of the two years ended December 31, 2014 and 2015, our net annual interest income was RMB178.7 billion and RMB158.4 billion, respectively.

We calculate our capital adequacy ratio in accordance with the Capital Rules for Commercial Banks (Provisional) (商業銀行資本管理辦法(試行)) promulgated by CBRC. As of December 31, 2015, our capital adequacy ratio was 10.81 %.

Strategies

Supporting "Two-Fundamental-One-Pillar" key sectors.

We focus our resources in supporting areas of national priorities and weak links in the economy; facilitating the construction of railway, roadway, track traffic and other infrastructure; promoting the harmonious development among China's main function areas, urban agglomeration, large, medium and small cities as well as towns and villages; supporting the strategic restructuring of China's economy and the development of central and western China as well as old industrial bases of northeast China; promoting the integration of industrial parks and cities, the construction of industrial parks and the development of logistics, information service, emerging strategic and energy saving and environmental friendly sectors, in order to lay a solid foundation for and contribute to a long-term, steady and rapid economic growth.

Improving areas relating to basic people's livelihood.

We endeavour to provide financial services to benefit all people. We offer solutions such as using wholesale loans to resolve ordinary families' financing difficulties, and facilitate the development of areas such as redevelopment of shantytowns, poverty alleviation, education, new rural construction and small- and micro-enterprises.

Assisting in China's "Go Global" strategy.

On the basis of mutual benefit, we explore various market-oriented approaches to further international cooperative business and actively participate in the "One Belt, One Road" strategic plan. We have been successfully involved in a number of high-profile projects which supported overseas expansion activities of Chinese enterprises and deepened multilateral financial cooperation.

Competitive Strengths

A development financial institution wholly owned by the PRC central government and relying on state credit to raise medium- and long-term funds

We are a development financial institution which is wholly owned by the PRC government. As a wholesale bank with expertise in medium- and long-term bond offerings, we play a significant role in medium- and long-term financing for infrastructure development, basic industries and pillar industries in China. In March 2015, the State Council approved the Bank's reform deepening plan, affirming the position of the Bank as a development financial institution and the relevant policy support and stressing the need to strengthen our role and function as a development financial institution to provide financing to national priorities, weak links in the economy and during critical periods. According to CBRC, the investment of financial institutions in the banking industry in our financial bonds (excluding subordinated bonds) shall be treated the same way as policy-oriented bonds, the risk weighting of which shall be at 0%. Our foreign currency credit rating remains the same as the sovereign credit rating for China.

Strategically positioned in the PRC national economy with quality customer base, well-regarded brand name and solid financial partners

Through our commitment to and years of experience in financing various projects to support infrastructure development, basic industries, pillar industries, hi-tech industry and national key projects in China, we have maintained and consolidated our leading position in medium- and long-term investment and financing in China. We supported a large number of national key projects, including the three gorges project, projects for diverting water from the country's south to the north, projects for transmission of natural gas from the country's west to the east, railway links between Beijing and Kowloon, high-speed railway links between Beijing and Shanghai, Shougang Corporation's relocation, Beijing Olympic stadiums, infrastructure for Shanghai World Expo, national oil reserves and coal base facilities. Our loan operations mainly involve industries such as electric power, road construction, railway, petroleum and petrochemical, coal, postal and telecommunications, agriculture, forestry, water facilities and public infrastructure.

In 2015, we provided strong support to the state's macro-economic policies by leveraging our strengths in development finance and medium- and long-term investments to promote stable economic growth, structural adjustments, innovation and the people's well-being and to provide support to areas of national priorities and weak links in the economy, and effectively promoted a sustainable and healthy development of the national economy and all-round social progress. In 2015, we granted loans of RMB212.2 billion for poverty relief. To better serve the state's macroeconomic policies, in 2016 we established the Poverty Relief Program Finance as a business unit to support poverty alleviation. We supported the comprehensive pilot scheme of new urbanization, established policy funds such as the integrated circuit industry fund; issued RMB101.3 billion of asset-backed securities to promote structural adjustments; and granted loans of RMB121.6 billion to railway projects and loans of RMB79.7 billion to water conservancy projects. We participated in strategic plans such as the "One Belt, One Road" plan. We have increased our support for economic activities that improve people's livelihoods such as small- and micro-enterprises and education. We progressed steadily with our international business and issued over US$100 billion foreign currency loans for the year ended December 31, 2014. We are strategically positioned in the national economy of China and endowed with a quality customer base. We have built long-term relationships with customers or partners of high caliber, including China Railway Corporation, China National Petroleum, China Unicom, China Three Gorges Project Corporation and Huawei. We will continue to benefit from our strategic position in the national economy, our quality customer base and long-term customer relationships.

The largest bond house amongst Chinese banks, a major player in the PRC debt capital market and a leader in financial innovation

We are currently the largest bond house (excluding central bank bills) amongst Chinese banks with the most comprehensive bond offerings, and the terms of the bonds issued by us range from three months to 50 years. According to CBRC, the investment of financial institutions in the banking industry in our financial bonds (excluding subordinated bonds) shall be treated the same way as policy-oriented bonds, the risk weighting of which shall be at 0%. In 2015, we issued RMB denominated bonds in China with an aggregate principal amount of RMB1.13 trillion on a market oriented basis and our outstanding bonds as at December 31, 2015 exceeded RMB7.23 trillion which accounted for approximately 15% of the total outstanding bonds in the PRC interbank market according to the data published by Chinabond. In 2015, we issued US$1 billion bonds and EUR500 million bonds outside of the PRC which were listed on the London Stock Exchange's Professional Services Market. In January 2016, we further issued US$1 billion bonds and EUR1 billion bonds outside of the PRC which were listed on the London Stock Exchange's Professional Services Market.

We have combined the functions of bond offering, underwriting, investment and trading, and are one of the most influential bond houses with the most comprehensive functions. As a major player in the PRC bond market and a leader in financial innovation, we were the first to issue financial bonds with a term up to 50 years, the first to engage in Renminbi interest rate swaps, the first to issue Renminbi asset-backed securities, the first to issue OTC financial bonds through commercial banks, the first to publicly offer U.S. dollar-denominated bonds in China, the first to issue Renminbi-denominated bonds in Hong Kong SAR and the first to issue SHIBOR based floating rate bonds in Hong Kong SAR. We were also the first to concurrently adopt the book-building and the CMU Service bidding approaches in Renminbi-denominated bonds in Hong Kong SAR.

Sound risk management and quality assets

In 2004, we established a risk management board of governors as our highest risk management authority in charge of the overall planning and decision making, and comprehensive management of all types of risks throughout our bank. Since 2007, we have moved our focus on risk management from credit risk management to overall risk management, and have achieved substantial improvement in identifying, measuring, monitoring and reporting risks relating to loans, fund transactions and other investing activities. In 2009, we further improved our overall risk management organization structure covering all the business sectors and risks types of our head office and branches. We established a sound corporate governance structure consisting of the shareholders' meeting, the board of directors, the board of supervisors and the senior management. We achieved the integration of credit risk management, market risk management, operational risk management and compliance risk management. At the same time, we enhanced our comprehensive risk management reporting system. The system supports the analysis of information collected from our five major business areas, namely investment, lending, bonds, leasing and securities, and from our head office and all departments and branches. We also formulated a centralised risk management process and successfully undertook multi-dimensional overall risk assessments of our operations continuously over several prescribed periods. We streamline the organization structure and responsibilities of the headquarters and branches in relation to compliance and risk management according to CBRC's Guidelines for Risk Management Compliance of Commercial Banks. Integrating the regulatory requirements and our practical situation, we continued to enhance our internal control management, implemented internal control measures and established a sound internal control system and mechanism. We continued to operate our businesses in compliance with applicable laws and regulations, and strictly control related risks. We conducted research on compliance risk management frameworks, and established relevant rules, regulations and procedures, and carried out verifications tasks in relation to the compliance of internal regulations. We successfully established a regulatory interview mechanism between CBRC and us, and have actively conducted related-party transaction management.

Owing to our sound risk management system, our ratio of non-performing loans remained relatively low among the PRC banking industry in 2015, and has been kept at a level below 1% for 43 consecutive quarters as of December 31, 2015. We also made provisions for non-performing loans strictly in accordance with national accounting standards, which reflected our prudent risk management.

Reasonable and steady profitability and efficient operation management

We have maintained steady and strong profitability since 1998, and have engaged international accounting firms to conduct external auditing since 2000. Our loan volume has maintained a good momentum for growth and our return on assets, or ROA, and return on equity, or ROE, remained steady. In 2015, we continued to improve the quality of our asset and liability composition, rationally managed our risk levels, strengthened our operational synergies and steadily increased our profitability. Compared to 2014, our net profit increased by 6.33% in 2015 while our return on assets was 0.91% and our return on shareholders' equity was 11.93% (including minority interests). Owing to our streamlined corporate structure and competent staff as well as our efficient operations management, our cost to income ratio has been significantly lower than that of other major commercial banks in the PRC.

Experienced management team and well-trained workforce

Our senior management team has extensive experience in the banking and financial service industry, with an average of over 25 years of industry experience. All our directors are senior professionals in the banking industry. We also have an international advisory council consisting of 13 members who are distinguished members from political, financial and academic circles around the world. Approximately 67.0% of our staff have received master's or higher degrees.

Loan Operations

Our principal financing activity is the provision of long- and medium-term loans for large- and medium-size projects involving infrastructure, basic industries and pillar industries, including railway and road transportation, power generation, coal, telecommunication, petrochemical and chemical industries and urban public facilities. We also provide financings for projects involving urbanisation, and development of small- and medium-size enterprises, as well as projects in the agriculture, education, health care and environmental protection sectors. In 2014 we established CDB Housing Finance as a business unit to increase loans for shantytown redevelopment projects, which is in line with our initiative to support the state's macro-economic policies. We seek to expand our customer base and continue to build on our relationships with many industry leaders and the public sector.

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

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

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

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

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

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

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

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

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

Outstanding Loans by Currencies[(1)]

	December 31,	
	2014	**2015**
	(in millions of RMB)	
Renminbi	6,107,192	7,190,454
Foreign Currencies	1,562,159	1,674,906
Total Loans	7,669,351	8,865,360

Note:

(1) After deduction of allowance for impaired loans.

As of December 31, 2015, our total outstanding loans in foreign currencies (after deduction of allowance for impaired loans) were equivalent to RMB1,674.9 billion, which consisted of outstanding loans in U.S. dollar equivalent to approximately RMB1,555.2 billion and outstanding loans in other foreign currencies equivalent to approximately RMB119.7 billion.

As of December 31, 2015, the total outstanding amount of our 10 largest borrowers was RMB727.0 billion, representing 8.17% of the total outstanding loans. In future periods, we may provide loans that increase our overall credit exposure, as well as the concentration of such credit exposure relating to particular customers, industry sectors or geographic regions.

The geographic concentration of our loan portfolio (after deduction of allowance for impaired loans) as of December 31, 2015 was as follows:

- RMB3,465.8 billion, or 39%, in the eastern China region, covering Beijing, Liaoning, Hebei, Tianjin, Shandong, Shanghai, Jiangsu, Zhejiang, Fujian, Guangdong, Hainan, Dalian, Shenzhen, Qingdao, Ningbo, Suzhou and Xiamen;

- RMB1,754.1 billion, or 20%, in the central China region, covering Jilin, Heilongjiang, Shanxi, Henan, Hubei, Anhui, Hunan and Jiangxi;

- RMB2,387.4 billion, or 27%, in the western China region, including Xinjiang, Tibet, Gansu, Qinghai, Ningxia, Inner Mongolia, Shaanxi, Sichuan, Chongqing, Guizhou, Yunnan and Guangxi; and

- RMB1,258.1 billion, or 14%, in the area outside Mainland China, covering Hong Kong SAR and other areas.

We also provide to our borrowers short-term construction project loans, working capital loans and off-balance sheet financing. The maturity of the short-term construction project loans does not generally exceed one year. These short-term loans are mainly granted to infrastructure development projects, basic industry projects and pillar industry construction projects. Generally, these short-term loans are part of our overall financing commitments to these projects for the purpose of bridging the gap between the actual project commencement date and the availability date of long-term financing that we have committed. As of December 31, 2015, we granted an aggregate of the equivalent of RMB754.4 billion short-term loans in Renminbi and foreign currencies to various infrastructure development projects, basic industry projects and pillar industry construction projects, of which RMB497.5 billion were Renminbi loans.

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

Breakdown of Outstanding Renminbi and Foreign Currency Loans by Industrial Sector[(1)]

	December 31,			
	2014		2015	
	Amounts	% of Total	Amounts	% of Total
	(in millions of RMB, except for percentages)			
Road transportation	1,420,991	18	1,619,146	18
Shantytown renovation	636,246	8	1,308,614	14
Water conservation, environmental protection and public utilities	1,070,620	13	990,194	11
Electric power, heating and water production and supply	879,700	11	938,005	10
Railway transportation	621,146	8	759,936	8
Petroleum, petrochemical and chemical industry	601,402	8	683,049	7
Manufacturing industry	585,697	7	578,420	6
Mining industry	386,399	5	418,992	5
Urban public transportation	261,167	3	325,317	4
Other transportation	206,463	3	211,016	2
Finance	149,832	2	154,899	2
Education	109,953	1	107,531	1
Telecommunication and other information transmission service	81,376	1	96,270	1
Others[(2)]	930,650	12	1,015,560	11
Total	7,941,642	100	9,206,949	100

Notes:

(1) Including loans provided by our subsidiaries and associate companies.

(2) Including Renminbi and foreign currency loans to paper and pulp, air transportation, computer software and other miscellaneous industrial segments.

For the year ended December 31, 2015, we issued foreign currency loans in the aggregate principal amount of US$123.1 billion. Our foreign currency loans had an aggregate principal amount of US$276.0 billion outstanding as of December 31, 2015.

Our loans to finance overseas investments are focused on investments in infrastructure construction and energy exploration. We also provide short-term loans in foreign currencies to PRC enterprises that undertake projects of national or regional importance. The original maturities of such short-term loans usually do not exceed one year.

Fund Management

As the earliest and largest institution in private equity fund investment and management in China in terms of the number and the total size of the funds which it manages, CDB Capital has supported the healthy and rapid development of the equity investment sector in China. CDB Capital has one of the most influential and best reputed fund investment management brands in China. With many years' practice experience in the investment management of various kinds of funds, CDB Capital has cultivated a professional team for parent funds in China and established sound and industry-leading investment evaluation, post-investment management and risk control systems. The fund management businesses of CDB Capital mainly include bilateral and multilateral cooperation funds and parent funds.

Underwriting Debt Securities

We underwrite debt securities, including corporate bonds, short-term financing bonds, medium-term notes and commercial bank bonds in China. We are qualified to underwrite corporate bonds, short-term financing bonds and medium-term notes, and are the only bank in China qualified to underwrite all three types of these securities. In 2015, our debt underwriting business made steady progress. We underwrote 431 bond issues, representing RMB759.65 billion in volume. In 2015, we acted as the lead underwriter for local government bonds of RMB682.1 billion, and invested RMB153.7 billion in local government bonds. We led the successful follow-up issuance of RMB30 billion bonds issued by Huijin and was the lead underwriter for the first medium-term affordable housing notes in China based on a combination of bonds and loans, and issued the first batch of floating-rate medium-term notes using the yield of our bonds as benchmark rates. We were actively involved in the panda bonds issuances by the Republic of Korea and Standard Chartered Bank (Hong Kong) Limited, supported the improvement of market mechanisms for panda bond issuances, and promoted the opening up of the domestic bond market.

Treasury Businesses

We steadily developed our treasury businesses, and obtained the qualifications of inter-bank bond market maker and primary dealer for open market operations in the PRC. We also acted as primary market maker for spot, forward and swap transactions within the PRC, providing daily uninterrupted quotes for major transaction products. In 2015 our treasury trading volume reached approximately RMB101 trillion. We maintained the top 10 position in the spot trading business for several consecutive years and remained a front-runner in interest rate swap business in terms of trading volume. By the end of 2015, we have been awarded the first place among "Top 100 Dealers of the Interbank RMB Trading" by the National Interbank Funding Center for six consecutive years.

Derivatives Transactions

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

International Cooperation and Other Activities

International cooperation. In 2015, in light of the new conditions of China's opening-up, we expanded our collaborations with foreign governments, enterprises and financial institutions, in the key areas such as infrastructure, manufacturing, finance, agriculture, consumer products and energy, on the basis of reciprocity, cooperation and win-win principle. We proactively served the "One Belt, One Road" initiative and promoted key projects to assist railway and nuclear power enterprises to "Go Global". We participated in the establishment of the Silk Road Fund and cooperated in the establishment of Asian Infrastructure Investment Bank. We also expanded our multilateral financial cooperation under the Interbank Consortium of the Shanghai Cooperation Organisation, China-ASEAN Inter-Bank Association, and the BRICS Inter-bank Cooperation Mechanism. We further took advantage of the China-Africa Development Fund and China-Portuguese Fund as foreign investment platforms. We continued supporting Chinese enterprises to "Go Global" and the internationalization of Renminbi. We improved our risk control system and our assets quality was maintained at a stable level. At the end of 2015, we had outstanding foreign currency loans of US$276.0 billion, and an offshore Renminbi-denominated loan balance of RMB69.0 billion. With such large-scale lending in place, we maintained our status as a global pillar of investment and financing.

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

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

Asset-backed securities. We are the first domestic financial institution to successfully issue asset-backed securities. Since the executive meeting of the State Council which decided to expand the credit asset securitization pilot programme in 2013, we had issued 11 securitization products with an aggregate amount of RMB101.3 billion.

Liquidity management. We also conduct interbank lending and borrowing, and other short-term investments to cover our liquidity requirements.

Risk Management

We are a financial institution which introduced a comprehensive risk management system relatively early in China. As early as 2004, we established a risk management board of governors as our highest risk management authority in charge of the overall planning and decision making, and comprehensive management of all the types of risks throughout our bank. Since 2007, we have moved our focus on the risk management from credit risk management to overall risk management, undertaking overall identification, measurement, monitoring and reporting of the credit risk, market risk and operational risk we would be exposed to when granting loans and conducting fund transactions and other investment activities. In 2009, we further improved our overall risk management structure covering all the business sectors and risk types of our head office and branches. We established a sound corporate governance structure consisting of the shareholders' meeting, the board of directors, the board of supervisors and the senior management. We also established an effective risk management structure for modern banks, and achieved the integration of credit risk management, market risk management, operational risk management and compliance risk management.

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

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

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

We have established and continue to improve the overall risk management reporting system covering all the business sectors and risk types throughout the whole business procedure. The system supports the analysis of information collected from our five major business areas, namely investment, lending, bonds, leasing and securities and from our head office and all departments and branches. We have also undertaken multi-dimensional overall risk assessments of our operations continuously over several prescribed periods and reported to the shareholders meeting, the board of directors, the board of supervisors, the senior management, the relevant special committees and other related parties, realising the good interaction between the business development and the risk management. At the same time, we have paid high attention to the management of compliance and internal control. Pursuant to the requirement under the Guidelines for the Internal Control of Commercial Banks and the Guidelines for Risk Management Compliance of Commercial Banks issued by CBRC, we carried out relevant work on internal control, compliance risk management frameworks, and carried out verifications tasks in relation to the compliance of internal regulations. We successfully established a regulatory interview mechanism between CBRC and us, and have actively conducted related-party transaction management.

Our non-performing loan ratio continued to be relatively low among the PRC banking industry in 2015. As of December 31, 2015, our total non-performing loans were RMB74.33 billion and non-performing loan ratio was 0.81%. The non-performing loan ratio has remained at less than 1% for 43 consecutive quarters as of December 31, 2015.

Credit Risk

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

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

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

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

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

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

In 2015, we continued to optimise and adjust credit structure by carrying out works in various aspects, including model development and management, internal credit rating system construction, risk evaluation and monitoring, and IT system construction. We improved our credit rating standards, and achieved better management of credit risk. We conducted uniform scenario stress tests for the whole bank and specific stress tests for high risk areas to prevent system risk. We promoted the construction of the credit rating system, and improved the measurement and application of RAROC calculation model, so as to provide better and more comprehensive references for business decision making and further improve the quality of credit risk reviews at the margins. We also enhanced asset quality classification management and strengthened the risk management of clients with large exposures or high risks, and took measures such as credit analysis and risk alerts for key client groups. We have established a sound risk monitoring, evaluation and report framework, to strictly control credit risk in all respects.

Market Risk

We define market risk as the risk of loss caused by changes in interest rates, foreign exchange rates and security or commodity prices. The market risks we face mainly include risks relating to interest rate risks and foreign exchange risks within our banking and trading books, and liquidity risk arising from both our on- and off-balance sheet assets. In 2014, we enhanced our market monitoring and research, and improved financial market risk analysis frameworks and daily control of market risk on the Value-at-Risk ("**VaR**") and sensitivity basis. By adopting various measures to minor interest rate and foreign exchange risks, we improved the risk management procedure and management system concerning our treasury business.

Interest rate risk is the risk of loss arising from changes in the level of interest rates or changes in the shape of yield curves that could adversely affect our financial instruments or our future earnings. The interest rate risk that we are exposed to is primarily assessed from both interest and market value using methods such as interest rate repricing gap analysis, duration gap analysis, net interest and market value sensitivity ratios and is gradually mitigated through issue of debts and interest rate swaps. Interest rate risk that transaction accounts are exposed to is primarily managed and controlled using methods such as limits on interest rate levels, VaR limits, sensitivity analysis, mark-to-market and gain and loss analysis. We actively responded to the increased competition arising out of interest rate deregulation and improved our internal interest rate pricing management, which in turn improved our risk pricing and overall pricing capabilities.

Foreign exchange risk is the risk of loss in our overall revenue and economic value arising from the fluctuation of exchange rates and global interest rates. We manage our foreign currency risk primarily by analysing the impact of change in the exchange rate on our operations through foreign exchange exposure and foreign exchange sensitivity, Earnings at Risk ("**EaR**") and VaR, as well as actively adjusting asset and liability currency structure and using hedging tools.

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

Operational Risk

Operational risk is the risk of loss arising from failed internal control process on systems, people and IT system and/or external events. In 2015, our operational risk management work was carried out in a steady and systematic manner. We enhanced the operational risk control and the overall integration between our centralised operational risk management and business control. We organized evaluations of our operational risk management capabilities and self-assessment of contingency planning, focused on the improvement of each weak link in the management system and mechanism and maintained our operational risk at a relatively low level.

Compliance Risk

Compliance risk is the risk of significant financial loss and reputational loss arising from legal or regulatory penalties due to our failure to comply with laws, regulations and rules. In 2015, we continued to improve our compliance and internal control systems and also positively collaborated with regulatory authorities in investigation and rectification. We cooperated with regulatory authorities in the on-the-spot inspection of our overseas lending portfolio and improved communication with regulators, internal compliance review, control of the anti-money laundering activities and related party transactions to prevent and control compliance risk in all respects.

Loan Evaluation and Monitoring

Credit risk is one of the most significant risks faced by any bank. We have set up a credit management system that separates the function of evaluation from that of approval with respect to our lending activity, with a "firewall" erected in between and different scopes of authorisation. The loan committees at the head office level and at the branch level each constitute the highest credit evaluation organization within the authority of their respective levels. The head office loan committee consists of a senior management officer as rotating chairman, the credit review controller as vice-chairman, and standing committee members which include the heads of the treasury department, the legal department and the risk management department of the head office as well as full-time committee members (four of which are selected to attend each meeting by random selection). The head office loan committee reports to the rotating chairman of the committee, our president and our chairman of the board.

At present, our three head office credit appraisal departments, organised along industry lines, and our domestic and overseas branches are each responsible for appraising cases within their respective scope of authority. The credit appraisal activities of the head office are led by the appraisal administration department for further review for compliance, which in accordance with our internal regulations will consult with 11 to 15 independent appraisal committee members drawn at random (the independent appraisal committee being composed of 180 independent members within the bank and 95 external independent experts which include accountants, lawyers and industry specialists), the head office departments for determining risk limits (treasury department, risk management department and legal department) and independent risk assessment departments (which, depending on the industry and the type of activities, may include the three head office credit appraisal departments, the international finance department, the international business operation department, the credit administration department, the market and investment department, the operational center, etc.), consolidate the views of the above, and report and make recommendations to the head office loan committee, which will make the final decision.

Our credit administration department, international finance department and housing finance portfolio management department are in charge of bank-wide post-lending risk management of Renminbi, foreign currency and RMB shantytown renovation loans, respectively, and report to the credit risk management committee with respect to the initial review of the asset quality of each credit and the relevant project. Day-to-day administration of our lending activities and the monitoring of our loan portfolios are performed by our 41 local branches and six representative offices organised along geographical lines covering the entire nation. Our branches and representative offices continuously monitor and periodically review the quality of credit assets and the credit of all our borrowers and promptly and independently report their findings to the credit administration department, the international finance department and the housing finance portfolio management department. Our branches and representative offices are subject to audit review by our audit department.

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

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

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

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

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

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

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

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

Loan Quality

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

	December 31,	
	2014	2015
	(in billions of RMB, except for percentages)	
NPLs Amount	51.56	74.33
NPLs Ratio	0.65%	0.81%

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

Impaired Loans and Loan Loss Provision

Investment. We treat our non-performing loans in accordance with the relevant PRC laws and regulations for regulatory reporting purposes in China. We treat our impaired loans in accordance with the IFRS for the purpose of our annual reports to the public.

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

Treatment Under IFRS. In accordance with International Accounting Standard No. 39, we make provisions for impairment in our loan portfolio. We first assess financial assets which are individually significant by conducting individual impairment tests; and then we evaluate individually those financial assets which are not individually significant or include such financial assets in a group of loans with similar credit risk characteristics and collectively assess them for impairment. If no impairment was discovered for an individually assessed loan, whether significant or not, we include the loan in a group of loans with similar credit risk characteristics and collectively assess them for impairment. Loans that are individually assessed for impairment are not included in a collective assessment of impairment. If objective evidence of impairment exists for a loan, the amount of the 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 loan's original effective interest rate. Future cash flows in a group of loans that are collectively evaluated for impairment are estimated on the basis of the historical loss data for loans with credit risk characteristics similar to such a group of loans. For more information on our international financial reporting treatment and provision with respect to our impaired loans, see our accompanying financial statements beginning on page F-2 in this Offering Circular.

As of December 31, 2014 and 2015, we had a total provision for impaired loans of RMB272.3 billion and RMB341.6 billion, respectively. We believe that our provisions are sufficient to cover our impaired loans based on our current judgment of our loan portfolio performance.

Sources of Funds

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

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

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

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

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

Sources of Funds for Renminbi Loans

	Year Ended December 31,	
	2014	**2015**
	(in millions of RMB)	
Renminbi-denominated bonds	1,194,542	1,634,635
Capital contributions by shareholders	—	—
Net increase in borrowings and deposits	1,405,375	676,435
Total	2,599,917	2,311,070

We issue our Renminbi-denominated bonds (including debt securities and subordinated debts) in the domestic bond market. Our Renminbi-denominated bonds cover a wide range of maturities from three months to 50 years. As of December 31, 2015, an aggregate principal amount of RMB7,249.2 billion of Renminbi denominated bonds was outstanding.

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

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

The following table sets forth the amounts of foreign currency funds that we obtained from each of our principal sources of funding during the periods indicated:

Sources of Funds for Foreign Currency Loans

	Year Ended December 31,	
	2014	2015
	(in millions of US$)	
Issuance of foreign currency bonds and borrowings	2,271	3,572
Capital contribution by shareholders	—	48,000
Net increase/(decrease) in deposits	4,039	14,903
Total	6,310	66,475

Debt Repayment Record

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

Subsidiaries, Branches and Representative Offices

Our major subsidiaries are CDB Capital, CDB Securities, CDB Leasing, China-Africa Development Fund, CDB Development Fund and 15 village banks.

At present, we have CDB Housing Finance business unit, Poverty Relief Program Finance business unit and 38 tier-one branch offices in Beijing, Tianjin, Hebei, Shanxi, Inner Mongolia, Liaoning, Dalian, Jilin, Heilongjiang, Shanghai, Jiangsu, Suzhou, Zhejiang, Ningbo, Anhui, Fujian, Jiangxi, Shandong, Qingdao, Henan, Hubei, Hunan, Guangdong, Shenzhen, Guangxi, Hainan, Chongqing, Sichuan, Guizhou, Yunnan, Shaanxi, Gansu, Xinjiang, Qinghai, Ningxia, Xiamen, Tibet and Hong Kong SAR. We also have representative offices in Cairo, Moscow, Rio de Janeiro, Caracas, London and Vientiane. These local branch offices and representative offices, located near various project sites, enhance our ability to implement our credit management policies nationwide and monitor the projects. We staff our branch offices and representative offices with experts to support their operations.

Employees

As of December 31, 2015, we had 8,838 full-time employees.

Properties

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

DESCRIPTION OF THE HONG KONG BRANCH

Background

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

Business Activities

The Bank is a licensed bank (Licence No. B296) in Hong Kong and is regulated by the HKMA. The Bank operates its principal business in Hong Kong through its Hong Kong Branch, whose registered office is at 33/F, One International Finance Centre, Central, Hong Kong. The core business strategy of the Hong Kong Branch is to develop and expand corporate banking services for the Bank's China-based clients and their overseas subsidiaries. As of December 31, 2015, the Hong Kong Branch had 152 employees.

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

- multi-currency denominated lending services, including term loans, syndicated loans, commercial lending and mortgage lending;
- issuance of guarantees, standby guarantees and counter-indemnities; trade finance, including issuing letters of credit, shipping guarantees, trust receipts and inward collections, advising and confirming letters of credit, negotiation of letters of credit, outward collections, bill discounts and packing loans;
- deposit and remittance services; and
- issuance of certificates of deposit.

For the fiscal year ended December 31, 2015, the Hong Kong Branch extended an aggregate principal amount of RMB8.4 billion of loans denominated in Renminbi and an aggregate principal amount of US$19.5 billion of loans denominated in foreign currencies.

As of December 31, 2015, the Hong Kong Branch's total outstanding amount of loans in foreign currencies was equivalent to US$28.1 billion, which consisted of US$22.0 billion of outstanding loans in U.S. dollar and equivalent to US$6.1 billion of outstanding loans in other foreign currencies.

Hong Kong Regulatory Guidelines

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

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

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

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

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

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

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

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

CORPORATE GOVERNANCE AND MANAGEMENT

We are a development financial institution which is wholly owned by the PRC government and reports directly to the State Council. We were established on March 17, 1994 pursuant to the Special Decree. On December 11, 2008, in accordance with the deployment of the State Council, we were converted into a joint stock company with limited liability pursuant to the PRC Company Law and other applicable laws and regulations. In March 2015, the State Council approved the Bank's reform deepening plan, affirming the position of the Bank as a development financial institution and the relevant policy support, and stressing the need to strengthen our role and function as a development financial institution to provide financing to national priorities, weak links in the economy and during critical periods. We are currently wholly owned, directly or indirectly, by the PRC government, with MOF, Huijin, Buttonwood and National Council for Social Security Fund holding 36.54%, 34.68%, 27.19% and 1.59%, respectively, of our issued share capital. All our outstanding ordinary shares are fully paid.

Our articles of association constitute a legally binding document regulating our organisation and activities and the rights and obligations between us and our shareholders and among our shareholders themselves.

Corporate Governance

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

Shareholders' general meeting

Our shareholders' general meetings are of the corporate authority within our bank. Our shareholders' general meetings have the following powers and authorities:

- to determine our business policies and investment plans;
- to elect and replace our directors and determine their remuneration;
- to elect and replace supervisors elected by our shareholders as their representatives and determine their remuneration;
- to consider and approve work reports of our board of directors;
- to consider and approve work reports of our board of supervisors;
- to consider and approve our proposed annual financial budget and final accounts;
- to consider and approve our proposed annual issuances of debt securities and other marketable securities;
- to consider and approve our proposed profit distribution and loss make-up;
- to decide on the increase or decrease of our registered capital;
- to decide on matters concerning our merger, split, dissolution, liquidation or other change of corporate form;
- to decide on our plans for listing of our shares;

- to decide on buybacks of our shares;
- to amend our articles of association;
- to decide on the engagement and dismissal of our auditors;
- to consider and approve, or authorise our board of directors to approve, our proposed establishment of any legal person, material merger or acquisition, material investment, disposal of material assets and material guarantee;
- to consider and approve matters concerning changes of our proposed use of proceeds;
- to consider and approve proposals made by shareholders individually or jointly holding more than 3% of our voting shares;
- to consider related party transactions which shall be considered and approved by the shareholders' general meeting as stipulated by laws, administrative regulations and rules; and
- to consider other matters which shall be approved by shareholders' general meetings as stipulated by laws, administrative regulations and rules as well as our articles of association.

Under our articles of association, there are two types of shareholders' general meetings:

- annual general meetings; and
- extraordinary general meetings.

Our shareholders' annual general meetings will be held once a year within six months of the relevant fiscal year-end.

Directors and board of directors

Our articles of association require our directors to be natural persons. They do not have to hold any of our shares to qualify for such directorships. Our directors comprise executive directors and non-executive directors, and our non-executive directors also include independent directors. Our directors must be elected by our shareholders at their general meetings. Under our articles of association, our directors will serve a term of three years (commencing on the date that their respective eligibility for directorship is approved by CBRC and ending on the date of the general shareholders' meeting in the year in which such term expires), subject to successive re-election for an additional term.

According to our articles of association, candidates for our directors may be nominated by our board of directors or our shareholders individually or jointly holding more than 5% of our voting shares, and our directors shall be elected at our shareholders' general meeting. Candidates for our independent directors may be nominated by our board of directors, board of supervisors or shareholders individually or jointly holding more than 1% of our shares, and our independent directors shall be elected at our shareholders' general meeting.

Our articles of association currently require our board of directors to be composed of 15 directors, with eight non-executive directors, four executive directors and three independent directors. The following table sets forth information regarding our directors as of the date of this Offering Circular.

Directors	Date of Birth	Position
Mr. Hu Huaibang	September 1955	Chairman, executive director
Mr. Zheng Zhijie.	May 1958	Vice chairman, executive director
Mr. Zhang Shude[(1)]	November 1963	Non-executive director
Mr. Pang Jiying[(1)]	July 1952	Non-executive director
Mr. Huang Weijia	September 1957	Non-executive director
Mr. Huang Hao.	July 1973	Non-executive director
Mr. Li Shaogang	March 1958	Non-executive director
Mr. Mi Jingping	December 1959	Non-executive director
Mr. Yin Chun	January 1962	Non-executive director
Ms. Chen Xiaoyun.	June 1949	Independent non-executive director

Note:

(1) Mr. Zhang Shude and Mr. Pang Jiying will no longer be our directors, pending approval from CBRC.

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

Our articles of association require that our board of directors meet regularly at least four times a year. The quorum for our board of directors meetings is more than one half of all our directors. To the extent any director is materially interested in matters to be considered at a meeting, the quorum shall be more than one half of all our directors who are not materially interested in the matters to be considered at such meetings. Our directors shall attend in person at least two thirds of our board of directors meetings for each year. If a director fails to attend (whether in person or by proxy through another director) two consecutive board of directors meetings, or fails to attend in person at least two thirds of our board of directors meetings in a given year, such director would be deemed as being unable to fulfil his/her duties, and the board of directors shall refer the issue to shareholders' general meetings for dismissal of such director subject to the approval by our shareholders at their general meetings. In addition, with respect to our independent director, our articles of association require that each independent director must spend at least 15 working days for each year working for us and that at least one of our independent directors must be a financial or accounting professional. If an independent director fails to attend three consecutive board of directors meetings in person, or fails to attend (whether in person or by proxy through another independent director) two consecutive board of directors meetings, or fails to attend in person at least two thirds of our board of directors meetings in a given year, the board of directors and the board of supervisors may refer the issue to shareholders' general meetings for dismissal of such director subject to the approval by our shareholders at their general meetings.

Special committees of board of directors

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

- a strategy development and investment committee;
- an audit committee;
- a risk management committee;
- a related party transactions committee; and
- a personnel and remuneration committee.

Each special committee is accountable to our board of directors and shall, with approval of our board of directors, provide professional advice or make decisions on professional matters. Our articles of association require each special committee to be composed of no fewer than three directors. The audit committee, the personnel and remuneration committee and the related party transactions committee must consist of a majority of independent directors.

Strategy Development and Investment Committee. Our articles of association require our strategy development and investment committee to be chaired by the chairman of our board of directors. The primary duties of the committee include:

- to consider our plans for strategic development and make proposals to our board of directors;
- to consider our annual financial budgets and final accounts and make proposals to our board of directors;
- to consider our strategic capital allocation (capital structure, capital adequacy, etc.) and the objectives of our assets and liabilities management, and make proposals to our board of directors;
- to plan the general development of all financial businesses and make proposals to our board of directors;
- to consider our plans for any significant corporate restructuring and adjustment, and make proposals to our board of directors;
- to design our plans for any significant investment, financing, merger and acquisition, consider the proposals made by our management and make proposals to our board of directors;
- to consider our plans for strategic development of overseas branches and make proposals to our board of directors;
- to consider our plans for human resources strategies and development and make proposals to our board of directors;
- to consider our plans for information technology development and other specific strategic development and make proposals to our board of directors;

- to review and assess the soundness of our corporate governance to ensure our financial reporting, risk management and internal control comply with our corporate governance standards; and

- other duties as stipulated by laws, administrative regulations and rules and authorised by our board of directors.

Audit Committee. Our articles of association require our audit committee to be chaired by an independent director. The primary responsibilities of our audit committee include:

- to monitor our internal controls, review our core businesses and management procedures and their implementation, and examine and assess the compliance and effectiveness of major business operations;

- to review our financial information and reporting, examine our significant accounting policies and their implementation, monitor our financial operations; and monitor and control the accuracy of financial reports and the effectiveness of financial reporting procedures adopted by our senior management;

- to examine, monitor and assess our internal audit performance, monitor our internal audit policies and their implementation; and evaluate the process and the effectiveness of the work carried out by our internal audit department;

- to engage or replace our external auditors, take appropriate measures to monitor the work of our external auditors; consider reports prepared by our external auditors and ensure the integrity of the duties owed by our external auditors to the board of directors and the audit committee;

- to coordinate the communications between our internal audit department and our external auditors; and

- other duties as stipulated by laws, administrative regulations and rules and authorised by our board of directors.

Risk Management Committee. The primary responsibilities of our risk management committee include:

- to examine and modify our risk strategies, risk management policies and internal control procedures in accordance with our overall strategy, monitor and evaluate their implementation and effectiveness, and make proposals to our board of directors;

- to monitor and evaluate the establishment, organisational structure, procedures and effectiveness of our risk management system, and make proposals for improvement;

- to monitor, and assess the effectiveness of, the control by our senior management with respect to our credit risks, market risks and operational risks, and make proposals for improvement of our risk management and internal controls;

- to conduct periodic assessments of our risk profile and make proposals to our board of directors;

- if authorised by our board of directors, to examine and approve significant risk management matters or transactions that are beyond the authority of our president or submitted by our president to the risk management committee for consideration; and

- other responsibilities as stipulated by laws, administrative regulations and rules and authorised by our board of directors.

Related Party Transactions Committee. Our articles of association require our related party transactions committee to be chaired by an independent director. The primary responsibilities of our related party transactions committee include:

- to identify our related parties, report the findings to our board of directors and board of supervisors, and inform our staff promptly of the identities of such related parties;
- to conduct preliminary reviews of the relevant related party transactions, and submit them to our board of directors or to shareholders' general meetings by our board of directors for approval;
- within the scope of authorisation by our board of directors, to review and approve related party transactions and other related matters, and maintain records of our related party transactions; and
- other responsibilities as stipulated by laws, administrative regulations and rules and authorised by our board of directors.

Personnel and Remuneration Committee. Our articles of association require our personnel and remuneration committee to be chaired by an independent director. The primary responsibilities of our personnel and remuneration committee include:

- to formulate standards and procedures for the selection and appointment of our directors and senior management members and make proposals to our board of directors;
- to nominate candidates for directors, governor and board secretary and make proposals to our board of directors;
- to consider the candidates for senior management members nominated by the president and make proposals to our board of directors;
- to nominate candidates for chairman and members of the special committees of our board of directors;
- to formulate plans for developing senior management members and talents for key positions;
- to formulate assessment methods for directors and compensation plans for directors and supervisors (with compensation plans for supervisors being subject to review by our board of supervisors), and submit such plans to our board of directors and subsequently to our shareholders' general meetings for approvals;
- to organise performance assessment of our directors, make proposals for allocating compensations for directors, and submit such proposals to our board of directors and subsequently to our shareholders' general meetings for approvals;
- to make proposals for allocating compensations for supervisors in accordance with the performance assessment conducted by our board of supervisors, and submit such proposals to our board of directors and subsequently to our shareholders' general meetings for approvals;

- to formulate and examine the assessment methods and compensation plans for our senior management members, evaluate the performance and conduct of our senior management members, and submit the same to our board of directors for approval and, where relevant to the functions of shareholders' general meetings, to our shareholders' general meetings for approval; and

- other responsibilities as stipulated by laws, administrative rules and regulations and authorised by our board of directors.

Supervisors and board of supervisors

We have established a board of supervisors in accordance with the PRC Company Law and our articles of association. According to our articles of association, our board of supervisors is composed of five to seven supervisors and has one chairman. The chairman shall be a professional who possesses professional knowledge or work experience in either financial management, auditing, finance or law. The chairman may be elected or removed by more than 50% of all supervisors. Our supervisors serve a term of three years and can be re-elected. Our directors and senior management members may not serve as our supervisors. The supervisors include supervisors acting as representatives of both shareholders and employees. At least one-third of the supervisors must be representatives of our employees.

Currently, we have five supervisors, of whom one is the chief supervisor, Mr. Liu Meisheng, three are shareholder representatives, namely Mr. Liu Meisheng, Mr. Leng Xiangyang and Mr. Li Fu, and two are employee representatives, Ms. Hu Xiaoming and Ms. Hu Hongzhuan.

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

Supervisors	Date of Birth	Representation
Mr. Liu Meisheng	December 1956	Chairman of the board of supervisors
Mr. Leng Xiangyang	July 1958	Supervisor (shareholder representative)
Mr. Li Fu.	January 1959	Supervisor (shareholder representative)
Ms. Hu Xiaoming	November 1960	Supervisor (employee representative)
Ms. Hu Hongzhuan	April 1961	Supervisor (employee representative)

You may find additional biographical information on each of our supervisors under the section entitled "*Corporate Governance and Management — Management Biographical Information — Supervisors*".

The board of supervisors is our supervisory authority and is accountable to the shareholders' general meeting. It monitors our financial management and the conduct of the board of directors and senior management and their respective members in order to prevent their abuse of power and encroachment on the rights and interests of our shareholders. According to our articles of association, our board of supervisors is responsible for:

- supervising the performance and due diligence of the directors and senior management, and questioning and inquiring the directors and senior management;

- monitoring the performance of the duties of the board of directors and senior management;

- demanding rectification with respect to any conduct of our directors or senior management members which is against our interests;

- liaising with the directors and senior management on our behalf, making proposals for the removal of or commencing a lawsuit against any director or senior management member who violates laws, administrative rules and regulations, our articles of association or shareholders' resolutions;

- conducting exit interviews of the directors and senior management members as required;

- examining and monitoring our financial activities;

- examining the financial reports, business reports, profit distribution plans and other financial information that the board of directors intends to submit to the shareholders' general meeting and, if issues arise, appointing a registered accountant or certified auditor in our name to re-examine such reports;

- examining and monitoring our decision-making at the operational level, risk management and internal control as required and giving directions to our internal audit department with respect to its work;

- formulating performance assessment methods for supervisors, conducting assessment and evaluation on supervisors and submitting such assessment and evaluation to the shareholders' general meeting for approval;

- making proposals to the shareholders' general meeting for resolution;

- proposing to convene extraordinary general meetings, and, in case of failure of the board of directors to convene shareholders' general meetings, convening and presiding over the extraordinary general meetings;

- proposing to convene board of directors special meetings; and

- exercising other responsibilities as stipulated by laws, administrative rules and regulations and authorised by the shareholders' general meetings.

In addition, our board of directors is required by our articles of association to be subject to the supervision of our board of supervisors, and shall not obstruct or hinder the board of supervisors from conducting examination and audit activities pursuant to its responsibilities and rights.

The board of supervisors is accountable to the shareholders' general meeting and reports to the shareholder's general meeting. According to our articles of association, the shareholders' general meeting shall exercise its responsibilities and rights to elect and remove supervisors acting as representatives of the shareholders, approve the remuneration of the supervisors and consider and approve the work reports of the board of supervisors. In addition, the supervisors acting as representatives of the employees shall be elected and removed by democratic election of the employees.

Senior Management

Our articles of association provide that our senior management will include the president and a number of vice presidents and assistant presidents. Where necessary, we may also designate a chief financial officer, a chief risk officer and other senior managers. All our senior management members serve at the pleasure of our board of directors.

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

Senior management members	Date of Birth	Position
Mr. Zheng Zhijie.	May 1958	President
Mr. Wang Yongsheng	January 1958	Vice President
Mr. Zhou Qingyu	September 1962	Vice President
Ms. Ding Xiangqun	June 1965	Vice President
Mr. Zhang Xuguang.	October 1964	Vice President
Mr. Cai Dong	October 1968	Vice President
Mr. Chen Min.	July 1962	Secretary of the Board of Directors
Mr. Yang Wenqi	July 1957	Chief Risk Officer

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

Our articles of association provide that our president will serve a term of three years and may be re-appointed by our board of directors for successive terms of three years each. Our president is accountable to our board of directors and has the following functions and duties:

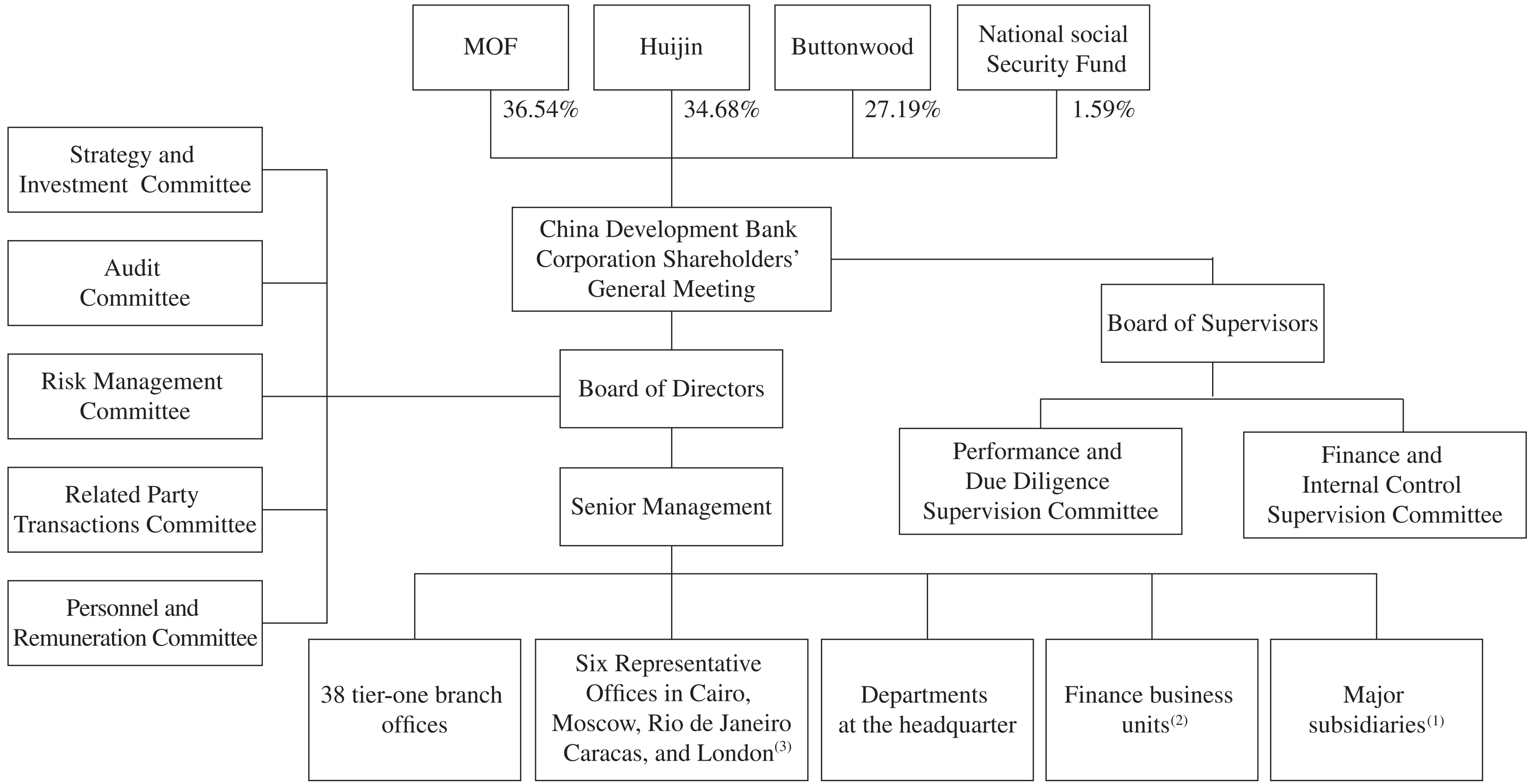
- to be responsible for our operational management, and to carry out resolutions adopted by our board of directors;
- to formulate our business and investment plans, and implement them upon their approval by our board of directors;
- to prepare our basic operational controls and procedures;
- to prepare our annual financial budget and final accounts, our plans for profit distribution and loss make-up, our plans for any increase or decrease of our registered capital and our plans for the public offering and listing of our shares, and to make relevant proposals to our board of directors;
- to prepare our annual plans for issuance of debt securities and other marketable securities, and to make relevant proposals to our board of directors;
- to propose the appointment and removal of any vice president and other senior management members (except for the secretary of our board of directors);
- to appoint and remove any management member other than those subject to the power of our board of directors for appointment or removal;
- to propose the convening of our board of directors special meetings;
- in the event of emergencies involving our bank, to take urgent measures in, and for the protection of, our bank's interest, and report to CBRC, our board of directors and our board of supervisors; and
- other powers and functions conferred by law, by our articles of association or by our board of directors.

Our vice presidents, each responsible for a different area of our operations, assist our president in discharging his duties and responsibilities pursuant to our articles of association. All our senior management members are accountable to our board of directors and subject to the monitoring of our board of supervisors. Our articles of association do not, however, permit any interference in the operational management activities lawfully conducted by our president and other senior management members within their scope of functions. Our articles of association also require our board of directors to promptly consider and decide on matters submitted by our president for approval.

Corporate Organisation

The departments at our headquarter are established along three directions, namely risk control, business promotion and audit and supervision and the four major areas of our support and safeguard system. They include the general office, the research center (the financial research and development center), the policy research department, the planning department, the planning center, the business development department, the market development and equity investment department, the legal affairs department, the finance and accounting department, the treasury and financial market department, the risk management department, the project appraisal administration department, the project appraisal department I, the project appraisal department II, the loan management department, the international finance department, the global cooperation department, the large corporate client department, the information technology department, the operational management department, the internal audit department, the human resources department, the compliance department, the education and training department, the administrative affairs management department, the retired staff department and the procurement centre. At present, we also have a strategy and investment committee, an audit committee, a related party transactions committee, a risk management committee and a personnel and remuneration committee.

The following is our organisational chart as at December 31, 2015[(1)]:



(1) Including CDB Capital, CDB Securities, CDB Leasing, China-Africa Development Fund and CDB Development Fund.

(2) CDB Housing Finance business unit was established in August 2014 and Poverty Relief Program Finance business unit was established in May 2016.

(3) Our representative office in Vientiane was established in September 2016.

Management Biographical Information

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

Directors

Mr. Hu Huaibang — chairman and executive director. Mr. Hu has served as our chairman and executive director since April 2013. Mr. Hu served as chairman of Bank of Communications from 2008 to 2013, chairman of the board of supervisors of China Investment Corporation from 2007 to 2008 and secretary of Discipline Inspection Committee of CBRC from 2005 to 2007. Mr. Hu held various positions between 2000 and 2005, including head of the Working Office of the board of supervisors of CBRC, president of PBOC Xi'an branch, head of the SAFE Shaanxi branch and vice president of PBOC Chengdu branch. In 1999, Mr. Hu received a doctorate degree in economics from Shaanxi College of Finance and Economics.

Mr. Zheng Zhijie — vice chairman, president and executive director. Mr. Zheng has served as vice chairman, president and executive director since October 2012. From 2008 to 2012, Mr. Zheng served as our executive director and vice president. Between 2001 and 2008, Mr. Zheng served as vice president of China Construction Bank and president of China Jianyin Investment Limited. From 1997 to 2001, Mr. Zheng worked as the president of Beijing branch and the assistant to the president of China Construction Bank concurrently. Mr. Zheng received a doctorate degree in political economics from Nankai University.

Mr. Zhang Shude — non-executive director. Mr. Zhang has served as our non-executive director since December 2008. From 1995 to 2008, Mr. Zhang served as the board secretary, general manager of the international business department and vice general manager of Bank of Shanghai Company Ltd.. From 1994 to 1995, Mr. Zhang served as a senior manager of Bank of East Asia, Shanghai branch. From 1992 to 1994, Mr. Zhang served as a deputy manager for the marketing department of the Shanghai foreign exchange trade center. Mr. Zhang received a master's degree in law from Fudan University in 1987.

Mr. Pang Jiying — non-executive director. Mr. Pang has served as our non-executive director since September 2012. From 2007 to 2012, Mr. Pang served as vice chairman of the board of China Reinsurance (Group) Corporation. From 1999 to 2007, Mr. Pang served a regulatory inspector of Financial Stability Bureau and deputy head of Legal Affairs Department of PBOC. From 1994 to 1999, Mr. Pang served as the president and vice president of China Foreign Exchange Trade System. From 1985 to 1995, Mr. Pang served as the deputy head of a department and the head of a section of SAFE. Mr. Pang graduated with a doctorate degree in 2003 from Nankai University, where he majored in finance.

Mr. Huang Weijia — non-executive director. Mr. Huang has served as our non-executive director since March 2012. From 2008 to 2012, Mr. Huang served as secretary of Discipline Inspection Committee of MOF. From 1991 to 2008, Mr. Huang served as the head of Propaganda Department and the deputy secretary of the Communist Party committee of MOF. Mr. Huang graduated with a master's degree in 1992 from Theory Department of Party School of the Central Committee of Communist Party of China, where he majored in party construction.

Mr. Huang Hao — non-executive director. Mr. Huang has served as our non-executive director since March 2012. From 2004 to 2012, Mr. Huang served as director and deputy director of the Development Bank Equity Management Division of the Comprehensive Department and deputy director of the Capital Department of Central Huijin Investment Ltd., and concurrently served as director of Guotai Junan Securities Co., Ltd. from 2006 to 2012. From 1999 to 2004, Mr. Huang served as a regulatory inspector (deputy division level) of the Policy Research Division of the Comprehensive Department of SAFE etc., and concurrently served as the Secretary-General of the Communist Youth League of SAFE from 2001 to 2004. Mr. Huang graduated with a doctorate degree in 2011 from the Financial Institute of the PBOC, where he majored in international finance.

Mr. Li Shaogang — non-executive director. Mr. Li has served as our non-executive director since August 2014. Mr. Li served as the head of the Investment Assessment Centre of MOF from 2009 to 2014. From 1991 to 2009, Mr. Li served in various positions at MOF, including inspector, deputy head and division head of Legal Affairs Department of the MOF. Mr. Li obtained a bachelor's degree in law from China University of Political Science and Law in 1983.

Mr. Mi Jingping — non-executive director. Mr. Mi has served as our non-executive director since May 2015 and as inspector in the General Office of MOF's Inspection Work Leading Team since 2015. From 1995 to 2015, Mr. Mi held various posts in MOF's Discipline Inspection Team and Supervision Bureau as designated by the Central Commission for Discipline Inspection and the Ministry of Supervision, including discipline inspector (bureau level), supervision specialist, deputy director of the Supervision Bureau, and deputy director of the First Department. Mr. Mi obtained a bachelor's degree in foreign economy from Party School of the Central Committee of Communist Party of China in 1996.

Mr. Yin Chun — non-executive director. Mr. Yin has served as our non-executive director since May 2015 and consultant in the Service Centre of MOF since 2013. From 2001 to 2013, Mr. Yin also served as deputy director of the Service Centre of MOF and vice general manager and assistant to general manager of Debao Industrial Company. From 1996 to 2001, Mr. Yin served as general manager of Rocker Technology Company Limited. Mr. Yin graduated with a doctorate degree in systems engineering in Nanjing University of Science and Technology in 2009.

Ms. Chen Xiaoyun — independent non-executive director. Ms. Chen has served as our independent non-executive director since September 2012. Prior to her retirement, Ms. Chen was our non-executive director from 2008 to 2011. Between 1987 and 2008, Ms. Chen held various posts including the head of a division of, deputy head of and head of Legal Affairs Department of PBOC. Ms. Chen graduated from China University of Political Science and Law with a major in law.

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

Supervisors

Mr. Liu Meisheng — chairman of the board of supervisors. Mr. Liu has served as the chairman of our board of supervisors since January 2014. Mr. Liu served as the vice president of Shanghai branch of Agricultural Bank of China, the vice president and the president of Shanghai branch of Agricultural Development Bank of China and the vice president of Agricultural Development Bank of China. Mr. Liu received a master's degree in political economics from Fudan University.

Mr. Leng Xiangyang — supervisor (shareholder representative). Mr. Leng has served as our supervisor since December 2008. Mr. Leng served as the duty supervisor (bureau level) designated by the State Council of the board of supervisors and the office manager of the Export-Import Bank of China and the China Development Bank. Mr. Leng graduated from Hunan College of Finance and Economics as a master graduate.

Mr. Li Fu — supervisor (shareholder representative). Mr. Li has served as our supervisor since December 2014. Mr. Li served as deputy chief and chief of Division of Officials Appointment and Dismissal, chief of Division for Officials Deployment, director, and ombudsman (director level) of Department of Personnel and Education of MOF. Mr. Li graduated from Institute of Politics of People's Liberation Army Air Force and he majored in economic management.

Ms. Hu Xiaoming — supervisor (employee representative). Ms. Hu has served as our employee representative supervisor since February 2014, and concurrently serves as the head of our Audit Department. Ms. Hu served as the deputy chief and chief of the Reserve Management Department of SAFE, the vice general manager of the Clearing Centre of China Development Bank, the deputy head and the head of our Accounting Department, the director of our Operation Centre and the head of the Auditing and Evaluation Department. Ms. Hu graduated in accounting from the first branch colleague of Renmin University of China.

Ms. Hu Hongzhuan — supervisor (employee representative). Ms. Hu has served as our employee representative supervisor since December 2008. Ms. Hu served as the deputy director and director of the Financial Institution Administration Department and Non-banking Financial Institution Administration Department of PBOC. Ms. Hu also served as the duty supervisor (deputy bureau level) designated by the State Council of our board of supervisors and the board of supervisors of the Export-Import Bank of China and the Bank of Communications and the employee representative supervisor (bureau level). Ms. Hu graduated from Hunan College of Finance and Economics and she majored in accounting.

Senior management

Mr. Zheng Zhijie — president. You may find his biographical information under the section entitled "*— Directors*".

Mr. Wang Yongsheng — vice president. Mr. Wang is our vice president. Mr. Wang worked as president of the Zhengzhou branch of China Investment Bank, president of our Zhengzhou branch, president of our Shenyang branch, president of our Liaoning branch and head of our Corporate Department. Mr. Wang received a master's degree in investment economics from Zhongnan University of Finance and Economics.

Mr. Zhou Qingyu — vice president. Mr Zhou is our vice president. Mr. Zhou served as the head of Guizhou Branch, general manager of agricultural credit department, director of agricultural business and executive deputy director of the office of joint stock reform leading group of Agricultural Bank of China, and secretary of disciplinary committee of the Bank.

Ms. Ding Xiangqun — vice president. Ms. Ding is our vice president. Ms. Ding served many roles in Bank of China Limited, including as deputy general manager of the Corporate Business Department and Human Resources Department, vice president of the Zhejiang branch and president of the Ningbo branch, and general manager of the Human Resources Department and president of the Corporate Finance Department of its head office. Ms. Ding also worked as deputy general manager of China Taiping Insurance Group Ltd. Ms. Ding received a master's degree in monetary banking from Renmin University of China.

Mr. Zhang Xuguang — vice president. Mr. Zhang is our vice president. Mr. Zhang worked as vice president of our Tianjing Branch, deputy director of our General Office, president of our Guangxi Branch, president of China Development Bank Capital Corporation Ltd., our chief investment officer and president of China Development Bank Capital Corporation Ltd. concurrently. Mr. Zhang received a master's degree in economic law from Peking University.

Mr. Cai Dong — vice president. Mr. Cai is our vice president. Mr. Cai worked as the general of e-banking department and head of Tianjin branch of Industrial and Commercial Bank of China. Mr. Cai completed his doctoral study in electronic accounting of the Fiscal Science Research Institute of the MOF.

Mr. Chen Min — secretary of the board of directors. Mr. Chen is our secretary of the board of directors. Mr. Chen worked as deputy director and director of our policy research office and director of the administrative office of our board of directors. Mr. Chen graduated from the Jiangxi Institute of Finance and Economics with a major in state economic planning.

Mr. Yang Wenqi — chief risk officer. Mr. Yang is our chief risk officer. Mr. Yang served as head of our Credit Management Department, head of Risk Management Department and supervisor (employee representative). Mr. Yang graduated from Dalian University of Technology and he majored in inorganic chemistry.

International Advisory Council

To broaden the international perspective and make our way to a tier-one international bank, we established an international advisory council in 1999, which is composed of prominent leaders in the fields of international political, business and academic research. We convene a meeting every year to look into hot topics such as international and domestic economic and financial conditions and our development strategies, and in the meantime to provide advice to improve our business operation and management.

The current members of our international advisory council are as follows:

Name	Position held
Paul Keating.	Former Prime Minister of Australia
Henry Kissinger	Former Secretary of State, USA
Tony Blair	Former British Prime Minister
Jacob A. Frenkel	Former Governor of Central Bank of Israel and President of J.P. Morgan Chase International, USA
Jean Lemierre	Former president of the EBRD, Chairman of the Board of Directors of BNP Paribas
Maurice R. Greenberg . . .	Former Chairman of American International Group and Chairman and CEO of C.V. Starr & Co. Inc.

Name	Position held
Hans W. Reich	Former Chairman of Kreditanstalt für Wiederaufbau and Chairman of Citigroup Public Sector Group
Uli Sigg	Former Swiss Ambassador to China, Switzerland
Andrew L.T. Sheng	Former Chairman of SFC of Hong Kong SAR
Lawrence J. Lau	Former President of the Chinese University of Hong Kong and Former Chairman of China Investment Corporation International (Hong Kong) Co., Ltd.
Ng Kee Choe	Former Deputy Chairman of Development Bank of Singapore and Chairman of Singapore CapitaLand Limited
David Wright	Vice Chairman of Investment Bank of Barclays Group
Toyoo Gyohten	Former Vice Minister of Finance of Japan, President of the Institute for International Monetary Affairs of Japan and Special Advisor of The Bank of Tokyo-Mitsubishi UFJ
Jacques P.M. Kemp	Former Chief Executive Officer of ING Insurance International B.V. and Chairman of IntEnt

SUMMARY OF PROVISIONS RELATING TO THE NOTES WHILE IN GLOBAL FORM

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

Initial Issue of Notes

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

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

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

Relationship of Accountholders with Clearing Systems

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

If a Global Note or a Global Certificate is lodged with a sub-custodian for or registered with the CMU Service, the person(s) for whose account(s) interests in such Global Note or Global Certificate are credited as being held in the CMU Service in accordance with the CMU Rules as notified by the CMU Service to the CMU Lodging Agent in a relevant CMU Instrument Position Report or any other relevant notification by the CMU Service (which notification, in either case, shall be conclusive evidence of the records of the CMU Service save in the case of manifest error) shall be the only person(s) entitled or in the case of Registered Notes, directed or deemed by the CMU Service as entitled to receive payments in respect of Notes represented by such Global Note or Global Certificate and the relevant Issuer will be Global Note or Global Certificate are credited as being held in the CMU Service in respect of each amount so paid.

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

Exchange

Temporary Global Notes

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

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

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

The CMU Service may require that any such exchange for a permanent Global Note is made in whole and not in part and in such event, no such exchange will be effected until all relevant account holders (as set out in a CMU Instrument Position Report (as defined in the rules of the CMU Service) or any other relevant notification supplied to the CMU Lodging Agent by the CMU Service) have so certified.

The holder of a temporary Global Note will not be entitled to collect any payment of interest, principal or other amount due on or after the Exchange Date unless, upon due certification, exchange of the temporary Global Note for an interest in a permanent Global Note or for Definitive Notes is improperly withheld or refused.

Permanent Global Notes

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

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

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

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

Global Certificates

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

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

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

(iii) with the consent of the relevant Issuer,

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

Partial Exchange of Permanent Global Notes

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

Delivery of Notes

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

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

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

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

Exchange Date

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

Amendment to Conditions

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

Payments

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

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

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

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

In respect of a Global Note or Global Certificate held through the CMU Service, any payments of principal, premium, interest (if any) or any other amounts shall be made to the person(s) for whose account(s) interests in the relevant Global Note or Global Certificate are credited as being held by the CMU Service of the relevant time (as set out in a CMU Instrument Position Report or any other relevant notification supplied to the CMU Lodging Agent by the CMU Service) and, save in the case of final payment, no presentation of the relevant Global Note or Global Certificate shall be required for such purpose.

Prescription

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

Meetings

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

Cancellation

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

Purchase

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

Issuer's Option

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

Noteholders' Options

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

Notices

So long as any Notes are represented by a Global Note or a Global Certificate and such Global Note or Global Certificate is held on behalf of (i) Euroclear and/or Clearstream, Luxembourg or any other clearing system (except as provided in (ii) below), notices to the holders of Notes may be given by delivery of the relevant notice to that clearing system for communication by it to entitled accountholders in substitution for publication as required by the Conditions or by delivery of the relevant notice to the holder of the Global Note or (ii) the CMU Service, notices to the holders of Notes of that Series may be given by delivery of the relevant notice to the persons shown in a CMU Instrument Position Report issued by the CMU Service on the second business day preceding the date of despatch of such notice as holding interests in the relevant Global Note or Global Certificate.

TAXATION OF NOTES

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

PRC Taxation

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

Pursuant to the PRC Enterprise Income Tax Law and the PRC Individual Income Tax Law as well as their respective implementation rules, an income tax is levied on the payment of interest in respect of debt securities, including notes sold by enterprises established within the territory of China to non-resident enterprises (including Hong Kong SAR enterprises) and non-resident individuals (including Hong Kong SAR resident individuals). The current rates of such income tax are 20% (for non-resident individuals) and 10% (for non-resident enterprises) of the gross amount of the interest. However, the tax so charged on interest paid on any Notes issued by the Bank to non-PRC holders which, or who, are residents of Hong Kong SAR (including enterprises and individuals) for purposes of the avoidance of double taxation arrangement between China and Hong Kong SAR will be reduced to 7% of the gross amount of the interest pursuant to the arrangement between China and Hong Kong SAR; and the tax so charged on interest paid on the Notes issued by the Bank to residents of other counties (including enterprises and individuals) should be subject to double taxation arrangement between China and such other countries.

According to the PRC Enterprise Income Tax Law and the relevant implementation rules, non-PRC resident enterprises will not be subject to the PRC income tax in respect of the interest income bore and paid by an enterprise, organisation or establishment located outside the PRC. However, pursuant to the PRC Individual Income Tax Law and the relevant implementation rules, it remains uncertain as to whether non-PRC resident individuals shall be subject to the PRC income tax in respect of the interest income from Notes issued by the Hong Kong Branch. Should the PRC tax authority deem the interest income from Notes issued by the Hong Kong Branch held by the non-PRC residents individuals as income sourced within the PRC referred to in Regulations on the Implementation of the PRC Individual Income Tax Law, the non-PRC resident individual holders of Notes issued by the Hong Kong Branch may be subject to the individual income tax at 20%, unless otherwise provided in preferential taxation policies under special taxation arrangements.

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

Value Added Tax ("VAT")

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

On April 29, 2016, the MOF and the SAT issued the Circular on Further Specifying the Policies relating to Financial Sector under the Full Implementation of Business Tax to VAT Reform (《關於進一步明確全面推開營改增試點金融業有關政策的通知》) (Caishui [2016] No. 46, "**Circular 46**").

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 the "loans" refers to the activity of lending funds for another's use and receiving the interest income thereon. Based on the definition of "loans" under Circular 36, the issuance of Notes shall be treated as the holders of the Notes providing loans to the note issuer, which thus shall be regarded as financial services subject to VAT.

In the case of issuance of Notes by the Bank, given that the Bank is located in the PRC, the holders of the Notes would be regarded as providing the financial services within China and consequently, the holders of the Notes shall be subject to VAT at the rate of 6% when receiving the interest payments under the Notes. In addition, the holders of the Notes shall be subject to the surcharges at approximately 12% of the VAT payment and consequently, the combined rate of VAT and surcharges would be around 6.72%. Given that the Bank pays interest income to Noteholders who are located outside of the PRC, the Bank, acting as the obligatory withholder in accordance with applicable law, shall withhold VAT and surcharges from the payment of interest income to Noteholders who are located outside of the PRC.

However, according to Circular 46, interests on policy-oriented financial bonds (which are bonds issued by a development or policy-oriented financial institution) received by financial institutions are exempt from VAT. However, as at the date of this Offering Circular, it is unclear whether interests on such bonds issued outside the PRC (including the Notes) will be exempt from VAT, and this is subject to the confirmation by the relevant authority.

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

However, in the event that the relevant Issuer is required to make such a deduction or withholding of any PRC tax (including VAT) in respect of any payment of interest on the Notes, the relevant Issuer has agreed to pay such additional amounts as will result in receipt by the Noteholders of such amounts after such withholding or deduction as would have been received by them had no such withholding or deduction been required. For more information, see "*Terms and Conditions of the Notes — Condition 8 (Taxation)*".

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

Circular 36 and Circular 46 have been issued quite recently and the above statement may be subject to further change upon the issuance of further clarification rules and/or different interpretation by the relevant authority. There is uncertainty as to the application of Circular 36 and Circular 46, and investors are advised to consult their own tax advisers.

Hong Kong SAR Taxation

Withholding Tax

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

Profits Tax

Hong Kong profits tax is chargeable on every person carrying on a trade, profession or business in Hong Kong 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 Notes 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:

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

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

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

Sums received by or accrued to a financial institution by way of gains or profits arising through or from the carrying on by the financial institution of its business in Hong Kong from the sale, disposal and redemption of Notes will be subject to Hong Kong profits tax.

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

Stamp Duty

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

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

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

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

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

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

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

If stamp duty is payable in respect of the transfer of Registered Notes it will be payable at the rate of 0.2 per cent. (of which 0.1 per cent. is payable by the seller and 0.1 per cent. is payable by the purchaser) normally by reference to the consideration or its value, whichever is higher. In addition, stamp duty is payable at the fixed rate of HK$5 on each instrument of transfer executed in relation to any transfer of the Registered Notes if the relevant transfer is required to be registered in Hong Kong.

FATCA Withholding

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a "foreign financial institution" may be required to withhold on certain payments it makes ("**foreign passthru payments**") to persons that fail to meet certain certification, reporting, or related requirements. The Issuers may be a foreign financial institution for these purposes. A number of jurisdictions (including Hong Kong) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA ("**IGAs**"), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Notes, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, such withholding would not apply prior to January 1, 2019 and Notes 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 Notes.

SUBSCRIPTION AND SALE

The Bank and the Hong Kong Branch have entered into an amended and restated dealer agreement with The Hongkong and Shanghai Banking Corporation Limited, Standard Chartered Bank (Hong Kong) Limited, Barclays Bank PLC and Bank of China (Hong Kong) Limited (the "**Arrangers**"), ABCI Securities Company Limited, Bank of Communications Co., Ltd. Hong Kong Branch, CCB International Capital Limited, ICBC International Securities Limited and Industrial and Commercial Bank of China (Asia) Limited (together with the Arrangers, the "**Dealers**") dated October 26, 2016 in relation to the Notes (as amended and/or supplemented and/or restated from time to time, the "**Dealer Agreement**") which sets out the basis upon which the Dealers or any of them may from time to time agree to subscribe for the Notes. Where the relevant Issuer agrees to sell to the Dealer(s), who agree to subscribe and pay for, or to procure subscribers to subscribe and pay for, Notes at an issue price (the "**Issue Price**"), the Dealer(s)' subsequent offering of those Notes to investors may be at a price different from such Issue Price. The relevant Issuer will pay each relevant Dealer a commission as agreed between them in respect of Notes subscribed by it and the expenses incidental to the performance of its obligations under the Dealer Agreement as agreed between the relevant Issuer and the relevant Dealer(s).

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

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

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

The Dealers and certain of their affiliates may have performed certain investment banking and advisory services for us and/or our affiliates from time to time for which they have received customary fees and expenses and may, from time to time, engage in transactions with and perform services for us and/or our affiliates in the ordinary course of their business. The Dealers or certain of their affiliates may purchase the Notes and be allocated the Notes for asset management and/or proprietary purposes but not with a view to distribution.

The Dealers or their respective affiliates may purchase the Notes 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 Notes and/or other securities of ours and/or our subsidiaries or associates at the same time as the offer and sale of the Notes 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 Notes to which this Offering Circular relates (notwithstanding that such selected counterparties may also be purchasers of the Notes).

General

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

No action has been or will be taken in any jurisdiction by us or Dealers that would, or is intended to, permit the public offering of the Notes, or possession or distribution of this Offering Circular, any amendment or supplement thereto or any other offering or publicity material relating to the Notes, in any country or jurisdiction where action for that purpose is required, except to the extent provided in the following paragraph. Accordingly, the Notes may not be offered or sold, directly or indirectly, and neither this Offering Circular nor any other offering material or advertisements in connection with the Notes may be distributed or published, by us or any Dealer, in or from any country or jurisdiction, except in circumstances which will result in compliance with all applicable rules and regulations of any such country or jurisdiction and will not impose any obligations on us or any Dealer.

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

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

Hong Kong SAR

Each Dealer has represented and agreed that (i) it has not offered or sold and will not offer or sell in Hong Kong SAR, by means of any document, any Notes (except for Notes which are a structured product'' as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong SAR) other than (a) to ''professional investors'' as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong SAR and any rules made under that Ordinance; or (b) in other circumstances which do not result in the document being a ''prospectus'' as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong SAR or which do not constitute an offer to the public within the meaning of that Ordinance; and (ii) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong SAR or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong SAR (except if permitted to do so under the securities laws of Hong Kong SAR) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong SAR or only to ''professional investors'' as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong SAR and any rules made under that Ordinance.

United States

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

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

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

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

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

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

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

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

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

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

The People's Republic of China

Each Dealer has represented and agreed that the Notes will not be offered or sold and may not be offered or sold, directly or indirectly, in the People's Republic of China (for such purposes, not including Hong Kong and Macau Special Administrative Regions or Taiwan), except as permitted by the laws of the People's Republic of China.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended) (the "**Financial Instruments and Exchange Act**"). Accordingly, each Dealer has represented and agreed that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Notes in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organized 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.

European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "**Relevant Member State**"), each Dealer has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "**Relevant Implementation Date**") it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Offering Circular as completed by the Pricing Supplement in relation thereto to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Notes to the public in that Relevant Member State:

(a) if the Pricing Supplement in relation to the Notes specifies that an offer of those Notes may be made other than pursuant to Article 3(2) of the Prospectus Directive in that Relevant Member State (a "**Non-exempt Offer**"), following the date of publication of a prospectus in relation to such Notes which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, provided that any such prospectus has subsequently been completed by the Pricing Supplement contemplating such Non-exempt Offer, in accordance with the Prospectus Directive, in the period beginning and ending on the dates specified in such prospectus or Pricing Supplement, as applicable and the relevant Issuer has consented in writing to its use for the purpose of that Non-exempt Offer;

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

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

(d) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Notes referred to in (b) to (d) above shall require any relevant lssuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive, or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

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

United Kingdom

Each Dealer has represented and agreed that:

(a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 (the "**FSMA**")) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the relevant Issuer; 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 any Notes in, from or otherwise involving the United Kingdom.

We do not intend to issue any Note with a maturity of less than one year.

Singapore

Each Dealer 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 Dealer has represented and agreed that it has not offered or sold any Notes or caused such Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell such Notes or cause such Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of such Notes, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the "**SFA**"), (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), 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.

This Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this Offering Circular and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of any Notes may not be circulated or distributed, nor may any Notes be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, the persons in Singapore other than (i) to an institutional investor under Section 274 of the SFA, (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275, of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

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

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

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

securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA, except:

(1) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;

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

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

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

(5) as specified in Regulation 32 of the Securities and Futures (Offer of Investments) (Shares and Debentures) Regulation 2005 of Singapore.

FORM OF PRICING SUPPLEMENT

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

[This Pricing Supplement is for distribution to professional investors (as defined in Chapter 37 of the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange and in the Securities and Futures Ordinance (Cap. 571) of Hong Kong) (together, "**Professional Investors**") only. **Investors should not purchase the Notes in the primary or secondary markets unless they are Professional Investors and understand the risks involved. The Notes are only suitable for Professional Investors.**

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

This Pricing Supplement includes particulars given in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Issuer. The Issuer accepts full responsibility for the accuracy of the information contained in this Pricing Supplement and confirms, having made all reasonable enquiries, that to the best of its knowledge and belief there are no other facts the omission of which would make any statement herein misleading.][1]

Pricing Supplement dated [●]

China Development Bank Corporation [Hong Kong Branch]

**Issue of [Aggregate Principal Amount of Tranche] [Title of Notes]
under the US$30,000,000,000 Debt Issuance Programme**

The document constitutes the Pricing Supplement relating to the issue of Notes described herein.

Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions (the "**Conditions**") set forth in the Offering Circular dated *[original date]* [and the supplemental Offering Circular dated *[date]*]. This Pricing Supplement contains the final terms of the Notes and must be read in conjunction with such Offering Circular dated *[current date]* as so supplemented.

[The following alternative language applies if the first tranche of an issue which is being increased was issued under an Offering Circular with an earlier date.

Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions (the "**Conditions**") set forth in the Offering Circular dated *[original date]*. This Pricing Supplement contains the final terms of the Notes and must be read in conjunction with the Offering

[1] *Applicable for Notes to be listed on the Hong Kong Stock Exchange only.*

Circular dated *[current date]* [and the supplemental Offering Circular dated *[date]*], save in respect of the Conditions which are extracted from the Offering Circular dated *[original date]* and are attached hereto.]

[Include whichever of the following apply or specify as "Not Applicable" (N/A). Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs or sub-paragraphs. Italics denote guidance for completing the Pricing Supplement.]

1	Issuer:	China Development Bank Corporation [Hong Kong Branch]
2	[(i)] Series Number:	[●]
	[(ii) Tranche Number (If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible.)]	[●]
	[(iii)] Tax Jurisdiction	[●]
3	Specified Currency or Currencies:	[●]
4	Aggregate Principal Amount:	
	(i) Series:	[●]
	[(ii) Tranche:	[●]]
5	[(i)] Issue Price:	[●] per cent. of the Aggregate Principal Amount [plus accrued interest from [insert date] (*in the case of fungible issues only, if applicable*)]
	[(ii) Net proceeds:	[●] (*Required only for listed issues*)]
6	(i) Specified Denominations:	[●][(1)]
	(ii) Calculation Amount[(4)]:	[●]
7	(i) Issue Date:	[●]
	(ii) Interest Commencement Date:	[*Specify*/Issue date/Not Applicable]
8	Maturity Date:	[specify date (*for Fixed Rate Notes*) or *(for Floating Rate Notes) Interest Payment Date falling on or nearest to the relevant month and year*][(2)]

9	Interest Basis:	[[●] per cent. Fixed Rate] [*specify reference rate*] +/– [●] per cent. Floating Rate] [Zero Coupon] [Other (*specify*)] (further particulars specified below)
10	Redemption/Payment Basis:	[Redemption at par] [Other (*specify*)]
11	Change of Interest or Redemption/ Payment Basis:	[Specify details of any provision for convertibility of Notes into another interest or redemption/payment basis]
12	Put/Call Options:	[Put] [Call] [(further particulars specified below)]
13	Listing:	[Hong Kong/*Specify Other*/None] (*For Notes to be listed on the Hong Kong Stock Exchange, insert the expected effective listing date of the Notes*)
14	Date of [Board] approval for the issuance of Notes obtained:	[●] (*Only relevant where Board (or similar) authorisation is required for the particular tranche of Notes*)
15	Method of distribution:	[Syndicated/Non-syndicated]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

16	Fixed Rate Note Provisions:	[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
	(i) Rate [(s)] of Interest:	[●] per cent. per annum [payable [annually/semi-annually/quarterly/monthly] in arrear]
	(ii) Interest Payment Date(s):	[●] in each year[(3)] [adjusted in accordance with *[specify Business Day Convention and any applicable Business Centre(s) for the definition of "Business Day"]*/not adjusted]

	(iii)	Fixed Coupon Amount[(s)]: (Applicable to Notes in definitive form)	[●] per Calculation Amount[(4)]
	(iv)	Broken Amount: (Applicable to Notes in definitive form)	[●] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [●] *[Insert particulars of any initial or final broken interest amounts which do not correspond with the Fixed Coupon Amount[(s)] and the Interest Payment Date(s) to which they relate]*
	(v)	Day Count Fraction (Condition 5(h)):	[30/360/Actual/Actual (ICMA/ISDA)/Other] *(Day count fraction should be Actual/Actual-ICMA for all fixed rate issues other than those denominated in US dollars or Hong Kong dollars, unless the client requests otherwise)*
	(vi)	Determination Date(s) (Condition 5(h)):	[●] in each year. *[Insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon]*[(5)]
	(vii)	Other terms relating to the method of calculating interest for Fixed Rate Notes:	[Not Applicable/give details]
17		Floating Rate Note Provisions:	[Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
	(i)	Interest Period(s):	[●]
	(ii)	Specified Interest Payment Dates:	[●]
	(iii)	Business Day Convention:	[Floating Rate Business Day Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/other (*give details*)]
	(iv)	Business Centre(s) (Condition 5(i)):	[●]
	(v)	Manner in which the Rate(s) of Interest is/are to be determined:	[Screen Rate Determination/ISDA Determination/ other (give details)]
	(vi)	Interest Period Date(s):	[Not Applicable/specify dates] *(Not applicable unless different from Interest Payment Date)*
	(vii)	Party responsible for calculating the Rate(s) of Interest and Interest Amount(s) (if not the Calculation Agent):	[●]

	(viii) Screen Rate Determination (Condition 5(b)(ii)(A)):	
	● Reference Rate:	[●]
	● Interest Determination Date:	*[[●] [TARGET] Business Days in [specify city] for [specify currency] prior to [the first day in each Interest Accrual Period/each Interest Payment Date]]*
	● Relevant Screen Page:	[●]
	(ix) ISDA Determination (Condition 5(b)(ii)(B)):	
	● Floating Rate Option:	[●]
	● Designated Maturity:	[●]
	● Reset Date:	[●]
	● ISDA Definitions: (if different from those set out in the Conditions)	[2000/2006]
	(x) Margin(s):	[+/–] [●] per cent. per annum
	(xi) Minimum Rate of Interest:	[●] per cent. per annum
	(xii) Maximum Rate of Interest:	[●] per cent. per annum
	(xiii) Day Count Fraction (Condition 5(j)):	[●]
	(xiv) Fall back provisions, rounding provisions, denominator and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions:	[●]
18	Zero Coupon Note Provisions:	[Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
	(i) Amortisation Yield (Condition 6(b)):	[●] per cent. per annum
	(ii) Day Count Fraction (Condition 5(j)):	[●]

	(iii) Any other formula/basis of determining amount payable:	[●]

PROVISIONS RELATING TO REDEMPTION

19	Call Option:	[Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
	(i) Optional Redemption Date(s):	[●]
	(ii) Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s):	[●] per Calculation Amount
	(iii) If redeemable in part:	
	(a) Minimum Redemption Amount:	[●] per Calculation Amount
	(b) Maximum Redemption Amount:	[●] per Calculation Amount
	(iv) Notice period (if other than as set out in the Conditions):	[●]
20	Put Option:	[Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
	(i) Optional Redemption Date(s):	[●]
	(ii) Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s):	[●] per Calculation Amount
	(iii) Notice period (if other than as set out in the Conditions):	[●]
21	Final Redemption Amount of each Note:	[●] per Calculation Amount
22	Early Redemption Amount(s) per Calculation Amount payable on redemption for taxation reasons or on event of default or other early redemption and/or the method of calculating the same (if required or if different from that set out in the Conditions):	[●]

GENERAL PROVISIONS APPLICABLE TO THE NOTES

23	Forms of Notes	[**Bearer Notes**: [Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note] [Temporary Global Note exchangeable for Definitive Notes on [●.] days' notice[(6)]] [Permanent Global Note exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note]] [**Registered Notes**: Global Certificate exchangeable for definitive Certificates in the limited circumstances described in the Global Certificate]
24	Additional Financial Centre(s) (Condition 7(h)) or other special provisions relating to payment dates:	[Not Applicable/*Give details. Note that this item relates to the date and place of payment, and not interest period end dates, to which item 16(ii), 17(iv) and 19(vii) relate*]
25	Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature):	[Yes/No. *If yes, give details*]
26	Redenomination, renominalisation and reconventioning provisions:	[Not Applicable/The provisions annexed to this Pricing Supplement apply]
27	Consolidation provisions:	[Not Applicable/The provisions annexed to this Pricing Supplement apply]
28	Other terms or special conditions:	[Not Applicable/*give details*][(7)]

DISTRIBUTION

29	(i) If syndicated, names of Managers:	[Not Applicable/*give names*]
	(ii) Stabilising Manager (if any):	[Not Applicable/*give name*]
30	If non-syndicated, name of Dealer:	[Not Applicable/give name]
31	U.S. Selling Restrictions	[Reg. S Category 1/2[(8)]; TEFRA D/TEFRA C/ TEFRA Not Applicable]
32	Additional selling restrictions:	[Not Applicable/*give details*]

OPERATIONAL INFORMATION

33	ISIN Code:	[●]
34	Common Code:	[●]
35	CMU Instrument Number:	[●]
36	Any clearing system(s) other than Euroclear, Clearstream, Luxembourg and the CMU Service and the relevant identification number(s):	[Not Applicable/*give name(s) and number(s)*]
37	Delivery:	Delivery [against/free of] payment
38	Additional Paying Agents (if any):	[●]

GENERAL

39	The aggregate principal amount of Notes issued has been translated into US$ at the rate of [●], producing a sum of (for Notes not denominated in US$):	[Not Applicable/US$[●]]
[40]	[Ratings:]	[Moody's: [[Aa3]/S&P: [AA–]] *(Only relevant if the Notes are rated)*
[41]	[Private Bank Rebate/Commission:]	[Not Applicable/*give details*] *(Not applicable unless there is a private bank rebate)*

[STABILISATION

In connection with this issue, [insert name of Stabilising Manager] (the "**Stabilising Manager**") (or persons acting on behalf of any Stabilising Manager) may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager (or persons acting on behalf of a Stabilising Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Notes is made and, if begun, may be ended at any time, but it must be end no later than the earlier of 30 days after the Issue Date of the Notes and 60 days after the date of allotment of the Notes. Such stabilising shall be in compliance with all applicable laws, regulations and rules.]

[PURPOSE OF PRICING SUPPLEMENT

This Pricing Supplement comprises the final terms required for issue and admission to trading on the HKSE of the Notes described herein pursuant to the US$30,000,000,000 Debt Issuance Programme.]

[LISTING APPLICATION

This Pricing Supplement comprises the final terms required to list the issue of Notes described herein pursuant to the US$30,000,000,000 Debt Issuance Programme of China Development Bank Corporation.]

RESPONSIBILITY

The Issuer accepts responsibility for the information contained in this Pricing Supplement.

Signed on behalf of the Issuer:

By:______________________________

Duly authorised

Notes:

(1) Notes (including Notes denominated in sterling) in respect of which the issue proceeds are to be accepted by the Issuer in the United Kingdom or whose issue otherwise constitutes a contravention of section 19 of the FSMA and which have a maturity of less than one year must have a minimum redemption value of £100,000 (or its equivalent in other currencies).

If the specified denomination is expressed to be €100,000 or its equivalent and multiples of a lower principal amount (for example €1,000), insert the additional wording set out in the Guidance Note published by ICMA in November 2006 (or its replacement from time to time) as follows: "€100,000 and integral multiples of €1,000 in excess thereof up to and including €199,000. No notes in definitive form will be issued with a denomination above €199,000".

(2) Note that for Renminbi or Hong Kong dollar denominated Fixed Rate Notes where the Interest Payment Dates are subject to modification it will be necessary to use the second option here.

(3) Note that for certain Renminbi or Hong Kong dollar denominated Fixed Rate Notes the Interest Payment Dates are subject to modification and the following words should be added: "provided that if any Interest Payment Date falls on a day which is not a Business Day, the Interest Payment Date will be the next succeeding Business Day unless it would thereby fall in the next calendar month in which event the Interest Payment Date shall be brought forward to the immediately preceding Business Day."

(4) For Renminbi or Hong Kong dollar denominated Fixed Rate Notes where the Interest Payment Dates are subject to modification the following alternative wording is appropriate: "Each Fixed Coupon Amount shall be calculated by multiplying the product of the Rate of Interest and the Calculation Amount by the Day Count Fraction and rounding the resultant figure to the nearest CNY0.01, CNY0.005 in the case of Renminbi denominated Fixed Rate Notes or to the nearest HK$0.01, HK$0.005 in the case of Hong Kong dollar denominated Fixed Rate Notes, being rounded upwards."

(5) Only to be completed for an issue where the Day Count Fraction is Actual/Actual-ICMA.

(6) If the temporary Global Note is exchangeable for definitives at the option of the holder, the Notes shall be tradeable only in amounts of at least the Specified Denomination (or if more than one Specified Denomination, the lowest Specified Denomination) provided in paragraph 6 and multiples thereof.

(7) If full terms and conditions are to be used, please add the following here:

"The full text of the Conditions which apply to the Notes [and which will be endorsed on the Notes in definitive form] are set out in [the Annex hereto], which Conditions replace in their entirety those appearing in the Offering Circular for the purposes of these Notes and such Conditions will prevail over any other provision to the contrary."

The first set of bracketed words is to be deleted where there is a permanent global Note instead of Notes in definitive form. The full Conditions should be attached to and form part of the Pricing Supplement.

(8) Reg. S Category 1 may be available subject to the Issuer having no substantial U.S. market interest

GENERAL INFORMATION

We may apply to have Bearer Notes or Registered Notes accepted for clearance through the CMU Service. The relevant CMU instrument number will be set out in the relevant Pricing Supplement. If the Notes are to clear through an additional or alternative clearing system the appropriate information will be set out in the relevant Pricing Supplement. The Notes have also been accepted for clearance through the Euroclear and Clearstream, Luxembourg systems. The appropriate Common Code and ISIN for each Series of Notes will be set out in the relevant Pricing Supplement.

Prior to each issue of Notes, the Bank or the Hong Kong Branch as the case may be, will have obtained all necessary consents, approvals and authorizations in connection with the issue of such Notes. In connection with Notes issued by the Bank, the Bank will apply for all necessary registration with respect to the use of proceeds of Notes or the payment of principal and interest in accordance with applicable laws. The repayment of the principal and/or interest of the Notes by the Bank may be adversely affected in the event any required registration is not obtained. The Bank does not however expect that any registration would be refused.

You may inspect during usual business hours at the specified office of the Fiscal Agent and the Paying Agent at 20 Pedder Street, Central, Hong Kong SAR:

- copies of the amended and restated agency agreement or an agreed form thereof before such agreement has been executed,
- copies of the amended and restated deed of covenant or an agreed form thereof before such agreement has been executed,
- conformed copies of the global bond or certificate of each Tranche of Notes with full terms and conditions,
- copies of this Offering Circular, and
- copies of our annual financial statements for the year ended December 31, 2015 prepared by us in accordance with IFRS and audited by Deloitte Touche Tohmatsu CPA LLP, or DTT, in accordance with the International Standards on Auditing (in English).

Application will be made to the SEHK for the listing of the Programme during the 12-month period on the SEHK by way of debt issues to Professional Investors only.

We publish our annual report and audited accounts following the end of each of our financial years. Our financial year ends on December 31.

DTT, our independent accountants and auditors for the year ended December 31, 2015, has given and not withdrawn its written consent to the inclusion in this Offering Circular of its report dated August 29, 2016 in the form and context in which it is included. Its report was not prepared exclusively for incorporation in this Offering Circular. For the purpose of this Offering Circular, its report includes our consolidated financial statements as at, and for the year ended, December 31, 2015, and no consolidated management accounts have been prepared in respect of the period from January 1, 2016 to the date of this Offering Circular.

There has been no adverse change, or any development reasonably likely to involve an adverse change, in the condition, financial or otherwise, or in our earnings, business affairs or business prospects since December 31, 2015, the date of our latest financial statements, that is material in the context of the issue of the Notes.

We are neither involved in any litigation, arbitration or administrative proceedings against or affecting us or any of our assets which are or might be material in the context of the issue of the Notes nor aware of any such litigation, arbitration or administrative proceedings, whether pending or threatened.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS AT, AND FOR THE YEAR ENDED DECEMBER 31, 2015

Deloitte.
德勤

Deloitte Touche Tohmatsu
Certified Public Accountants LLP
30/F Bund Center
222 Yan An Road East
Shanghai 200002, PRC

DTT(A)(16)I0025

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF CHINA DEVELOPMENT BANK CORPORATION

We have audited the accompanying consolidated financial statements of China Development Bank Corporation (the "Bank") and its subsidiaries (collectively, referred to as the "Group") set out on pages D+1 to F-58 which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management of the Bank is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards, and for such internal control as management determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view 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 the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2015, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Deloitte Touche Tohmatsu Certified Public Accountants LLP

Shanghai, China

29 August 2016

CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED 31 DECEMBER 2015

(All amounts expressed in millions of RMB unless otherwise specified)

	Notes	2015	2014
Interest income	6	503,286	509,168
Interest expense	6	(344,929)	(330,478)
Net interest income	6	158,357	178,690
Fee and commission income	7	14,072	14,730
Fee and commission expense	7	(1,119)	(792)
Net fee and commission income	7	12,953	13,938
Net trading and foreign exchange gain	8	61,228	16,302
Net gain on financial instruments designated as at fair value through profit or loss		7,284	7,181
Dividend income	9	2,140	1,241
Net gain on investment securities	10	3,438	1,760
Other income, net	11	3,788	3,585
Operating income		249,188	222,697
Share of profit of associates and joint ventures		198	76
Operating expenses	12	(39,800)	(36,871)
Impairment losses on assets	13	(72,698)	(56,365)
Profit before income tax		136,888	129,537
Income tax expense	14	(32,472)	(31,333)
Net profit		104,416	98,204
Attributable to:			
Shareholders of the Bank		103,705	98,100
Non-controlling interests		711	104
		104,416	98,204

The accompanying notes form part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2015

(All amounts expressed in millions of RMB unless otherwise specified)

	2015	2014
Profit for the year	104,416	98,204
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	876	(345)
Net gain/(losses) on available-for-sale financial assets	(1,165)	12,952
Others	–	(22)
	(289)	12,585
Items that will not be reclassified subsequently to profit or loss:		
Remeasurement of supplemental retirement benefits obligation	(25)	(158)
Other comprehensive income/(expense) for the year, net of tax	(314)	12,427
Total comprehensive income for the year	104,102	110,631
Total comprehensive income attributable to:		
Shareholders of the Bank	103,380	108,446
Non-controlling interests	722	2,185
	104,102	110,631

The accompanying notes form part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2015

(All amounts expressed in millions of RMB unless otherwise specified)

	Notes	31 December 2015	31 December 2014
ASSETS			
Cash and balances with the central bank	15	263,932	57,400
Deposits with banks and other financial institutions	16	596,724	1,005,026
Placements with banks and other financial institutions	17	110,976	19,495
Financial assets at fair value through profit or loss	18	681,160	95,795
Derivative financial assets	19	14,180	18,965
Financial assets held under resale agreements	20	1,334,917	1,084,318
Loans and advances to customers, net	21	8,865,360	7,669,351
Available-for-sale financial assets	22	363,793	171,967
Held-to-maturity investments	23	2,398	2,292
Debt securities classified as receivables	24	165,081	19,068
Interest in associates and joint ventures	25	1,680	1,650
Property and equipment	26	62,541	56,146
Deferred tax assets	27	65,719	48,318
Other assets	28	90,561	66,563
TOTAL ASSETS		12,619,022	10,316,354

CONSOLIDATED STATEMENT OF FINANCIAL POSITION – continued
AT 31 DECEMBER 2015

(All amounts expressed in millions of RMB unless otherwise specified)

	Notes	31 December 2015	31 December 2014
LIABILITIES AND EQUITY			
Liabilities			
Deposits from banks and other financial institutions	29	1,505,006	1,408,476
Borrowings from governments and financial institutions	30	355,275	451,373
Placements from banks	31	68,965	76,099
Financial liabilities at fair value through profit or loss		92,132	8,295
Derivative financial liabilities	19	17,668	9,518
Financial assets sold under repurchase agreements	32	29,484	28,035
Due to customers	33	1,855,411	1,087,712
Debt securities issued	34	7,301,372	6,353,559
Current tax liabilities		42,642	28,859
Deferred tax liabilities	27	4,469	4,297
Other liabilities	35	276,994	179,967
Total liabilities		11,549,418	9,636,190
Equity			
Capital and reserves			
Share capital	36	421,248	306,711
Capital reserves		168,969	(9,847)
Investment revaluation reserve	37	15,427	16,587
Surplus reserve	38	80,404	54,434
General reserve	38	147,064	124,740
Currency translation reserve		(10)	(870)
Retained earnings	39	230,569	175,178
Total equity attributable to shareholders of the Bank		1,063,671	666,933
Non-controlling interests		5,933	13,231
Total equity		1,069,604	680,164
TOTAL LIABILITIES AND EQUITY		12,619,022	10,316,354

The accompanying notes form part of the consolidated financial statements.

The consolidated financial statements on pages F-3 to F-58 are signed on its behalf by:

Hu Huaibang
Chairman

Zheng Zhijie
Vice Chairman,
President

Wang Yongsheng
Executive Vice President,
in charge of the finance function

Yang Baohua
Head of Finance

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2015

(All amounts expressed in millions of RMB unless otherwise specified)

		Attributable to shareholders of the Bank								
	Notes	Share capital	Capital reserves	Investment revaluation reserve	Surplus reserve	General reserve	Currency translation reserve	Retained earnings	Non-controlling interests	Total equity
Balance at 1 January 2015		306,711	(9,847)	16,587	54,434	124,740	(870)	175,178	13,231	680,164
Net profit		–	–	–	–	–	–	103,705	711	104,416
Other comprehensive income		–	(25)	(1,160)	–	–	860	–	11	(314)
Total comprehensive income for 2015		–	(25)	(1,160)	–	–	860	103,705	722	104,102
Issue of new shares/Disposal of non-controlling interests		114,537	178,841	–	–	–	–	–	(7,977)	285,401
Dividends	39	–	–	–	–	–	–	(20)	(43)	(63)
Appropriation to surplus reserve	39	–	–	–	25,970	–	–	(25,970)	–	–
Appropriation to general reserve	39	–	–	–	–	22,324	–	(22,324)	–	–
Balance at 31 December 2015		421,248	168,969	15,427	80,404	147,064	(10)	230,569	5,933	1,069,604
Balance at 1 January 2014		306,711	(9,667)	5,720	45,590	97,521	(529)	113,145	2,744	561,235
Net profit		–	–	–	–	–	–	98,100	104	98,204
Other comprehensive income		–	(180)	10,867	–	–	(341)	–	2,081	12,427
Total comprehensive income for 2014		–	(180)	10,867	–	–	(341)	98,100	2,185	110,631
Addition of non-controlling interests		–	–	–	–	–	–	–	8,407	8,407
Dividends	39	–	–	–	–	–	–	(4)	(105)	(109)
Appropriation to surplus reserve	39	–	–	–	8,844	–	–	(8,844)	–	–
Appropriation to general reserve	39	–	–	–	–	27,219	–	(27,219)	–	–
Balance at 31 December 2014		306,711	(9,847)	16,587	54,434	124,740	(870)	175,178	13,231	680,164

The accompanying notes form part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2015

(All amounts expressed in millions of RMB unless otherwise specified)

	Notes	2015	2014
Cash flows from operating activities			
Profit before income tax		136,888	129,537
Adjustments:			
Impairment losses on assets		72,698	56,365
Depreciation and amortisation		3,383	3,114
Interest expense for debt securities issued		278,728	267,905
Interest expense for borrowings from governments and financial institutions		11,948	12,373
Interest income for investment securities		(10,277)	(5,796)
Net gain on investment securities		(3,438)	(1,760)
Net losses/(gain) on disposal of property and equipment and other assets		12	(39)
Dividend income		(2,140)	(1,241)
Movements in working capital:			
Net decrease in balances with the central bank and deposits with banks and other financial institutions		61,627	43,379
Net increase in financial assets held under resale agreements		(250,599)	(738,023)
Net increase in financial assets at fair value through profit or loss		(580,580)	(42,318)
Net increase in loans and advances to customers		(1,264,620)	(806,529)
Net (increase)/decrease in placements with banks and other financial institutions		(23,527)	50,959
Net decrease in other assets		378,336	679,943
Net increase in due to customers and deposits from banks and other financial institutions		864,315	1,401,086
Net increase in placements from banks		15,591	40,483
Net increase in financial assets sold under repurchase agreements		1,449	2,945
Net increase in other liabilities		283,993	40,572
Income tax paid		(36,135)	(34,609)
Net cash inflows/(outflows) from operating activities		(62,348)	1,098,346
Cash flows from investing activities			
Cash paid for purchases of investment securities		(1,137,077)	(186,414)
Cash received from proceeds from disposal of investment securities		379,077	173,720
Cash received from returns on investment securities		10,540	8,449
Cash paid for purchases of property and equipment and other assets		(11,138)	(2,255)
Cash received from proceeds from disposal of property and equipment and other assets		3,288	824
Cash paid to other investing activities		(3,098)	(107)
Net cash outflows from investing activities		(758,408)	(5,783)
Cash flows from financing activities			
Cash received from proceeds from debt securities		1,725,757	1,231,372
Cash received from borrowed funds		323,048	36,568
Capital contribution		293,594	8,022
Cash paid for repayments of debt securities and borrowed funds		(1,170,360)	(754,873)
Cash payment for interest on debt securities and borrowed funds		(243,009)	(241,597)
Dividends paid to shareholders		(20)	(4)
Cash paid to other financing activities		(296)	–
Net cash inflows from financing activities		928,714	279,488
Effect of exchange rate changes on cash and cash equivalents		10,109	(1,179)
Net increase in cash and cash equivalents		118,067	1,370,872
Cash and cash equivalents at beginning of year		1,916,901	546,029
Cash and cash equivalents at end of year	40	2,034,968	1,916,901

The accompanying notes form part of the consolidated financial statements.

(All amounts expressed in millions of RMB unless otherwise specified)

1. GENERAL INFORMATION AND PRINCIPAL ACTIVITIES

China Development Bank Corporation (the "Bank") is a joint stock bank established jointly by the Ministry of Finance (the "MOF") and Central Huijin Investment Ltd. ("Huijin"). The Bank was formerly known as China Development Bank, a wholly state-owned policy bank, established on 17 March 1994 in the People's Republic of China. In accordance with the Master Implementation Plan for the Joint Stock Reform (the "Joint Stock Reform Plan") approved by the State Council of the PRC, China Development Bank was converted into a joint stock corporation on 11 December 2008.

The Bank is licensed (No. B0999H111000001) as a financial institution by the China Banking Regulatory Commission (the "CBRC") and is registered with a business enterprise license (No. 100000000016686) issued by the State Administration of Industry and Commerce of the PRC. The Bank is registered and headquartered in Beijing.

The Bank and its subsidiaries (together, the "Group") aligns their business focus with the major medium- and long-term national economic development strategies and allocates their financing resources to: support the development and construction programs of the state in infrastructure, basic industries, pillar industries, and strategic emerging sectors; help promote economic structural adjustments, new urbanization, coordinated regional development and industrial upgrade and transformation; promote inclusive financing, and support projects that improve the living conditions of the people, including urban renewal and poverty alleviation; and facilitate international cooperation and investments, support the implementation of China's "One Belt, One Road" and "Go Global" initiatives.

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

The Group has adopted the following amendments to IFRSs for the first time effective for the current year's financial statements.

Amendments to IAS 19	Defined Benefit Plans: Employee Contributions
Amendments to IFRSs	Annual Improvements to IFRSs 2010-2012 Cycle
Amendments to IFRSs	Annual Improvements to IFRSs 2011-2013 Cycle

None of the above amendments to IFRSs, however, have had a material impact on the financial position or performance of the Group for the year ended 31 December 2015.

The Group has not early applied the following new and revised IFRSs that have been issued but are not yet effective:

IFRS 9	Financial Instruments[3]
IFRS 15	Revenue from Contracts with Customers[3]
IFRS 16	Leases[4]
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions[3]
Amendments to IFRS 11	Accounting for Acquisitions of Interests in Joint Operations[1]
Amendments to IFRS 15	Clarifications to IFRS 15 Revenue from Contracts with Customers[3]
Amendments to IAS 1	Disclosure Initiative[1]
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[1]
Amendments to IAS 16 and IAS 41	Agriculture: Bearer Plants[1]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5]
Amendments to IFRS 10, IFRS 12 and IAS 28	Investment Entities: Applying the Consolidation Exception[1]
Amendments to IAS 7	Disclosure Initiative[2]
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[2]
Amendments to IFRSs	Annual Improvements to IFRSs 2012-2014 Cycle[1]

[1] Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.

[2] Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.

[3] Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

[4] Effective for annual periods beginning on or after 1 January 2019, with earlier application permitted.

[5] Effective for annual periods beginning on or after a date to be determined.

Management anticipate that the adoption of these new and revised IFRSs but not yet effective will have no material impact on the Group's consolidated financial statements, except for the IFRS 9 Financial Instruments, IFRS 15 Revenue from Contracts with Customers, and IFRS 16 Leases as described below:

IFRS 9 Financial Instruments

IFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. IFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

Key requirements of IFRS 9 are described as follows:

- all recognised financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- with regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.

- in relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

- the new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in IAS 39. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

Application of IFRS 9 in the future may have a material impact on amounts reported in respect of the Group's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related Interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

Step 1: Identify the contract(s) with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under IFRS 15, an entity recognizes revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

The Group anticipates that the application of IFRS 15 in the future may impact the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 15 until a detailed review has been completed.

IFRS 16 Leases

IFRS 16, which upon the effective date will supersede IAS 17 Leases, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under IFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, IAS 17.

In respect of the lessor accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

The Group anticipates that the application of IFRS 16 in the future may have a material impact on amounts reported in respect of the Group's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with IFRSs. The significant accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(1) Statement of compliance

The consolidated financial statements have been prepared in accordance with IFRSs.

(2) Basis of preparation

The consolidated financial statements of the Group have been prepared on the historical cost basis except for certain financial instruments that are at fair value. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realizable value in IAS 2 or value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 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; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The preparation of financial statements under IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

(3) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Bank and entities (including structured entities) controlled by the Bank and its subsidiaries. Control is achieved when the Bank:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Bank reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Bank has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally.

The Bank considers all relevant facts and circumstances in assessing whether or not the Bank's voting rights in an investee are sufficient to give it power, including:

- the size of the Bank's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Bank, other vote holders or other parties;
- rights arising from other contractual arrangements; and

- any additional facts and circumstances that indicate that the Bank has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Bank obtains control over the subsidiary and ceases when the Bank loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Bank gains control until the date when the Bank ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Bank and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Bank and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Bank.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

(4) **Interest in associates and joint ventures**

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates and joint ventures are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with IFRS 5. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of IAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture, or when the investment is classified as held for sale. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with IAS 39. The difference between the carrying amount of the associate or joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement of the previously held interest or the retained interest to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate or a joint venture of the Group (such as a sale or contribution of assets), profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

(5) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided in the normal course of business, net of sales related taxes. Specific recognition criteria for different nature of revenue are disclosed below.

Interest income and expense for all interest-bearing financial instruments, except for those classified as held for trading or designated at fair value through profit or loss, are recognised within "Interest income" and "Interest expense" in the consolidated statement of profit or loss using the effective interest method.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

(6) Fee and commission income

Fees and commissions are generally recognised on an accrual basis when the related service has been provided.

(7) Foreign currency translation

(a) Functional and presentation currency

The functional currency of domestic operation is Renminbi ("RMB"). Items included in the financial statements of each of the Group's overseas operations are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The presentation currency of the Group is RMB.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gain and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of profit or loss.

Changes in the fair value of monetary items denominated in foreign currency classified as available-for-sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in the amortised cost are recognised in the consolidated statement of profit or loss, and other changes in the carrying amount are recognised in other comprehensive income.

Non-monetary assets and liabilities that are measured at historical cost in foreign currencies are translated using the exchange rates prevailing at the date of the transaction. Non-monetary assets and liabilities that are measured at fair value in foreign currencies are translated using the exchange rates at the date that fair value is determined. Translation differences on non-monetary financial assets classified as available-for-sale are included in other comprehensive income. Translation differences on non-monetary financial assets classified as financial assets at fair value through profit or loss ("FVTPL") are included in the consolidated statement of profit or loss.

(c) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from RMB are translated as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position, except the retained earnings, other items in shareholders' equity are translated at the rate prevailing at the date when they occurred;
- income and expenses for each statement of profit or loss are translated at the exchange rate prevailing on the date when the items occurred; and
- all resulting exchange differences are recognised in other comprehensive income.

(8) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before income tax as reported in the consolidated statement of profit or loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss, except when they related to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

(9) Employee benefits

During the accounting period of employees providing services to the Group, the Group shall recognise the employee benefits payable as liabilities, and the employee benefits shall be recorded into profits and losses for the current period or as cost of related assets. Payments of social welfare contributions for employees incurred are recorded into profits and losses for the current period or recognised as cost of the related assets in accordance with the actual expenditure. The non-monetary social welfare expenses are recorded on a fair value basis.

(a) Social welfare

Social welfare expenditure refers to payments for employees' social welfare system established by the Government, including social insurance, housing funds and other social welfare contributions. During the accounting period of employees providing services to the Group, the Group recognises the amount shall be deposited as liability and records it into profits and losses for the current period.

(b) Annuity scheme

In addition to the government-sponsored pension plan, the employees of domestic institutions participate in annuity scheme set up by the Bank with the approval of the MOF and the record of the Ministry of Human Resources and Social Security. The Bank made annuity contributions with reference to employees' salaries, and the contributions are expensed in profit or loss when incurred.

(c) Early retirement benefits

Early retirement benefits refer to the expenses on benefits paid to those employees who have not reached retirement age but accepted an early retirement arrangement approved by management of the Bank. Early retirement benefits are made from the date of early retirement through the normal retirement date.

The liability related to the early retirement obligations existing at the end of each reporting period, is calculated by independent actuary using the projected unit credit method and is recorded as a liability in the consolidated statement of financial position. Actuarial gain and losses arising from changes in actuarial assumptions are recognised in profits and losses for the current period.

(d) Supplemental retirement benefits

The Group has paid supplemental retirement benefits to retired employees as of 31 December 2011 whom are out of the annuity scheme. Supplemental retirement benefits include supplemental pension income payments and medical expense coverage.

The liability related to the above supplemental benefit obligations existing at the end of each reporting period, is calculated by independent actuary using the projected unit credit method and is recorded as a liability in the consolidated statement of financial position. Actuarial gain and losses arising from changes in actuarial assumptions are recognised in other comprehensive income.

(10) Financial assets

Financial assets are recognised in the consolidated statement of financial position when an entity becomes a party to the contractual provisions of the instrument.

(a) Classification

The Group classifies its financial assets in the following categories: including financial assets at FVTPL, held-to-maturity investments, available-for-sale financial assets and loans and receivables. Investment securities comprise held-to-maturity investments, available-for-sale financial assets and debt securities classified as receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

(i) Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near future; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with changes in fair value arising from re-measurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss includes any dividends or interest earned on financial assets.

(ii) Held to maturity investments

Held to maturity investments are non-derivative financial assets traded in active markets, with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity.

Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method, less any identified impairment losses.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant periods. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

(iii) Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets that are either designated as such or are not classified in any of the other categories.

Equity and debt securities held by the Group that are classified as available-for-sale and are traded in an active market are measured at fair value at the end of each reporting period. Changes in the carrying amount of available-for-sale monetary financial assets relating to interest income calculated using the effective interest method and dividends on available-for-sale equity investments are recognised in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, they are measured at cost less any identified impairment losses at the end of the reporting period.

Dividends on available-for-sale equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established.

(iv) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables are carried at amortised cost using the effective interest method, less any impairment losses.

(b) Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets excluding those fair valued through profit or loss is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the Group about the following loss events:

- significant financial difficulty of the issuer or obligor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- the Group granting to the borrower, for economic or legal reasons relating to the borrower's financial difficulty, a concession that the lender would not otherwise consider;
- it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;
- the disappearance of an active market for that financial asset because of financial difficulties;
- 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, a decrease in property price for the mortgages in the relevant area or national or local economic conditions that correlate with defaults on the assets in the group;

- 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 indicates that the cost of investments in equity instruments may not be recovered;
- a significant or prolonged decline in the fair value of equity instrument investments; or
- other objective evidence indicating impairment of the financial asset.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

(i) Assets carried at amortised cost

The impairment loss for financial assets carried at amortised cost 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 is reduced through the use of an allowance account and the amount of the loss is recognised in the consolidated statement of profit or loss. If a loan or held to maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the group and historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not currently exist.

Estimates of changes in future cash flows for groups of assets should reflect and be directionally consistent with changes in related observable data from period to period (for example, changes in property prices, payment status, or other factors indicative of changes in the probability of losses in the group and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Group to reduce any differences between loss estimates and actual loss experience.

When a loan is uncollectible, it is written off against the related allowance for impairment losses. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off are credited to profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively 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 by adjusting the allowance account and recognised in the consolidated statement of profit or loss. The reversal shall not result in the carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed.

(ii) Assets classified as available-for-sale

If objective evidence of impairment exists for available-for-sale financial assets, the cumulative loss is removed from other comprehensive income and recognised in the consolidated statement of profit or loss and is measured as the difference between the acquisition cost (net of any principal repayment and amortisation) and the current fair value, less any impairment loss on that financial asset previously recognised in the consolidated statement of profit or loss.

If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the consolidated statement of profit or loss, the impairment loss is reversed through the consolidated statement of profit or loss. With respect to equity instruments, such reversals are made through the investment revaluation reserve within other comprehensive income. If there is objective evidence that an impairment loss has been incurred on an unquoted equity investment that is not carried at fair value because its fair value cannot be reliably measured, the impairment loss should not be reversed.

(c) Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in the Group, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

(d) Securitisation

As part of its operational activities, the Group makes the financial asset securitisation through the sale of some financial assets to a special purpose trust which issue securities to investors. The Group holds part of the priority and subprime asset-backed securities ("ABS"), subprime ABS cannot be transferred before the priority ABS's principal and interest payment is completed. As asset servicing provider, the Group provides recovery of the loan in the asset pool, saving accounts and records relating to the asset pool, providing service reports and other services. After payment of tax and related costs, the trust asset should be used for principal and interest payment of priority ABS first, the remaining trust asset will settle subprime ABS owned by the Group and other investors. The Group derecognised or partially derecognised the financial assets according to extent of the risks and rewards of ownership of the transferred financial assets retained in the Group.

(11) Financial liabilities and equity instrument

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

The Group's financial liabilities are generally classified into financial liabilities at FVTPL and other financial liabilities. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities.

(a) Financial liabilities at FVTPL

Financial liabilities at FVTPL has two subcategories, including financial liabilities held for trading and those designated as at FVTPL on initial recognition.

The criteria for a financial liability to be classified as held for trading and designated as at FVTPL are the same as those for a financial asset to be classified as held for trading and designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with changes in fair value arising on re-measurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss includes any interest paid on the financial liabilities.

(b) Other financial liabilities

Other financial liabilities are subsequently measured at amortised cost, using the effective interest method.

(c) Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by a group entity are recognised at the proceeds received, net of direct issue costs.

(d) Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

(12) Derivative financial instruments and embedded derivatives

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently re-measured at their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately.

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when their characteristics and risks are not closely related to those of the host contracts and the host contracts are not measured at fair value with changes in fair value recognised in profit or loss. These embedded derivatives are separately accounted for at fair value, with changes in fair value recognised in profit or loss.

(13) Determination of fair value

The fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. For financial instruments traded in active markets, the determination of fair values of financial assets and financial liabilities is based on quoted market prices or dealer price quotations. For financial instruments traded in inactive markets, fair value is determined using appropriate valuation techniques. Valuation techniques include the use of recent transaction prices, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants.

(14) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract issued by the Group and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of obligation under the contract, as determined in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the revenue recognition policy.

(15) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

(16) Repurchase agreements and agreements to resale

Financial assets sold subject to repurchase agreements continue to be recognised, and are recorded as financial assets as appropriate. The corresponding liability is included in "financial assets sold under repurchase agreements". Financial assets held under agreements to resell are not recognised in the consolidated statement of financial position and the corresponding cash paid is recorded as "financial assets held under resale agreements" as appropriate.

The difference between purchase and sale price is recognised as interest expense or income in profit or loss over the life of the agreements using the effective interest method.

(17) **Property and equipment**

The Group's property and equipment comprise buildings, office equipment, motor vehicles, aircraft and communication equipment and construction in progress.

All property and equipment are stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the consolidated statement of profit or loss during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to write down the cost of such assets to their residual values over their estimated useful lives as follows:

	Useful lives	Residual value	Annual depreciation rates
Buildings	20-35 years	0%-5%	2.71%-5%
Office equipment	3-10 years	0%-5%	9.5%-33%
Motor vehicles	4-6 years	0%-5%	16%-25%
Aircraft	15-20 years	3%-15%	4.25%-6.33%

Properties in the course of construction for supply of services or administrative purposes are carried at cost, less any recognised impairment loss. Such properties are classified to the appropriate category of property and equipment when completed and ready for intended use.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Gain and losses on disposal of property and equipment are determined by comparing proceeds with carrying amount. These are included in the consolidated statement of profit or loss.

(18) **Cash and cash equivalents**

Cash and cash equivalents refer to short term highly liquid assets, which are readily convertible into known amounts of cash and subject to an insignificant risk of changes in value.

(19) **Leases**

(a) **Lease classification**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

(b) **Finance lease**

When the Group is the lessor under a finance lease, the present value of the aggregation of the minimum lease payment receivable from the lessee, unguaranteed residual value and initial direct costs is recognised as a receivable in "Loans and advances". The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. Unearned finance income is recognised over the term of the lease using an interest rate which reflects a constant rate of return. Contingent rentals are recognised in profit or loss in the period in which they are incurred.

(c) **Operating lease**

When the Group is the lessee under an operating lease, rental expenses are charged in "Operating expenses" in the consolidated statement of profit or loss on a straight-line basis over the period of the lease.

When the Group is the lessor under operating leases, the assets subject to the operating leases are still accounted for as the Group's assets. Rental income is recognised as "Other income, net" in the consolidated statement of profit or loss on a straight-line basis over the lease term.

(20) **Intangible assets**

Intangible assets acquired separately and with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment loss, including computer software and other intangible assets.

Intangible assets are stated at acquisition cost less accumulated amortisation and impairment. These costs are amortised on a straight-line basis over their estimated useful lives with the amortisation recognised in the consolidated statement of profit or loss.

At the end of each reporting period, the Group reviews the useful lives and amortisation method of intangible assets with finite useful lives.

(21) **Goodwill**

Goodwill arising on an acquisition of a business is carried at cost less any accumulated impairment losses and is presented separately in the consolidated statement of financial position.

For the purposes of impairment testing, goodwill is allocated to each of the cash-generating units (or groups of cash-generating units) that are expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss in the consolidated statement of profit or loss. An impairment loss for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill capitalised is included in the determination of the amount of profit or loss on disposal.

(22) Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the assets is estimated in order to determine the extent of the impairment loss, if any.

If the recoverable amount of an asset is estimated to be less than its carrying amount (cash-generating unit), the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately.

(23) Provisions

Provisions are recognised in the consolidated statement of profit or loss when (i) the Group has a present legal or constructive obligation, as a result of past events, (ii) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and (iii) a reliable estimate of the amount of the obligation can be made.

Provisions are measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect is material).

Provisions related with financial guarantee contracts are measured at similar transaction, historical loss experience and management adjustment.

(24) Hedge accounting

In order to avoid some of the risk, the Group has designated certain financial instruments as hedging instruments. The Group uses hedge accounting to process these hedging instruments which comply with specified conditions. The Group's hedging instruments include fair value hedges and cash flow hedges.

At the inception of the hedge relationship, the entity documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk.

(a) Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognised in profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The change in the fair value of the hedging instrument and the change in the hedged item attributable to the hedged risk are recognised in profit or loss in the line item relating to the hedged item.

Hedge accounting is discontinued when the Group revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting.

(b) Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognised hedged item. However, when the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognised in other comprehensive income and accumulated in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability.

Hedge accounting is discontinued when the Group revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. Any gain or loss recognised in other comprehensive income and accumulated in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In the application of the Group's accounting policies, which are described in Note 3, the management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgements and key estimation uncertainty that the management has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements and/or in the next twelve months.

(1) Impairment losses on loans and advances

The Group reviews its loan portfolios to assess impairment periodically, unless circumstances indicate possible impairment at an interim date. In determining whether an impairment loss should be recorded in the consolidated statement of profit or loss, the Group makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

(2) Impairment of available-for-sale financial assets and financial assets carried at amortised cost

The Group determines the impairment of investment securities according to IAS 39 Financial Instruments: Recognition and Measurement. The determination of impairment requires a high degree of judgment on the part of the management. In making this judgment, the Group evaluates, among other factors, the duration extent to which the fair value of an investment is less than its cost, underlying asset quality of the investee (for example, delinquency ratio and loss coverage ratio), and the financial health and near-term business outlook (for example, industry performance and credit ratings). In determining whether the previously recognised impairment loss was recovered and should be reversed, the Group makes judgements as to whether the decrease of the impairment loss can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating).

(3) Fair value of financial instruments

The fair value of financial instruments that are not quoted in active markets is determined by using valuation techniques. These include the use of recent arm's length transactions, discounted cash flow analysis, and other valuation techniques commonly used by market participants. To the extent practical, the Group uses only observable market data, however, areas such as credit risk of the Group and the counterparty, volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect the estimated fair value of financial instruments.

(4) Held-to-maturity investments

The Group classifies non-derivative financial assets with fixed or determinable payments and fixed maturity that the Group's management has the positive intention and ability to hold to maturity as held-to-maturity investments. This classification requires significant judgement. In making this judgement, the Group evaluates its intention and ability to hold such investments to maturity. If the Group fails to hold these investments to maturity other than for specific circumstances (such as selling an insignificant amount close to maturity), it will be required to reclassify the entire portfolio of held-to-maturity investments as available-for-sale financial assets.

(5) Income taxes

Significant estimates are required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group makes estimates for items of uncertainty taking into account existing taxation laws and the responses from the government. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such a determination is made.

5. INVESTMENT IN SUBSIDIARIES

Details of the principal subsidiaries held by the Bank are as follows:

Name of company	Place of incorporation	Registered capital (in millions)	% of interest held	Principal business
China Development Bank Capital Co., Ltd.	Mainland China	RMB51,516	100% directly held	Equity investment
China Development Bank Development Fund	Mainland China	RMB50,000	100% directly held	Non-securities investment & investment management and advisory
China Development Bank Financial Leasing Co., Ltd.	Mainland China	RMB9,500	88.95% directly held	Leasing
China-Africa Development Fund	Mainland China	RMB20,335	100% indirectly held	Fund investment & management
China Development Bank Securities Co., Ltd	Mainland China	RMB7,370	100% directly held	Securities brokerage and underwriting
Upper Chance Group Limited	Hong Kong, China	GBP1,584	100% directly held	Investment holding

At 31 December 2015, the Bank directly invested in 13 village banks as subsidiaries (31 December 2014: 13 village banks).

6. NET INTEREST INCOME

	2015	2014
Interest income		
Loans and advances to customers	448,153	443,131
Placements with banks and other financial institutions and financial assets held under resale agreements	22,059	23,661
Balances with the central bank and deposits with banks and other financial institutions	22,687	36,551
Investment securities*	10,277	5,796
Others	110	29
Total	503,286	509,168
Interest expense		
Debt securities issued	(278,728)	(267,905)
Borrowings from governments and financial institutions	(11,948)	(12,373)
Deposits from banks and other financial institutions	(39,680)	(38,598)
Due to customers	(10,363)	(9,963)
Others	(4,210)	(1,639)
Total	(344,929)	(330,478)
Net interest income	158,357	178,690
Interest income included:		
Identified impaired financial assets	546	339

* Interest income of investment securities includes interest income of available-for-sale financial assets, held-to-maturity investments and debt securities classified as receivables.

7. NET FEE AND COMMISSION INCOME

	2015	2014
Fee and commission income		
Fiduciary service fee	4,286	3,803
Guarantee and credit commitment fee	4,211	4,338
Loan arrangement fee	3,601	3,198
Consultancy and advisory fee	359	1,062
Brokerage fee	250	111
Others	1,365	2,218
Total	14,072	14,730
Fee and commission expense		
Banking charges	(940)	(691)
Commission expense	(179)	(101)
Total	(1,119)	(792)
Net fee and commission income	12,953	13,938

8. NET TRADING AND FOREIGN EXCHANGE GAIN/(LOSSES)

	2015	2014
Foreign exchange gain/(losses)	56,335	(4,837)
Net gain on financial assets held-for-trading	2,899	1,258
Net gain on foreign exchange derivatives	1,280	19,125
Net gain on interest rate derivatives	714	747
Net gain on other derivatives	–	9
Total	61,228	16,302

9. DIVIDEND INCOME

	2015	2014
Financial assets designated as at fair value through profit or loss	1,946	981
Available-for-sale equity investments	194	260
Total	2,140	1,241

10. NET GAIN ON INVESTMENT SECURITIES

	2015	2014
Net gain on disposal of available-for-sale financial assets	3,438	1,760
Total	3,438	1,760

11. OTHER INCOME, NET

	2015	2014
Rental income, net	4,652	4,312
Others	(864)	(727)
Total	3,788	3,585

12. OPERATING EXPENSES

	2015	2014
Business tax and surcharges	27,971	25,964
Staff costs	5,499	5,190
Depreciation and amortisation	1,375	1,282
Administration expenses	1,358	1,312
Rental expenses	754	748
Stamp duty and other taxes	666	352
Supervision fee	456	443
Travel expenses	381	378
Service fees	322	430
Others	1,018	772
Total	39,800	36,871

13. IMPAIRMENT LOSSES ON ASSET

	2015	2014
Loans and advances to customers	72,569	55,525
Debt securities classified as receivables	134	57
Available-for-sale financial assets	445	42
Other assets	(478)	741
Financial assets held under resale agreements	28	–
Total	72,698	56,365

14. INCOME TAX EXPENSE

	2015	2014
Current tax	49,918	37,814
Deferred tax (note 27)	(17,446)	(6,481)
Total	32,472	31,333

The income tax expense can be reconciled to profit per the consolidated statement of profit or loss as follows:

	2015	2014
Profit before tax	136,888	129,537
Tax calculated at the statutory rate of 25%	34,222	32,384
Effect of different tax rates on subsidiaries	(230)	(556)
Non-taxable income	(1,948)	(1,087)
Deductible temporary differences not recognised	157	51
Tax effects of expenses not deductible for tax purpose and others	271	541
Total	32,472	31,333

15. CASH AND BALANCES WITH THE CENTRAL BANK

	31 December 2015	31 December 2014
Cash in hand	33	54
Statutory reserve with the central bank	872	1,081
Balances with the central bank, other than statutory reserve and others	263,027	56,265
Total	263,932	57,400

16. DEPOSITS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	31 December 2015	31 December 2014
Deposits with:		
Domestic banks	414,923	892,976
Other domestic financial institutions	1,078	454
Overseas banks	180,718	111,596
Other overseas financial institutions	5	–
Total	596,724	1,005,026

At 31 December 2015, the restricted deposits with banks and other financial institutions of the Group was amounting to RMB1,980 million (31 December 2014: RMB1,490 million), mainly guarantee deposits.

17. PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	31 December 2015	31 December 2014
Placements with:		
Domestic banks	91,524	14,922
Other domestic financial institutions	14,000	1,528
Overseas banks	5,452	3,045
Total	110,976	19,495

18. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 December 2015	31 December 2014
Financial assets held-for-trading		
Government and quasi-government bonds	9,870	6,489
Debt securities issued by financial institutions	3,795	–
Corporate bonds	65,153	27,915
Stock and fund	1,767	3,832
Other bonds	200	296
Interbank certificate of deposit	446	146
Subtotal	81,231	38,678
Financial assets designated as at fair value through profit or loss		
Equity investments	501,103	45,806
Asset management plans	93,670	8,295
Bank wealth management products and others	5,156	3,016
Subtotal	599,929	57,117
Total	681,160	95,795

19. DERIVATIVE FINANCIAL ASSETS AND LIABILITIES

The notional amounts of certain types of financial instruments provide a basis for comparison with instruments recognised on the consolidated statement of financial position but do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments and, therefore, do not indicate the Group's exposure to credit or market risks. The fair values of derivative instruments become favorable (assets) or unfavorable (liabilities) as a result of market fluctuations and foreign exchange rate movements relative to their terms. The aggregated contractual or notional amounts of derivative financial instruments on hand, the extent to which instruments are favorable or unfavorable, and thus the aggregated fair values of derivative financial assets and liabilities can fluctuate from time to time. The table below provides a detailed breakdown of the contractual or notional amount and the fair values of the Group's derivative financial instruments outstanding at the balance sheet date.

	31 December 2015			31 December 2014		
	Contractual/ notional amount	Fair value		Contractual/ notional amount	Fair value	
		Assets	Liabilities		Assets	Liabilities
Exchange rate derivatives						
Currency swaps (including cross-currency interest rate swaps)	944,844	4,968	(9,971)	974,569	10,298	(2,190)
Other currency derivatives	183,444	92	(57)	201,046	432	(172)
Subtotal	1,128,288	5,060	(10,028)	1,175,615	10,730	(2,362)
Interest rate derivatives						
Interest rate swaps	602,870	8,750	(7,270)	542,000	7,814	(6,735)

	31 December 2015			31 December 2014		
	Contractual/ notional amount	Fair value		Contractual/ notional amount	Fair value	
		Assets	Liabilities		Assets	Liabilities
Interest rate options	11,882	370	(370)	12,042	421	(421)
Subtotal	614,752	9,120	(7,640)	554,042	8,235	(7,156)
Other derivatives	–	–	–	–	–	–
Total	1,743,040	14,180	(17,668)	1,729,657	18,965	(9,518)

Hedge accounting

The Group's hedging instruments included in above derivative financial instruments are set out below:

	31 December 2015			31 December 2014		
	Contractual/ notional amount	Fair value		Contractual/ notional amount	Fair value	
		Assets	Liabilities		Assets	Liabilities
Fair value hedges instruments						
Interest rate swaps	24,943	1,033	(87)	18,110	928	(151)
Cash flow hedges instruments						
Interest rate swaps	5,401	1	(44)	6,476	10	(41)
Other currency derivatives	2,403	–	(106)	–	–	–
Total	32,747	1,034	(237)	24,586	938	(192)

Fair value hedges

The Group uses interest rate swap contracts to hedge against changes in fair value arising from changes in interest rates of the negotiable certificates of deposit issued by the Hong Kong branch.

The effectiveness of hedging accounting reflected through changes in the fair value of the hedging instrument and net gain and loss of the hedged item due to hedging risk are set out below:

	2015	2014
Net gain/(loss)		
– Hedging instruments	113	1,085
– Hedged item	139	(983)
Total	252	102

At 31 December 2015, the gain and loss of the ineffective hedging portion recognised by the Group in fair value change was insignificant.

Cash flow hedges

The Group uses interest rate swap contracts to hedge against exposure to cash flow variability primarily from interest rate risk of the variable rate borrowings of leasing business with other banks.

At 31 December 2015, the Group recognised a loss from fair value changes of cash flow hedging instrument of RMB149 million through other comprehensive income, which was expected to be recognised in profit or loss from 2016 to 2024.

20. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

	31 December 2015	31 December 2014
Analysed by type of collateral:		
Securities	1,334,917	1,084,318

21. LOANS AND ADVANCES TO CUSTOMERS, NET

The composition of loans and advance to customers is as follows:

	31 December 2015	31 December 2014
Loans and advances to customers		
– Loans to customers	9,120,754	7,862,880
– Finance lease receivable	85,164	78,749
– Others	1,031	13
	9,206,949	7,941,642
Less: Allowance for impairment losses		
– Individually assessed	(45,506)	(29,299)
– Collectively assessed	(296,083)	(242,992)
	(341,589)	(272,291)
Loans and advances to customers, net	8,865,360	7,669,351
Included:		
Finance lease receivable pledged as collateral	13,081	12,290

Movements of allowance for impairment losses are set out below:

	2015			2014		
	Individually assessed	Collectively assessed	Total	Individually assessed	Collectively assessed	Total
At 1 January	29,299	242,992	272,291	14,475	203,838	218,313
Net charge for the year	22,775	49,794	72,569	16,127	39,398	55,525
Transfer-in	2	5	7	–	12	12
Write-off	(6,719)	(28)	(6,747)	(759)	–	(759)
Recovery of loans written off	–	–	–	–	–	–
Unwinding of discount on allowance	(454)	–	(454)	(280)	–	(280)
Foreign exchange differences	603	3,320	3,923	(264)	(256)	(520)
At 31 December	45,506	296,083	341,589	29,299	242,992	272,291

The past due loans and advance to customers by collateral types are set out below:

	Past due				
	Within 3 months	3-12 months	1-3 years	Over 3 years	Total
31 December 2015					
Unsecured loans	566	653	668	152	2,039
Guaranteed loans	4,190	6,461	5,128	35	15,814
Loans secured by mortgage	2,095	10,688	7,982	64	20,829
Pledged loans	823	4,363	11,100	102	16,388
Total	7,674	22,165	24,878	353	55,070
31 December 2014					
Unsecured loans	921	109	409	2	1,441
Guaranteed loans	1,008	2,142	1,632	909	5,691
Loans secured by mortgage	5,755	3,287	3,397	961	13,400
Pledged loans	983	9,834	3,825	1,015	15,657
Total	8,667	15,372	9,263	2,887	36,189

The loans and advances to customers are classified as past-due if the principal or the interest is past due. For the installment repayment loans and advances to customers, if partial installment repayment is past due, the total balance of the loans and advances is classified as past-due.

22. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	31 December 2015	31 December 2014
Debt securities issued by:		
Governments and quasi-governments	144,630	98,596
Financial institutions	4,009	3,859
Corporations	89,397	38,385
Others	169	102
Subtotal	238,205	140,942
Equity instruments		
at fair value	22,340	24,571
Interbank certificate of deposit	103,248	6,454
Total	363,793	171,967

At 31 December 2015, the carrying amount of available-for-sale financial assets included allowance for impairment losses of RMB18,014 million (31 December 2014: RMB18,624 million).

23. HELD-TO-MATURITY INVESTMENTS

	31 December 2015	31 December 2014
Debt securities issued by:		
Corporations	1,999	1,999
Financial institutions	399	293
Total	2,398	2,292

24. DEBT SECURITIES CLASSIFIED AS RECEIVABLES

	31 December 2015	31 December 2014
The government and quasi-government agency bonds	149,299	–
Debt securities issued by financial institution	5,035	4,675
Corporate bonds	274	1,197
Other bonds	2,831	7,212
Wealth management products and others	7,985	6,248
Subtotal	165,424	19,332
Less: Allowance for impairment losses	(343)	(264)
Total	165,081	19,068

25. INTEREST IN ASSOCIATES AND JOINT VENTURES

The balance of interest in associates and joint ventures is as follows:

	31 December 2015	31 December 2014
Investment cost	1,680	1,650
Less: Allowance for impairment losses	–	–
Interest in associates and joint ventures	1,680	1,650

Movements of interest in associates and joint ventures are set out below:

	2015	2014
At 1 January	1,650	1,597
Addition	43	53
Disposal	(13)	–
At 31 December	1,680	1,650

Particulars of the principal associates and joint ventures of the Group are as follows:

Name of company	Place of incorporation	Registered capital (in million)	% of interest held	% of voting rights held	Principal business
Tianjin Eco-City Investment & Development Co., Ltd.	Mainland China	RMB3,000	20% indirectly held	20%	Land and infrastructure development
CDB Jintai Capital Investment Co., Ltd.	Mainland China	RMB1,250	40% indirectly held	40%	Investment management and advisory
Beijing Far East Instrument Company Ltd.	Mainland China	USD34	25% indirectly held	25%	Manufacture of electronic and electrical instruments
China-Africa Xinyin Investment Management Co., Ltd.	Mainland China	RMB200	35% indirectly held	35%	Investment in nonferrous metals in Africa
Longgang Guoan Rural Bank Co., Ltd. Shenzhen	Mainland China	RMB200	35% directly held	35%	Banking
Huaxin Investment Management Co., Ltd.	Mainland China	RMB120	45% indirectly held	45%	Investment management and advisory

26. PROPERTY AND EQUIPMENT

The net book value of property and equipment consisted of the following:

	Buildings	Office equipment	Motor vehicles	Aircraft and communication equipment	Construction in progress	Total
Cost						
At 1 January 2015	18,895	2,453	320	41,401	2,767	65,836
Additions	188	373	839	7,939	1,779	11,118
Transfer	116	–	–	–	(116)	–
Disposals	(770)	(130)	(20)	(555)	(5)	(1,480)
At 31 December 2015	18,429	2,696	1,139	48,785	4,425	75,474
Accumulated depreciation						
At 1 January 2015	(2,307)	(1,106)	(227)	(6,050)	–	(9,690)
Additions	(785)	(371)	(71)	(2,291)	–	(3,518)
Disposals	160	78	14	23	–	275
At 31 December 2015	(2,932)	(1,399)	(284)	(8,318)	–	(12,933)
Net book value						
At 31 December 2015	15,497	1,297	855	40,467	4,425	62,541
At 1 January 2015	16,588	1,347	93	35,351	2,767	56,146

	Buildings	Office equipment	Motor vehicles	Aircraft and communication equipment	Construction in progress	Total
Cost						
At 1 January 2014	16,870	1,510	329	36,391	2,653	57,753
Additions	525	1,012	5	5,745	1,642	8,929
Transfer	1,514	–	–	–	(1,514)	–
Disposals	(14)	(69)	(14)	(735)	(14)	(846)
At 31 December 2014	18,895	2,453	320	41,401	2,767	65,836
Accumulated depreciation						
At 1 January 2014	(1,716)	(736)	(176)	(4,375)	–	(7,003)
Additions	(591)	(391)	(60)	(1,821)	–	(2,863)
Disposals	–	21	9	146	–	176
At 31 December 2014	(2,307)	(1,106)	(227)	(6,050)	–	(9,690)
Net book value						
At 31 December 2014	16,588	1,347	93	35,351	2,767	56,146
At 1 January 2014	15,154	774	153	32,016	2,653	50,750

27. DEFERRED TAX ASSETS AND LIABILITIES

	31 December 2015	31 December 2014
Deferred tax assets	65,719	48,318
Deferred tax liabilities	(4,469)	(4,297)
Total	61,250	44,021

(1) The movements of the deferred income tax asset and liability are as follows:

	2015	2014
At 1 January	44,021	40,613
Credit to profit or loss	17,446	6,481
Charge to other comprehensive income	(217)	(3,782)
Acquisition of subsidiaries	–	709
At 31 December	61,250	44,021

(2) Deferred tax assets and liabilities are attributable to the following items:

	31 December 2015		31 December 2014	
	Deductible/ (taxable) temporary difference	Deferred income tax assets/ (liabilities)	Deductible/ (taxable) temporary difference	Deferred income tax assets/ (liabilities)
Deferred tax assets				
Allowance for impaired loans	241,699	60,425	181,474	45,368
Allowance for impaired available-for-sale financial assets	16,652	4,163	16,796	4,199
Fair value changes of financial assets at fair value through profit or loss	3,913	978	(8,473)	(2,118)
Provision for losses	3,064	766	2,954	738
Allowance for other impaired assets	1,810	452	1,443	361
Others	1,726	431	1,674	429

	31 December 2015		31 December 2014	
	Deductible/ (taxable) temporary difference	Deferred income tax assets/ (liabilities)	Deductible/ (taxable) temporary difference	Deferred income tax assets/ (liabilities)
Fair value changes of available-for-sale financial assets	(5,986)	(1,496)	(2,637)	(659)
Total	262,878	65,719	193,231	48,318
Deferred tax liabilities				
Fair value changes of available-for-sale financial assets	(10,818)	(2,704)	(13,061)	(3,265)
Fair value changes of financial assets at fair value through profit or loss	(6,585)	(1,570)	(5,745)	(1,129)
Others	(1,801)	(195)	(288)	97
Total	(19,204)	(4,469)	(19,094)	(4,297)

28. OTHER ASSETS

	31 December 2015	31 December 2014
Interest receivable	33,215	30,757
Prepayment for bond redemption	21,689	–
Prepayment for leasing equipment	13,112	14,183
Prepayment to vendors	7,392	5,650
Land use rights	1,938	2,106
Goodwill (1)	1,250	1,246
Security trading deposits	1,071	774
Other intangible assets	644	580
Investment property	514	108
Prepayment for equity investment	167	301
Deferred assets	152	104
Continuing involvement assets of loan-based securitisation	35	703
Others	9,840	11,001
Total	91,019	67,513
Less: Allowance for impairment losses	(458)	(950)
Other assets, net	90,561	66,563

(1) The goodwill is mainly attributable to China Development Bank Financial Leasing Co., Ltd. and China Development Bank Securities Co., Ltd. At 31 December 2015, the goodwill attributable to China Development Bank Financial Leasing Co., Ltd. and China Development Bank Securities Co., Ltd. was RMB560 million and RMB629 million respectively. At the end of 2015, the Group performed goodwill impairment test based on cashflow forecast of subsidiaries. No impairment losses on goodwill were recognised.

29. DEPOSITS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	31 December 2015	31 December 2014
Deposits from:		
Domestic banks	1,298,330	1,227,447
Other domestic financial institutions	140,437	115,117
Overseas banks	66,239	65,912
Total	1,505,006	1,408,476

30. BORROWINGS FROM GOVERNMENTS AND FINANCIAL INSTITUTIONS

	31 December 2015	31 December 2014
Borrowings from:		
Domestic banks and other financial institutions	327,548	427,260
Foreign banks and other financial institutions	19,436	14,108
Foreign banks – import credit	6,317	7,917
Foreign governments	1,974	2,088
Total	355,275	451,373

31. PLACEMENTS FROM BANKS

	31 December 2015	31 December 2014
Placements from:		
Overseas banks	54,131	41,115
Domestic banks	14,834	34,984
Total	68,965	76,099

32. FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

	31 December 2015	31 December 2014
Analysed by type of collateral:		
Securities	17,342	20,611
Finance lease receivable	5,922	5,512
Bond yield rights	6,220	1,912
Total	29,484	28,035

33. DUE TO CUSTOMERS

	31 December 2015	31 December 2014
Demand deposits	1,586,188	841,501
Term deposits	118,279	125,510
Guarantee deposits	6,976	13,371
Certificates of deposit issued in Hong Kong	143,968	107,330
Total	1,855,411	1,087,712

34. DEBT SECURITIES ISSUED

	31 December 2015	31 December 2014
Debt securities issued (1)	7,212,700	6,245,014
Subordinated bonds issued (2)	76,710	96,587
Tier-two capital debt issued (3)	11,962	11,958
Total	7,301,372	6,353,559

(1) Debt securities issued

	31 December 2015			
	Issuance date	Maturity date	Interest rate range (%)	Amount
RMB bonds issued in domestic market	2001-2015	2016-2065	1.83~5.90	6,563,587
RMB bonds issued in overseas market	2012-2014	2017-2032	3.30~4.50	10,716
Foreign currency bonds issued in domestic market	2013-2015	2018	1.33~1.60	18,569
Foreign currency bonds issued in overseas market	2014-2015	2016-2020	0.88~2.50	10,953
RMB special bonds issued in domestic market	2015	2020-2035	3.05~4.06	586,983
Debt securities issued by the Bank				7,190,808
Add: USD bills issued by subsidiary	2012-2014	2017-2024	2.15-4.25	13,835
RMB bonds issued by subsidiary	2014-2015	2016-2020	3.20-6.05	8,265
Less: Debt securities purchased by subsidiaries				(208)
Debt securities issued by the Group				7,212,700

	31 December 2014			
	Issuance date	Maturity date	Interest rate range (%)	Amount
RMB bonds issued in domestic market	2001-2014	2015-2063	2.62-5.90	6,201,462
RMB bonds issued in overseas market	2012-2014	2015-2032	2.95-4.50	14,975
Foreign currency bonds issued in domestic market	2013	2018	1.48	5,277
Foreign currency bonds issued in overseas market	2005-2014	2015-2017	0.51-5.00	7,890
Debt securities issued by the Bank				6,229,604
Add: USD bills issued by subsidiary	2012-2014	2017-2024	2.50-4.25	13,017
RMB bonds issued by subsidiary	2014	2019	6.05	2,487
Less: Debt securities purchased by subsidiaries				(94)
Debt securities issued by the Group				6,245,014

At 31 December 2015, RMB financial bonds issued in domestic market amounted to RMB39,200 million (31 December 2014: RMB61,200 million). The bond holders could convert part or all of securities at face value to the certain securities specified in the issuance documents on the arranged date or within the valid term with the same effective date and maturity.

(2) Subordinated bonds issued

	31 December 2015			
	Issuance date	Maturity date	Interest rate range (%)	Amount
RMB subordinated bonds issued in domestic market	2009-2012	2021-2062	3.15~6.05	76,710

	31 December 2014			
	Issuance date	Maturity date	Interest rate range (%)	Amount
RMB subordinated bonds issued in domestic market	2005-2012	2020-2062	3.82-6.05	96,587

Subordinated debts have provisions which allow the Bank to redeem them prior to maturity. If the Bank chooses not to exercise its redemption option on a specified date, it is obligated to pay higher interest rates on the debts.

(3) Tier-two capital debt issued

	31 December 2015			
	Issuance date	Maturity date	Interest rate range (%)	Amount
RMB tier-two capital debt issued in domestic market	2014	2024	5.3	11,962

	31 December 2014			
	Issuance date	Maturity date	Interest rate range (%)	Amount
RMB tier-two capital debt issued in domestic market	2014	2024	5.3	11,958

Tier-two capital debt have provision which allow the bank to redeem it prior to maturity and no interest rate reset is required.

35. OTHER LIABILITIES

	31 December 2015	31 December 2014
Interest payable	143,571	133,665
Deferred government subsidies for education loans	11,850	9,594
Business tax and surcharges payable	6,244	7,194
Lease security deposit	5,166	4,722
Continuing involvement liabilities of loan-based securitisation	35	703
Provision for losses on financial guarantees	2,619	2,578
Payable for security purchases on behalf of customers	2,054	1,471
Accrued staff cost	1,718	1,619
Purchase payable to leasing equipment vendor	1,070	1,478
Payable to fiduciary business customers	281	287
Advance received for fee and commission	2,723	891
Others	99,663	15,765
Total	276,994	179,967

36. SHARE CAPITAL

	31 December 2015	31 December 2014
The MOF	153,908	153,908
Huijin	146,092	146,092
Buttonwood Investment Holding Company Ltd.	114,537	–
National Council for Social Security Fund	6,711	6,711
Total	421,248	306,711

On 15 July 2015, China Foreign Exchange Reserves injected capital USD48,000 million as capital to the Bank through its investment platform Buttonwood Investment Holding Company Ltd. and held 114,536,955,987 shares of the bank. The total number of shares of the Bank increased from 306,711,409,395 to 421,248,365,382.

37. INVESTMENT REVALUATION RESERVE

	2015	2014
At 1 January	16,587	5,720
Changes in fair value of available-for-sale financial assets	1,378	11,562
Net gain reclassified to profit or loss on disposal	(2,538)	(695)
At 31 December	15,427	16,587

38. RESERVES

(1) Statutory and general surplus reserve

According to relevant laws and regulations, the Bank is required to appropriate 10% of net profit, as reported in its statutory financial statements, to statutory surplus reserve. When statutory surplus reserve accounts for more than 50% of the Bank's capital, the Bank would not be required to further appropriate statutory surplus reserve. Upon approval from Shareholders' General Meeting, the statutory surplus reserve appropriated by the Bank can be used to supplement any losses of the Bank or to contribute to the Bank's capital, with the remaining balance being no less than 25% of share capital. In addition, the Bank appropriates general surplus reserve as approved in the Shareholders' General Meeting.

(2) General reserve

	31 December 2015	31 December 2014
The Bank	144,256	122,119
Subsidiaries	2,808	2,621
Total	147,064	124,740

Pursuant to circulars issued by the MOF in 2012, the Bank is required to maintain adequate reserves for unforeseeable risks and future losses. Therefore, a general banking reserve has been established by the Bank through appropriation from retained earnings. In principle, the general banking reserve balance should not be lower than 1.5% of the ending balance of gross risk-bearing assets at year end, and should be set aside within a transitional period of five years.

Pursuant to the relevant regulatory requirements in the PRC, subsidiaries of the Group are required to appropriate certain amounts of its net profit as general reserve.

39. RETAINED EARNINGS

	31 December 2015	31 December 2014
At 1 January	175,178	113,145
Add: Net profit	103,705	98,100
Less: Appropriation to surplus reserve	(25,970)	(8,844)
Appropriation to general reserve	(22,324)	(27,219)
Dividends	(20)	(4)
At 31 December	230,569	175,178

40. CASH AND CASH EQUIVALENTS

For the purpose of the consolidated statements of cash flows, cash and cash equivalents comprise the following balances:

	31 December 2015	31 December 2014
Cash	33	54
Disposable balances with the central bank	263,027	56,265
Balances with an original maturity of less than three months:		
– Financial assets held under resale agreements	1,226,162	1,057,196
– Deposits with banks and other financial institutions	436,343	782,592
– Placements with banks and other financial institutions	89,976	18,995
– Government bonds	18,384	1,025
Security trading deposits	1,043	774
Total	2,034,968	1,916,901

41. INTERESTS IN UNCONSOLIDATED STRUCTURED ENTITIES

Unconsolidated structured entities of the Group include non-principal guaranteed wealth management products, ABS, asset management plans and fund investment, which were issued or established for providing a wide range of wealth management services for investors. At the same time, the Group holds interests in some structured entities, which are recognised as financial assets at fair value through profit or loss, available-for-sale financial assets and debt securities classified as receivables. There was no plan of providing financial or other support by the Group to these unconsolidated structured entities.

At the balance sheet date, unconsolidated structured entities set up by the Group and the interests of the Group in these structured entities are as follows:

	31 December 2015				
	Issued size	Carrying amount	Maximum exposure to loss	Income recognised in year	Type of income
Non-principal guaranteed wealth management	76,879	–	–	742	Fee income
ABS	177,772	3,200	3,200	151	Fee income and Interest income
Asset management plans	144,075	1,559	1,559	150	Fee income
Fund investment	46,144	5,004	5,004	665	Fee income and Interest income
Total	444,870	9,763	9,763	1,708	

	31 December 2014				
	Issued size	Carrying amount	Maximum exposure to loss	Income recognised in year	Type of income
Non-principal guaranteed wealth management	91,502	–	–	625	Fee income
ABS	111,475	7,581	7,581	115	Fee income and Interest income
Asset management plans	36,997	–	–	40	Fee income
Fund investment	10,144	1,130	1,130	95	Fee income and Interest income
Total	250,118	8,711	8,711	875	

At the balance sheet date, interest held by the Group in structured entities issued by other institutions are as follows:

	31 December 2015	31 December 2014
Financial assets at fair value through profit or loss	97,267	11,191
Debt securities classified as receivables	7,617	6,231
Total	104,884	17,422

42. TRANSFERS OF FINANCIAL ASSETS

The Group derecognized, partially derecognized or did not derecognize the financial assets according to extent of the risks and rewards of ownership of the transferred financial assets retained in the Group in securitisation transactions. At 31 December 2015, the carrying amount of securitized credit assets before transfer was RMB177,772 million (31 December 2014: RMB111,475 million).

For the part of transferred assets which are derecognized, the Group continues to recognise the transferred assets to the extent of its continuing involvement and recognises an associated liability. The net carrying amount of the transferred assets and associated liabilities reflects the rights and obligations that the Group has retained.

	31 December 2015				2015		
	Carrying amount of continuing involvement in the consolidated statement of financial position		Fair value of continuing involvement		Maximum exposure to loss	Gain or loss recognised at transfer date	Income recognised in year
	Assets	Liabilities	Assets	Liabilities			
Interest in SPE	35	35	35	35	35	–	15

	31 December 2014				2014		
	Carrying amount of continuing involvement in the consolidated statement of financial position		Fair value of continuing involvement		Maximum exposure to loss	Gain or loss recognised at transfer date	Income recognised in year
	Assets	Liabilities	Assets	Liabilities			
Interest in SPE	703	703	703	703	703	–	14

The Group invests in ABS with underlying credit assets of the Group, which are recognised as financial assets at fair value through profit or loss, available-for-sale financial assets and debt securities classified as receivables according to the different nature of the investment.

	31 December 2015		2015		
	Carrying amount	Fair value	Maximum exposure to loss	Gain or loss recognised at transfer date	Income recognised in year
ABS	3,201	3,180	3,201	–	151

	31 December 2014		2014		
	Carrying amount	Fair value	Maximum exposure to loss	Gain or loss recognised at transfer date	Income recognised in year
ABS	7,581	7,572	7,581	–	115

43. SEGMENT INFORMATION

The Group reviews the internal reporting in order to assess performance and allocate resources. Segment information is presented on the same basis as the Group's management and internal reporting.

All transactions between operating segments are conducted on an arm's length basis, with intra-segment revenue and costs being eliminated in head office. Income and expenses directly associated with each segment are included in determining operating segment performance.

In accordance with IFRS 8, the Group has the following operating segments: banking, equity investment, leasing and securities.

The Group's main operating segments are set out below:

(1) **Banking operations**

This segment consists of corporate banking, debt issuance and treasury operations. The corporate banking operations consist of lending, deposits, agency services, consulting and advisory services, cash management, remittance and settlement, custody and guarantee services. Debt issuance is the main source of funding to corporate banking operations. The treasury operations consist of money market transactions, foreign exchange transactions, bond market transactions, customer-based interest rate and foreign exchange derivative transactions and asset and liability management.

(2) **Equity investment**

This segment consists of equity investment activities.

(3) **Leasing operations**

This segment consists of finance lease and operating lease business.

(4) **Securities operations**

This segment consists of security brokerage, proprietary trading and underwriting operations.

2015	Banking	Equity investment	Leasing	Securities operations	Consolidation and adjustments	Total
Interest income	494,429	1,896	6,143	511	307	503,286
Interest expense	(337,479)	(1,136)	(5,055)	(1,063)	(196)	(344,929)
Net interest income	156,950	760	1,088	(552)	111	158,357
Include: Net interest income from customers	156,497	1,009	1,403	(552)	–	158,357
Inter-segment net interest income/ (expenses)	453	(249)	(315)	–	111	–
Net fee and commission income	12,118	215	(56)	723	(47)	12,953
Include: Net fee and commission from customers	12,046	216	(34)	725	–	12,953
Inter-segment net fee and commission	72	(1)	(22)	(2)	(47)	–
Other income/(expense), net	65,478	8,037	2,741	1,844	(24)	78,076
Operating expenses and Impairment losses on assets	(107,741)	(1,474)	(2,474)	(717)	(92)	(112,498)
Profit before income tax	126,805	7,538	1,299	1,298	(52)	136,888
Other information:						
Depreciation and amortisation	1,228	62	2,035	58	–	3,383
Capital expenditure	2,386	24	8,938	113	–	11,461
Impairment losses on assets	70,277	581	2,008	31	(199)	72,698
31 December 2015						
Total assets	12,366,900	734,955	155,695	45,654	(684,182)	12,619,022
Total liabilities	11,337,426	61,999	140,702	35,146	(25,855)	11,549,418
2015						
Total net income from external customers*						
Mainland China	119,355	1,196	1,671	173	–	122,395
Hong Kong	51	37	407	–	–	495
Other countries/jurisdictions	49,137	(8)	(709)	–	–	48,420
Total	168,543	1,225	1,369	173	–	171,310

2015	Banking	Equity investment	Leasing	Securities operations	Consolidation and adjustments	Total
31 December 2015						
Non- current assets**						
Mainland China	22,088	6,082	4,768	810	–	33,748
Hong Kong	46	62	–	–	–	108
Other countries/jurisdictions	–	–	38,897	–	–	38,897
Total	22,134	6,144	43,665	810	–	72,753
Interest in associates and joint ventures						
Mainland China	115	1,500	–	2	–	1,617
Hong Kong	–	63	–	–	–	63
Other countries/jurisdictions	–	–	–	–	–	–
Total	115	1,563	–	2	–	1,680

2014	Banking	Equity investment	Leasing	Securities operations	Consolidation and adjustments	Total
Interest income	500,275	1,222	7,203	253	215	509,168
Interest expense	(323,100)	(806)	(6,036)	(479)	(57)	(330,478)
Net interest income	177,175	416	1,167	(226)	158	178,690
Include: Net interest income from customers	177,845	418	653	(226)	–	178,690
Inter-segment net interest income/ (expenses)	(670)	(2)	514	–	158	–
Net fee and commission income	13,172	283	(78)	693	(132)	13,938
Include: Net fee and commission from customers	13,086	283	(130)	699	–	13,938
Inter-segment net fee and commission	86	–	52	(6)	(132)	–
Other income/(expense), net	17,113	9,460	2,547	1,061	(36)	30,145
Operating expenses and Impairment losses on assets	(89,694)	(1,758)	(1,257)	(572)	45	(93,236)
Profit before income tax	117,766	8,401	2,379	956	35	129,537
Other information:						
Depreciation and amortisation	1,143	77	1,860	34	–	3,114
Capital expenditure	2,597	135	6,789	33	–	9,554
Impairment losses on assets	54,762	848	798	–	(43)	56,365
31 December 2014						
Total assets	10,103,950	114,019	140,366	28,577	(70,558)	10,316,354
Total liabilities	9,466,468	26,730	126,356	19,300	(2,664)	9,636,190
2014						
Total net income from external customers*						
Mainland China	147,271	590	793	473	–	149,127
Hong Kong	126	184	361	–	–	671
Other countries/jurisdictions	43,534	(73)	(631)	–	–	42,830
Total	190,931	701	523	473	–	192,628
31 December 2014						
Non-current assets**						
Mainland China	22,718	5,578	11,700	116	–	40,112
Hong Kong	47	59	–	–	–	106
Other countries/jurisdictions	–	–	25,397	–	–	25,397
Total	22,765	5,637	37,097	116	–	65,615
Interest in associates and joint ventures						
Mainland China	114	1,531	–	–	–	1,645
Other countries/jurisdictions	–	5	–	–	–	5
Total	114	1,536	–	–	–	1,650

* Total net income from customers is generated from outside the Group, including net interest income, net fee and commission income from customers.

** Non-current assets include property and equipment, intangible assets, goodwill and other assets.

44. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

Related parties are those parties that have the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. Parties are also considered to be related if they are subject to common control.

(1) Ministry of Finance

At 31 December 2015, the MOF owned a 36.54% of the issued share capital of the Bank (31 December 2014: 50.18%).

The Group enters into transactions with the MOF in its ordinary course of business, including subscription and redemption of treasury bonds. Details of transactions with the MOF are as follows:

	31 December 2015	31 December 2014
Treasury bonds issued by the MOF	89,920	40,281
Interest rate range (%)		
Treasury bonds issued by the MOF	2.16-4.47	2.38-4.47

	2015	2014
Interest income	1,535	988
Fee and commission income	52	18
Net trading gain	67	22

(2) Huijin

Huijin is a wholly owned subsidiary of China Investment Corporation, with a registered capital of RMB828,209 million in Beijing. Its principal activities are equity investments as authorised by the State Council without engaging in other commercial operations. Huijin exercises the rights and fulfills the obligations as an investor of the Bank on behalf of the PRC Government.

At 31 December 2015, Huijin owned a 34.68% of the issued share capital of the Bank (31 December 2014: 47.63%).

Transaction between the Group and Huijin are carried out in ordinary course of business. Details of investment in bonds issued by Huijin are as follows:

	31 December 2015	31 December 2014
Available-for-sale financial assets	6,039	7,623
Interest rate range (%)	3.16-4.2	3.14-4.2

	2015	2014
Interest income	249	268
Fee and commission income	11	–
Net Trading Gain	1	–

(3) Buttonwood Investment Holding Company Ltd.

Buttonwood Investment Holding Company Ltd. is a wholly owned subsidiary of the State Administration of Foreign Exchange. Its principal activities are domestic and overseas investments in project, equity, debt, loan and fund, fiduciary management and investment management.

At 31 December 2015, Buttonwood Investment Holding Company Ltd. owned a 27.19% of the issued share capital of the Bank (31 December 2014: 0%).

(4) Transaction with subsidiaries

Included in the following captions of the Bank's statement of financial position are balances with subsidiaries.

	31 December 2015	31 December 2014
Loans and advances to customers, net	20,911	9,736
Due to customers	3,129	2,626
Deposits from banks and other financial institutions	1,261	1,582
Derivative financial assets	287	356
Debt securities issued	208	94
Deposits with banks and other financial institutions	31	–
Other assets		
– Interest receivable	35	54
– Other receivables	3,013	29
Other liabilities		
– Interest payable	15	12

Included in the following captions of the Bank's statement of profit or loss are transactions with subsidiaries.

	2015	2014
Interest income	611	511
Interest expense	(53)	(38)
Fee and commission income	45	121
Fee and commission expense	(52)	(28)

Transactions between the Bank and its subsidiaries are carried out on general commercial terms in ordinary course of business. All transactions or balances with subsidiaries are eliminated in the consolidated financial statements.

(5) Transactions with associates and joint ventures

Transactions between the Bank and its associates and joint ventures are carried out on general commercial terms in ordinary course of business. The Group's transactions and balances with associates and joint ventures for the year ended 31 December 2015 and 2015 were insignificant.

(6) Transactions with other government-related entities

Management considers that transactions with other government related entities are activities conducted in the ordinary course of business, and that the dealings of the Group have not been significantly or unduly affected by the fact that the Group and those entities are government related. The Group has also established pricing policies for products and services and such pricing policies do not depend on whether or not the customers are government related entities.

45. CONTINGENT LIABILITIES AND COMMITMENTS

(1) Legal proceedings

At 31 December 2015, the Group was involved in certain lawsuits arising from its normal business operations. After consulting legal professionals, management of the Group believes that the ultimate outcome of these lawsuits will not have a material impact on the financial position and operating result of the Group.

(2) Capital commitments

	31 December 2015	31 December 2014
Capital commitment in respect of equity investments		
– authorised but not contracted for	7,602	5,026
– contracted but not provided for	56,378	54,502
Capital commitment in respect of property and equipment		
– authorised but not contracted for	3	6
– contracted but not provided for	40,939	44,979
Total	104,922	104,513

(3) Credit commitments

	31 December 2015	31 December 2014
Loan commitments	3,097,207	2,951,784
Letters of guarantee issued	76,777	78,991
Bank bill acceptance	31,411	36,816
Letters of credit issued	11,752	21,770
Total	3,217,147	3,089,361

(4) Operating lease commitments

At the end of each reporting period, the Group as lessee has the following non-cancelable operating lease commitments:

	31 December 2015	31 December 2014
Within one year	515	505
After one year but within two years	243	289
After two years but within three years	124	146
After three years	305	296
Total	1,187	1,236

(5) Finance lease commitments

At the end of each reporting period, the Group as lessor has the following non-cancelable finance lease commitments:

	31 December 2015	31 December 2014
Contractual amount	1,990	417

(6) Collateral

(a) Assets pledged

The carrying amount of assets pledged as collateral under repurchase agreement at the end of each reporting period is as follows:

	31 December 2015	31 December 2014
Securities	21,710	22,763
Finance lease receivable	10,487	8,633
Placement notes	5,449	2,205
Total	37,646	33,601

At 31 December 2015, the carrying amount of financial assets sold under repurchase agreements by the Group was RMB29,484 million (2014: RMB28,035 million). All repurchase agreements are due within 5 years from the effective date of these agreements.

(b) Collateral accepted

The Group has no cash and securities received as collateral can be resold or repledged in connection with purchase of assets under resale agreements and security lending business at 31 December 2015 and 2014.

46. FINANCIAL RISK MANAGEMENT

(1) Strategies adopted in managing financial risks

The Group's activities expose it to a variety of financial risks and those activities involve the analysis, identification, monitoring and reporting of some degree of risk or combination of risks. Taking risk is core to the financial business of the Group, and operational risks are an inevitable consequence of being in business. The Group's aim is, therefore, to achieve an appropriate balance between risk and return and minimise potential adverse effects on the Group's financial performance.

The Group raises funds primarily through the issuance of debts with different maturities at both fixed and floating rates, and seeks to earn interest margins by investing these funds in State medium- to long-term lending projects in infrastructure sectors, basic industries and pillar industries. With the basic saving and lending interest rate regulated by the central bank, and debt issuing rates fluctuating, the Group seeks to increase its net interest margins by issuing different varieties of bonds and reducing its cost of funding to the extent possible.

The Group carries out a range of vanilla derivative financial instruments transactions, including currency forward, currency and interest rate swaps, interest rate floor options to meet the needs of risk management as well as the needs of its customers. The Group's risk management policies are designed to identify and analyse risk, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems. The Group regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practice. The most important types of financial risks are credit risk, liquidity risk and market risk.

(2) Credit risk

The Group takes on exposure to credit risk which is the risk that a customer or counterparty will cause a financial loss for the Group by failing to discharge an obligation or falling in its credit rating. Credit risk is the most important risk for the Group's business, management therefore carefully manages its exposure to credit risk. Credit exposures arise principally in lending activities that lead to loans and advances, and investment activities that bring debt securities and derivatives into the Group's asset portfolio. There is also credit risk in off-balance sheet financial instruments, such as loan commitments and financial guarantees.

Following the internal credit rating directives and guidelines issued by the CBRC, and considering its unique business features, the Group establishes a credit rating framework including credit rating methodologies, policies, procedures, control management, data collection and IT supporting. This is a two dimensional risk rating framework that assesses both customer credit rating based on the probability of default and the project credit rating based on the estimated loss given default. To ensure the accuracy and completeness of rating results, the Group also established internal guidelines for country rating, sovereign rating, local government rating, district rating and industry rating.

In 2015, there is no material change to the Group's risk management strategy and approach.

(a) Credit risk measurement

(i) Loans and advances

The Group measures and manages the credit quality of loans and advances based on the "Guiding Principles on the Classification of Loan Risk Management" issued by the CBRC, which requires banks to classify loans into the following five grades: "pass", "special-mention", "substandard", "doubtful" and "loss", among which loans classified in the "substandard", "doubtful" and "loss" grades are regarded as non-performing loans.

- "pass": Borrowers can honour the terms of their loans. There is no reason to doubt their ability to repay principal and interest in full on a timely basis.
- "special-mention": Borrowers are able to service their loans currently, although repayment may be adversely affected by specific factors.
- "substandard": Borrowers' abilities to service their loans are in question as they cannot rely entirely on normal business revenue to repay principal and interest. Losses may occur even when collateral or guarantees are invoked.
- "doubtful": Borrowers cannot repay principal and interest in full and significant losses will need to be recognised even when collateral or guarantees are invoked.
- "loss": Only a small portion or no principal and interest can be recovered after taking all possible measures and exhausting all legal remedies.

The Group uses risk based methodology to evaluate the quality of loan assets. The classification methodology takes into consideration of different factors including core definition, credit rating and significant events. The classification is a leverage of quantitative and qualitative factors, including various financial factors, non-financial factors, industrial and regional differences, as well as the Bank's management ability. The Group reviews its credit assets on a timely basis, and such assets are centrally monitored by the Loan Management Department and International Financial Department, and reported to management for approval.

(ii) Debt securities and derivatives

For debt securities, the Group manages the credit risk exposure by using its internal rating system, and also taking external ratings such as Standard & Poor's rating or their equivalents into account. Investments in debt securities are viewed as a way to gain a better credit quality mapping and, at the same time, to maintain a readily available source of funding to meet funding requirements. The derivative credit risk exposure is managed as part of the overall lending limits set for customers.

(iii) Loan commitments, letters of guarantee issued, letters of credit issued and bank bill acceptance

For loan commitments, letters of guarantee issued, letters of credit issued and bank bill acceptance, the Group generally manages the credit risk using the five-grade system and its internal credit rating system in the same way as it manages loans and advances.

(b) Risk limit control and mitigation policies

The Group manages limits and controls concentrations of credit risk wherever they are identifiable, in particular, to individual counterparties and groups, and to industries and geographical regions.

The Group has processed in place the credit limit management framework to assess the levels of credit risk it undertakes in relation to single borrowers and group clients, to allocate the economic capital for industries and branches, and also to set the appropriate credit limit by country. Such risks are monitored periodically and are subject to review at the Governors' Meeting of Risk Management.

The exposure to any one customer is further restricted by sub-limits covering on and off-balance sheet exposures, and daily delivery risk limits in relation to the trading and non-trading portfolio of treasury business. Actual exposures are monitored against limits regularly.

To manage its credit risk, the Group applies rigorous underwriting procedures to each loan application and has developed a disciplined credit risk management process. Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations. Exposure to credit risk is also managed in part by obtaining collateral and guarantees.

Other specific control and mitigation measures are outlined below.

(i) Collateral

The Group employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of collateral for advances, which is common practice. The Group has implemented guidelines on the acceptability of specific classes of collateral or credit risk mitigation, and reviews the valuation of collateral periodically.

The principal collateral types are charges over rights and business assets such as toll collection rights, real estate, land use rights, equity securities, cash deposits and machinery.

Collateral held as security for financial assets other than loans and advances is determined by the nature of the instrument. Debt securities are generally unsecured with the exception of asset backed securities and similar instruments, which are secured by pools of financial assets.

(ii) Credit related commitments

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and letters of credit, which represent irrevocable assurance that the Group will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans. In some cases, guarantee deposits are received by the Group to lessen the credit risks related to certain of these commitments provided by the Group. The guarantee deposit which is a certain percentage of the notional amount of the guarantee and letters of credit and other credit related commitments is determined by the creditworthiness of the customer.

Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans, bank bill acceptance, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Group is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments since most commitments to extend credit are contingent upon customers maintaining their level of creditworthiness. The Group monitors the term to maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

(c) Impairment and provisioning policies

The impairment allowance shown in the consolidated statement of financial position at year end is derived from asset quality grading mentioned in Note 46.(2)(a)(i), which assists management to determine whether objective evidence of impairment exists under IAS 39, based on the principles set out in Note 3.(10)(b).

The Group's policy requires the review of individual financial assets that are above materiality thresholds at least quarterly or more regularly when individual circumstances require. Impairment allowances on individually assessed accounts are determined by an evaluation of the incurred loss at balance-sheet date on a case-by-case basis and are applied to all individually significant accounts. The assessment normally encompasses collateral held and the anticipated receipts for that individual account.

Collectively assessed impairment allowances are provided for: (i) portfolios of assets that are individually below materiality thresholds; and (ii) losses that have been incurred but have not yet been identified, by using the available historical experience, experienced judgment and statistical techniques.

(d) Maximum exposure to credit risk before collateral held or other credit enhancements

	31 December 2015	31 December 2014
Credit risk exposures relating to financial assets are as follows:		
Balances with the central bank	263,899	57,346
Deposits with banks and other financial institutions	596,724	1,005,026
Placements with banks and other financial statements	110,976	19,495
Financial assets at fair value through profit or loss	178,290	46,157
Derivative financial assets	14,180	18,965
Financial assets held under resale agreements	1,334,917	1,084,318
Loans and advances to customers, net	8,865,360	7,669,351
Available-for-sale financial assets	341,453	147,396
Held-to-maturity investments	2,398	2,292
Debt securities classified as receivables	165,081	19,068
Other financial assets	72,324	54,785
Subtotal	11,945,602	10,124,199
Credit risk exposures relating to credit commitments are as follows:		
Loan commitments	3,097,207	2,951,784
Letters of guarantee issued	76,777	78,991
Bank bill acceptance	31,411	36,816
Letters of credit issued	11,752	21,770
Subtotal	3,217,147	3,089,361
Total	15,162,749	13,213,560

The above table represents a worst case scenario of credit risk exposure to the Group at 31 December 2015 and 31 December 2014, without taking account of any collateral held or other credit enhancements attached. For on-balance sheet assets, the exposures set out above are based on net carrying amounts as reported in the consolidated statement of financial position.

(e) **Loans and advances to customers**

The gross amount of loans and advances to customers by types of collateral and maturity is as follows:

	Within 1 year	1-5 years	Over 5 years	Total
At 31 December 2015				
Unsecured loans	193,853	406,155	1,569,020	2,169,028
Guaranteed loans	135,557	230,900	807,523	1,173,980
Loans secured by mortgage	38,686	212,590	992,528	1,243,804
Pledged loans	50,821	110,171	4,459,145	4,620,137
Total	418,917	959,816	7,828,216	9,206,949
At 31 December 2014				
Unsecured loans	210,355	321,169	1,341,296	1,872,820
Guaranteed loans	141,486	224,607	720,702	1,086,795
Loans secured by mortgage	31,691	239,168	924,211	1,195,070
Pledged loans	43,329	111,702	3,631,926	3,786,957
Total	426,861	896,646	6,618,135	7,941,642

Distribution of loans and advances to customers in terms of credit quality is as follows:

	31 December 2015	31 December 2014
Neither past due nor impaired (i)	9,130,722	7,887,096
Past due but not impaired (ii)	1,892	2,985
Impaired (iii)	74,335	51,561
Total	9,206,949	7,941,642
Less: allowance for impairment losses		
– Individually assessed	(45,506)	(29,299)
– Collectively assessed	(296,083)	(242,992)
Total	(341,589)	(272,291)
Loans and advances to customers, net	8,865,360	7,669,351

(i) Loans and advances to customers neither past due nor impaired

The credit quality of the portfolio of loans and advances to customers that were neither past due nor impaired can be assessed with reference to the asset quality grading system adopted by the Group.

	31 December 2015	31 December 2014
Pass grade	8,167,478	7,210,728
Special-mention grade	963,244	676,368
Total	9,130,722	7,887,096

(ii) Loans and advances to customers past due but not impaired

In general, past due of less than 90 days for loans and advances to customers does not necessarily indicate impairment, unless other information is available to indicate the contrary. Past due loans of less than 90 days amounting to RMB1,047 million (2014: RMB2,546 million) were individually assessed and no impairment was identified. Past-due loans over 90 days were mainly student loans totaling RMB168 million (2014 RMB283 million), which were not identified as impaired. In accordance with relevant policy requirements, certain losses from student loans could be compensated by government subsidies. Therefore, these past-due student loans were not identified as impaired loans.

The gross amount of loans and advances to customers that were past due but not impaired is as follows:

	31 December 2015	31 December 2014
Past due up to 90 days	1,047	2,546
Past due over 90 days	845	439
Total	1,892	2,985
Fair value of collaterals	1,434	2,885

(iii) Loans and advances to customers impaired

Impaired loans and advances to customers are listed below:

	31 December 2015	31 December 2014
Impaired loans and advances to customers	74,335	51,561
Less: individually assessed impairment allowance	(45,506)	(29,299)
Total	28,829	22,262
Fair value of collaterals	17,650	18,863

All impaired loans are individually assessed and the impairment allowance is provided accordingly.

(iv) Restructured loans and advances to customers renegotiated

Restructured loans and advances to customers are loans that have been restructured due to deterioration in the borrower's financial position. Restructuring policies are based on indicators or criteria which, in the judgment of management, indicate that payment will most likely continue. These policies are kept under continuous review. All restructured loans are subject to a surveillance period of six months. During the surveillance period, restructured loans remain as non-performing loans. After the surveillance period, restructured loans will not be classified as non-performing loans upon review if certain criteria are met. At 31 December 2015, the total renegotiated loans amounted to RMB5,911 million (31 December 2014: RMB7,926 million).

(f) Investment in debt securities

Distribution of debt securities in terms of credit quality is as follows:

	31 December 2015	31 December 2014
Neither past due nor impaired (i)	685,059	211,994
Impaired (ii)	2,506	3,183
Total	687,565	215,177
Less: Allowance for impairment losses	(343)	(264)
Carrying amount of debt securities	687,222	214,913

(i) Debt securities neither past due nor impaired

	31 December 2015				
	Financial assets at fair value through profit or loss	Available-for-sale financial assets	Held-to-maturity investments	Debt securities classified as receivables	Total
Debt securities issued by:					
Governments and quasi-governments	9,870	144,630	–	149,299	303,799
Financial institutions	3,795	4,009	399	5,035	13,238
Corporations	65,153	89,397	1,999	59	156,608
Other securities	200	169	–	2,831	3,200
Interbank certificate of deposit	446	103,248	–	–	103,694
Wealth management products and others	5,156	–	–	5,694	10,850
Asset management plans	93,670	–	–	–	93,670
Total	178,290	341,453	2,398	162,918	685,059

	31 December 2014				
	Financial assets at fair value through profit or loss	Available-for-sale financial assets	Held-to-maturity investments	Debt securities classified as receivables	Total
Debt securities issued by:					
Governments and quasi-governments	6,489	98,596	–	–	105,085
Financial institutions	–	3,859	293	4,675	8,827
Corporations	27,915	38,385	1,999	915	69,214
Other securities	296	102	–	7,212	7,610
Interbank certificate of deposit	146	6,454	–	–	6,600
Wealth management products and others	3,016	–	–	3,347	6,363
Asset management plans	8,295	–	–	–	8,295
Total	46,157	147,396	2,292	16,149	211,994

(ii) Debt securities impaired

31 December 2015	Debt securities classified as receivables	Total
Debt securities issued by:		
Corporations	215	215
Wealth management products and others	2,291	2,291
Total	2,506	2,506

31 December 2014	Debt securities classified as receivables	Total
Debt securities issued by:		
Corporations	282	282
Wealth management products and others	2,901	2,901
Total	3,183	3,183

Debt securities analysed by credit rating from independent rating agencies is as follows:

					Unrated		
	AAA	AA	A	Lower than A	PRC government and government bodies (1)	Other (2)	Total
At 31 December 2015							
Debt securities issued by:							
Governments and quasi-governments	6,051	–	–	–	297,748	–	303,799
Financial institutions	1,874	381	1,650	1,801	–	7,532	13,238
Corporations	132,266	11,807	10,031	92	–	2,412	156,608
Other securities	1,991	341	326	–	–	542	3,200
Interbank certificate of deposit	91,200	7,573	4,921	–	–	–	103,694
Wealth management products and others	–	–	–	–	–	13,013	13,013
Asset management program and others	–	–	–	–	–	93,670	93,670
Total	233,382	20,102	16,928	1,893	297,748	117,169	687,222
At 31 December 2014							
Debt securities issued by:							
Governments and quasi-governments	–	–	–	–	105,085	–	105,085
Financial institutions	2,673	–	1,724	–	–	4,430	8,827
Corporations	49,910	15,974	1,274	–	–	2,091	69,249

					Unrated		
	AAA	AA	A	Lower than A	PRC government and government bodies (1)	Other (2)	Total
Other securities	3,520	–	–	–	–	4,090	7,610
Interbank certificate of deposit	5,132	1,168	300	–	–	–	6,600
Wealth management products and others	–	–	–	–	–	9,247	9,247
Asset management program	–	–	–	–	–	8,295	8,295
Total	61,235	17,142	3,298	–	105,085	28,153	214,913

(1) The unrated debt securities issued by PRC Government and PRC government bodies are from issuers such as MOF, central bank, PRC policy banks and Huijin.

(2) The other unrated debt securities mainly represent subordinated bonds issued by insurance companies, principal guaranteed wealth management products issued by banks and private placement notes.

(g) **Concentration of risks of financial assets with credit risk exposure**

(i) Financial assets by geographical distribution

	Eastern China	Central China	Western China	Overseas	Total
Balances with the central bank	255,702	2,485	5,712	–	263,899
Deposits with banks and other financial institutions	445,229	28,191	1,955	121,349	596,724
Placements with banks and other financial institutions	104,524	–	1,000	5,452	110,976
Financial assets at fair value through profit or loss	167,011	5,110	5,126	1,043	178,290
Derivative financial assets	6,685	1,355	–	6,140	14,180
Financial assets held under resale agreements	1,139,953	115,728	76,629	2,607	1,334,917
Loans and advances to customers, net	3,465,825	1,754,114	2,387,355	1,258,066	8,865,360
Available-for-sale financial assets	330,180	6,245	5,028	–	341,453
Held-to-maturity investments	1,898	–	500	–	2,398
Debt securities classified as receivables	95,058	25,543	44,421	59	165,081
Other financial assets	52,520	7,659	9,408	2,737	72,324
At 31 December 2015	6,064,585	1,946,430	2,537,134	1,397,453	11,945,602
At 31 December 2014	5,469,759	1,565,026	2,031,622	1,057,792	10,124,199

Eastern China includes Beijing, Liaoning, Hebei, Tianjin, Shandong, Shanghai, Jiangsu, Zhejiang, Fujian, Guangdong, Hainan, Dalian, Shenzhen, Qingdao, Ningbo, Suzhou and Xiamen.

Central China includes Jilin, Heilongjiang, Shanxi, Henan, Hubei, Anhui, Hunan and Jiangxi.

Western China includes Xinjiang, Tibet, Gansu, Qinghai, Ningxia, Inner Mongolia, Shaanxi, Sichuan, Chongqing, Guizhou, Yunnan and Guangxi.

Overseas refers to regions outside Mainland China, including Hong Kong and other countries and jurisdictions.

(ii) Financial assets by customer's industry distribution

Loans and advances to customers	31 December 2015		31 December 2014	
	Amount	%	Amount	%
Road transportation	1,619,146	18	1,420,991	18
Shantytown redevelopment	1,308,614	14	636,246	8
Water conservation, environmental protection and public utilities	990,194	11	1,070,620	13
Electric power, heating and water production and supply	938,005	10	879,700	11
Railway transportation	759,936	8	621,146	8
Petroleum, petrochemical and chemical industry	683,049	7	601,402	8
Manufacturing industry	578,420	6	585,697	7
Mining industry	418,992	5	386,399	5
Urban public transportation	325,317	4	261,167	3

Loans and advances to customers	31 December 2015		31 December 2014	
	Amount	%	Amount	%
Other transportation	211,016	2	206,463	3
Finance	154,899	2	149,832	2
Education	107,531	1	109,953	1
Telecommunication and other information transmission service	96,270	1	81,376	1
Others	1,015,560	11	930,650	12
Total	9,206,949	100	7,941,642	100
Less: allowance for impairment losses	(341,589)		(272,291)	
Loans and advances, net	8,865,360		7,669,351	

Financial assets other than loans and advances to customers	Governments and quasi- governments	Financial institutions	Corporation and others	Total
At 31 December 2015				
Balances with the central bank	263,899	–	–	263,899
Deposits with banks and other financial institutions	–	596,724	–	596,724
Placements with banks and other financial institutions	–	110,976	–	110,976
Financial assets at fair value through profit or loss	9,871	102,194	66,225	178,290
Derivative financial assets	449	9,335	4,396	14,180
Financial assets held under resale agreements	–	1,328,622	6,295	1,334,917
Available-for-sale financial assets	144,630	107,258	89,565	341,453
Held-to-maturity investments	–	399	1,999	2,398
Debt securities classified as receivables	149,299	7,280	8,502	165,081
Other financial assets	3,651	6,363	62,310	72,324
Total	571,799	2,269,151	239,292	3,080,242
At 31 December 2014				
Balances with the central bank	57,346	–	–	57,346
Deposits with banks and other financial institutions	–	1,005,026	–	1,005,026
Placements with banks and other financial institutions	–	19,495	–	19,495
Financial assets at fair value through profit or loss	6,489	11,311	28,357	46,157
Derivative financial assets	6,991	7,721	4,253	18,965
Financial assets held under resale agreements	–	1,080,560	3,758	1,084,318
Available-for-sale financial assets	98,596	10,343	38,457	147,396
Held-to-maturity investments	–	293	1,999	2,292
Debt securities classified as receivables	–	11,785	7,283	19,068
Other financial assets	–	9,879	44,906	54,785
Total	169,422	2,156,413	129,013	2,454,848

(3) Market risk

Market risk is the risk of loss, in respect of the Group's on and off-balance sheet activities, arising from movements in market rates including interest rates, foreign exchange rates, and stock prices. Market risk arises from both the Group's proprietary and customer driven business.

The objective of the Group's market risk management is to manage and control market risk exposures within an acceptable range to optimise return on risk. The aim is to ensure the Group could operate safely and soundly under a reasonable market risk level and undertake market risk consistent with the market risk management capabilities and capital capacity.

The management of market risk is principally undertaken in the Group using risk limits approved by the Board of Management and its affiliated committee. The Governors' Meeting on Risk Management and Asset & Liability Committee ("ALCO") will supervise overall market risk by holding meetings and reviewing risk management reports periodically to ensure that all market risks are consolidated and considered.

Classification between trading portfolios and banking portfolios

The Group's exposures to market risk mainly exist in its trading portfolios and banking portfolios.

Trading portfolios consist of positions in financial instruments held either with trading intent or in order to economically hedge other elements of the trading portfolio. Banking portfolios consist of financial instruments held not with trading intent which are not recorded in trading portfolios.

The market risks arising from trading and non-trading activities are managed by the Risk Management Department and the Treasury Department within the scope of their respective roles and responsibilities. The Risk Management Department assumes the responsibility for the overall risk management and the periodical submission of the market risk reports to the Governors' Meeting of Risk Management. The Treasury Department assumes the responsibility for the overall asset and liability management and the periodical submission of the interest rate risk and foreign exchange risk reports to the Governors' Meeting of ALCO.

Market risk measurement tools and management approaches

Market risk is measured using Value-at-Risk ("VaR") and sensitivity analysis indicators, and monitored through risk limits.

Trading portfolios

In addition to VaR calculated for trading portfolios, the Group monitors and manages its various risk exposures using risk limits, sensitivity analysis, and stress testing.

VaR is an estimate of potential maximum losses which might arise from unfavourable market movements within certain holding period and confidence level.

The Group performs daily back testing for its market risk measurement model, to verify its accuracy and reliability. The back testing result will be reported to senior management periodically.

As a supplement to VaR, the Group adopts stress testing approach. Stress testing scenarios are developed based on the Group's unique business features, and are designed to estimate the potential maximum losses from extremely unfavourable conditions. The Group also continues adjusting and refining its trading portfolios stress testing scenarios and measurements to capture impact of market price volatility on VaR, and to improve its ability in identifying market risks.

The Group sets risk limits based on its risk management capabilities over interest rate risk, foreign exchange risk and capital capacity. The Group also establishes appropriate risk limits for each risk category, trading portfolio. The Risk Management Department is responsible for the identification and measurement of various risk exposures from all trading portfolios.

Banking portfolios

The Group monitors the market risk for banking portfolios mainly through the use of VaR for foreign exchange risk and sensitivity analysis for foreign exchange risk and interest rate risk. The Risk Management Department is responsible of foreign exchange risks VaR calculation and reports the results to Governors' Meeting of Risk Management regularly. The Treasury Department is responsible for the accurate and timely identification and measurement of interest rate risk and foreign exchange risk using gap analysis, sensitivity analysis, and Earning at Risk ("EaR")/VaR, and prepares the quarterly assets and liabilities analysis report to the ALCO.

For sensitivity analysis of interest rate risk and foreign exchange risk, please refer to (3)(a) interest rate risk and (3)(b) foreign exchange risk (including trading portfolios and banking portfolios).

(a) Interest rate risk

Interest rate risk of the banking portfolio is the risk of loss in the overall gain and economic value of the banking portfolio arising from adverse movements in interest rate and duration structure, etc.

Currently, benchmark interest rates for loans and deposits within Mainland China are set by the central bank. The Group operates its business predominantly in China under the interest rate scheme regulated by the central bank. Generally speaking, the interest rates of interest bearing assets and liabilities with the same currency and maturity date will move in the same direction. In 2015, the central bank adjusted the financial institution's RMB benchmark lending and deposit interest rates a number of times. One-year benchmark lending and deposit rates were 1.25% lower than before respectively. In addition, the central bank has cancelled commercial banks and rural cooperative banks' ceiling for floating interest rate of deposit. As for the interest rates on loans denominated in RMB among financial institutions, there has been no restriction since 20 July 2013.

The banking portfolios interest rate risk is principally managed based on impact of interest rate change on operation of income and economic value, by using gap analysis, duration analysis, BP analysis and net interest income simulation model. The Group implements asset & liability management and hedging instrument to mitigate the interest rate exposure of banking portfolios. The trading portfolios market risk is mainly managed and monitored by interest rate limits, VaR measurement, sensitivity analysis, foreign currency exposure analysis, mark-to-market and breakeven analysis.

Analysis of interest rate risk is complicated by assumptions made regarding optionality in certain product areas, and behavioural assumptions regarding the economic duration of liabilities which are contractually repayable on demand, for example, current accounts. The prospective change in future net interest income will be reflected in the current realisable value of these positions, should they be sold or closed prior to maturity.

In terms of measuring and managing the interest rate risk, the Group regularly measures interest rate repricing gaps, portfolio duration and monitors the sensitivity of projected net interest income and fair value changes under varying interest rate scenarios (simulation modeling).

Repricing gap analysis

The table below summarises the Group's exposure to interest rate risk. It includes the Group's financial instruments at carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

	Within 3 months	3-12 months	1-5 years	5-10 years	Over 10 years	Non-interest bearing	Total
At 31 December 2015							
Financial assets:							
Cash and balances with the central bank	263,785	–	–	–	–	147	263,932
Deposits with banks and other financial institutions	438,893	100,536	148	36	–	57,111	596,724
Placements with banks and other financial institutions	89,976	21,000	–	–	–	–	110,976
Financial assets at fair value through profit or loss	17,210	44,924	111,752	4,405	–	502,869	681,160
Derivative financial assets	–	–	–	–	–	14,180	14,180
Financial assets held under resale agreements	1,227,052	105,531	2,334	–	–	–	1,334,917
Loans and advances to customers, net	4,777,309	2,875,230	425,106	386,073	401,642	–	8,865,360
Available-for-sale financial assets	78,669	174,051	58,149	26,831	3,753	22,340	363,793
Held-to-maturity investments	398	1,500	500	–	–	–	2,398
Debt securities classified as receivables	2,780	820	73,347	88,118	16	–	165,081
Other financial assets	1,078	369	–	–	–	70,877	72,324
Total financial assets	6,897,150	3,323,961	671,336	505,463	405,411	667,524	12,470,845
Financial liabilities:							
Deposits from banks and other financial institutions	356,042	103,904	1,040,214	–	–	4,846	1,505,006
Borrowings from governments and financial institutions	147,657	182,574	18,166	1,753	5,125	–	355,275
Placements from banks	29,186	39,779	–	–	–	–	68,965
Financial liabilities at fair value through profit or loss	19,171	69,940	3,000	–	–	21	92,132
Derivative financial liabilities	–	–	–	–	–	17,668	17,668
Financial assets sold under repurchase agreements	12,634	10,024	6,826	–	–	–	29,484
Due to customers	1,702,923	98,765	34,209	6,119	11,505	1,890	1,855,411
Debt securities issued	1,483,199	1,130,207	2,352,770	1,803,125	532,071	–	7,301,372
Other financial liabilities	60,216	83	320	563	216	186,282	247,680
Total financial liabilities	3,811,028	1,635,276	3,455,505	1,811,560	548,917	210,707	11,472,993
Total interest repricing gap	3,086,122	1,688,685	(2,784,169)	(1,306,097)	(143,506)	456,817	997,852

	Within 3 months	3-12 months	1-5 years	5-10 years	Over 10 years	Non-interest bearing	Total
At 31 December 2014							
Financial assets:							
Cash and balances with the central bank	57,293	–	–	–	–	107	57,400
Deposits with banks and other financial institutions	781,916	212,673	1,125	16	–	9,296	1,005,026
Placements with banks and other financial institutions	19,495	–	–	–	–	–	19,495
Financial assets at fair value through profit or loss	13,472	17,355	11,221	4,109	–	49,638	95,795
Derivative financial assets	–	–	–	–	–	18,965	18,965
Financial assets held under resale agreements	1,081,406	2,412	500	–	–	–	1,084,318
Loans and advances to customers, net	4,213,995	2,947,549	228,538	148,736	130,533	–	7,669,351
Available-for-sale financial assets	20,727	31,921	72,365	19,492	2,891	24,571	171,967
Held-to-maturity investments	293	–	1,999	–	–	–	2,292
Debt securities classified as receivables	4,331	449	9,613	4,675	–	–	19,068
Other financial assets	14,932	3,243	–	–	–	36,610	54,785
Total financial assets	6,207,860	3,215,602	325,361	177,028	133,424	139,187	10,198,462
Financial liabilities:							
Deposits from banks and other financial institutions	286,415	108,248	1,001,055	–	–	12,758	1,408,476
Borrowings from governments and financial institutions	130,561	285,806	29,597	399	5,010	–	451,373
Placements from banks	63,037	13,062	–	–	–	–	76,099
Financial liabilities at fair value through profit or loss	6,225	2,070	–	–	–	–	8,295
Derivative financial liabilities	–	–	–	–	–	9,518	9,518
Financial assets sold under repurchase agreements	20,161	4,862	3,012	–	–	–	28,035
Due to customers	943,214	93,776	29,313	6,185	13,113	2,111	1,087,712
Debt securities issued	1,155,017	1,205,930	2,046,875	1,395,183	550,554	–	6,353,559
Other financial liabilities	1,540	1,574	3,998	–	–	146,469	153,581
Total financial liabilities	2,606,170	1,715,328	3,113,850	1,401,767	568,677	170,856	9,576,648
Total interest repricing gap	3,601,690	1,500,274	(2,788,489)	(1,224,739)	(435,253)	(31,669)	621,814

Sensitivity analysis of net interest income and other comprehensive income

The following table illustrates the potential impact of a parallel upward or downward shift of 100 basis points in all financial instruments' yield curves on the Group's net interest income and other comprehensive income, based on the Group's positions of interest-bearing assets and liabilities at the end of each reporting period.

	2015		2014	
	Net interest income	Other comprehensive income	Net interest income	Other comprehensive income
Rise 100 basis points	33,336	(4,307)	37,141	(3,113)
Fall 100 basis points	(33,336)	4,565	(37,141)	3,267

The sensitivity analysis on net interest income for a year is based on reasonably possible changes in interest rates with the assumption that the structure of financial assets and financial liabilities held at the period end remains unchanged.

The sensitivity analysis on other comprehensive income is the effect of certain changes in interest rates on fair value changes on fixed rate available-for-sale financial assets held at the period end.

The assumption does not represent the Group's capital and interest rate risk management policy. Therefore the above analysis may differ from the actual situation. In addition, the impact of interest rate fluctuation is only for illustrating purpose, showing the potential impact on net interest income and equity of the Group under different yield structures and current interest rate risk situation. The impact did not take into account the risk management procedures that management may take to mitigate the interest rate risk.

(b) Foreign exchange risk

The Group takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows.

The Group conducts the majority of its businesses in RMB, with certain foreign currency transactions in USD, Euro ("EUR"), Japanese Yen ("JPY") and to a much lesser extent, other currencies. Through foreign currency swaps, the Group maintains its foreign currency risk mainly in USD. The value of the RMB depreciated by 0.3746 RMB against 1 USD during the year ended 31 December 2015 (2014: depreciation 0.0221 RMB/1 USD).

The Group measured the impact of exchange rate risk on operation principally by using foreign currency exposure, sensitivity analysis, and EaR/VaR. And the Group implements asset & liability management and hedging instrument to mitigate the foreign exchange risk.

The table below summarises the Group's exposure to foreign currency exchange rate risk at the end of the reporting period. RMB amounts are provided for comparative purposes. Included in the table are the Group's assets and liabilities at carrying amounts in RMB, categorised by the original currency.

	RMB	USD	Others	Total
At 31 December 2015				
Financial assets:				
Cash and balances with the central bank	263,816	114	2	263,932
Deposits with banks and other financial institutions	398,780	139,873	58,071	596,724
Placements with banks and other financial institutions	105,500	3,382	2,094	110,976
Financial assets at fair value through profit or loss	660,614	16,103	4,443	681,160
Derivative financial assets	2,911	10,574	695	14,180
Financial assets held under resale agreements	1,334,917	–	–	1,334,917
Loans and advances to customers, net	7,190,454	1,555,178	119,728	8,865,360
Available-for-sale financial assets	356,364	2,080	5,349	363,793
Held-to-maturity investments	2,398	–	–	2,398
Debt securities classified as receivables	165,023	–	58	165,081
Other financial assets	63,242	8,136	946	72,324
Total financial assets	10,544,019	1,735,440	191,386	12,470,845
Financial liabilities:				
Deposits from banks and other financial institutions	1,264,369	226,165	14,472	1,505,006
Borrowings from governments and financial institutions	90,234	258,629	6,412	355,275
Placements from banks	1,500	48,518	18,947	68,965
Financial liabilities at fair value through profit or loss	92,132	–	–	92,132
Derivative financial liabilities	12,421	4,856	391	17,668
Financial assets sold under repurchase agreements	29,484	–	–	29,484
Due to customers	1,602,949	171,284	81,178	1,855,411
Debt securities issued	7,258,015	39,642	3,715	7,301,372
Other financial liabilities	239,931	7,333	416	247,680
Total financial liabilities	10,591,035	756,427	125,531	11,472,993
Net on-balance sheet position	(47,016)	979,013	65,855	997,852
Currency forwards and swaps (Contractual/nominal amount)	471,794	(452,488)	(54,459)	(35,153)
Credit commitments	2,900,724	296,332	20,091	3,217,147

	RMB	USD	Others	Total
At 31 December 2014				
Financial assets:				
Cash and balances with the central bank	57,345	52	3	57,400
Deposits with banks and other financial institutions	866,093	116,943	21,990	1,005,026
Placements with banks and other financial institutions	12,700	6,795	–	19,495
Financial assets at fair value through profit or loss	79,326	12,517	3,952	95,795
Derivative financial assets	8,916	9,449	600	18,965
Financial assets held under resale agreements	1,084,318	–	–	1,084,318
Loans and advances to customers, net	6,107,192	1,452,328	109,831	7,669,351
Available-for-sale financial assets	164,513	1,671	5,783	171,967
Held-to-maturity investments	2,292	–	–	2,292
Debt securities classified as receivables	18,976	35	57	19,068
Other financial assets	43,031	10,606	1,148	54,785
Total financial assets	8,444,702	1,610,396	143,364	10,198,462
Financial liabilities:				
Deposits from banks and other financial institutions	1,184,375	211,343	12,758	1,408,476
Borrowings from governments and financial institutions	117,073	314,775	19,525	451,373
Placements from banks	44,265	28,634	3,200	76,099
Financial liabilities at fair value through profit or loss	8,295	–	–	8,295
Derivative financial liabilities	4,073	4,983	462	9,518
Financial assets sold under repurchase agreements	28,035	–	–	28,035
Due to customers	938,353	107,523	41,836	1,087,712
Debt securities issued	6,327,376	25,243	940	6,353,559
Other financial liabilities	146,407	5,417	1,757	153,581
Total financial liabilities	8,798,252	697,918	80,478	9,576,648
Net on-balance sheet position	(353,550)	912,478	62,886	621,814
Currency forwards and swaps (Contractual/nominal amount)	641,744	(590,402)	(48,440)	2,902
Credit commitments	2,778,843	287,759	22,759	3,089,361

The table below summarises the effect of exchange gain or losses given a 1% possible movement in exchange rate of USD against RMB:

	2015	2014
Possible movement in exchange rate of USD against RMB	Gain/(losses)	Gain/(losses)
Rise 1%	9,394	8,605
Fall 1%	(9,394)	(8,605)

In determining the exchange gain or losses due to the possible exchange movements, simplified assumptions and scenarios are adopted and do not take into account:

- changes in the Group's open USD position at end of the subsequent reporting period;
- the impact on the customers' behavior due to the movement of the exchange rate;
- the effect of economic hedge on the Group's open USD position through certain derivatives transactions; and
- the impact on market price as a result of the movement of exchange rate.

(4) Liquidity risk

Liquidity risk is the risk when although the Group is able to meet its payment obligations associated with its financial liabilities, however is unable to rise enough funds at a reasonable cost to meet the assets enhancement needs or to replace funds when they are withdrawn. The consequence may be the failure to meet obligations to repay debtors and depositors and fulfill commitments to lend.

The Group has established a set of liquidity management policies and models to mitigate the liquidity risk effectively. The policy and models include the method of forecasting and monitoring of future cash flow, stress testing scenarios, plans for emergency, and etc.

In 2015, the Bank issued debt securities to fulfill its funding requirements. In accordance with the approval from the CBRC, all RMB bonds issued by the Bank enjoy sovereign debt credit rating.

Objective of liquidity risk management and process

The Group is exposed to daily calls on its available cash resources from current accounts, maturing deposits, debt securities issued, loan drawdown, guarantees and other calls on cash settled derivatives.

To ensure the mismatching of the cash flow and the maturities of assets and liabilities within a reasonable scale is the fundamental mission of the Group. It is impracticable for the Group to be completely matched since business transactions are often of uncertain terms and of different types. An unmatched position potentially enhances profitability, but runs the risk of incurring losses. The Group strives to manage its mismatched positions within a reasonable range.

Liquidity risk management is performed by the ALCO. The Treasury Department is the executive function department for detailed daily operating. The Group's liquidity and funding management process includes:

- Projecting cash flows by major currency and considering the level of liquid assets necessary in relation thereto;
- Monitoring balance sheet liquidity gaps;
- Managing the concentration and profile of debt maturities; and
- Maintaining debt financing plans.

The Group does not maintain cash resources to meet all of these liquidity needs as the Group has the ability to refinance by issuing new debts in the market. In addition, experience shows that a minimum level of re-investment of maturing funds such as term deposit from customers can be predicted with a high level of certainty. Management maintains an appropriate level of highly liquid assets to cover withdrawals at unexpected levels of demand.

The Group does not generally expect third-party to draw all of its fund under letters of guarantees issued and or letters of credit issued. The total outstanding contractual amount of commitment to extend to credit does not necessarily represent future cash requirements, since some of these commitment will either expire or terminate due to the customers' inability to fulfill the conditions of drawdown.

Financial instruments liquidity analysis

Sources of liquidity are regularly reviewed by the Group to maintain a wide diversification by provider, product, term currency and geography.

The Group's policy is to seek a long-term healthy balance between its funding requirements and demand from investors by maintaining a presence in, and regularly returning to, the debt capital markets for required funds under its different funding programs. Each of the Group's annual funding requirements are met through the issuance of either fixed rate or floating rate plain vanilla debt securities and debt securities with embedded options that allow the Group or the bond holders to redeem them prior to the bonds' respective maturity. However, bonds with options to redeem only comprise a small portion of all bonds issued. At 31 December 2015, the long-term (with a maturity of one year or longer) debt securities issued of the Group was amounting to RMB6,328,811 million, and other long-term debts (include deposits from banks and other financial institutions, borrowings from governments and financial institutions, placements from banks, financial assets sold under repurchase agreements and due to customers) was amounting to RMB1,280,199 million.

The table below presents the cash flows payable by the Group under non-derivative financial instrument by remaining contractual maturities at the end of each reporting period as well as cash flows from derivatives, whether settled in net or gross. The amounts disclosed in the table are the contractual undiscounted cash flows. The cash flow of financial instruments estimated by the Group may have significant difference with the table as below:

At 31 December 2015	Past due/ undated	On demand	Within 1 month	1-3 months	3-12 months	1-5 years	5-10 years	Over 10 years	Total
Non-derivative financial assets									
Cash and balances with the central bank	872	263,060	–	–	–	–	–	–	263,932
Deposits with banks and other financial institutions	–	213,695	229,779	51,722	103,722	387	35	–	599,340
Placements with banks and other financial institutions	–	–	59,670	35,687	32,634	–	–	–	127,991
Financial assets at fair value through profit or loss	502,869	6,715	12,538	18,742	117,460	27,313	6,134	–	691,771
Financial assets held under resale agreements	–	–	950,048	279,709	109,064	2,782	–	–	1,341,603
Loans and advances to customers, net	18,408	–	45,885	237,137	1,425,576	4,622,971	3,192,761	2,444,289	11,987,027
Available-for-sale financial assets	22,340	–	17,327	62,252	180,098	65,833	32,607	4,994	385,451
Held-to-maturity investments	–	–	4	–	1,668	927	–	–	2,599
Debt securities classified as receivables	118	–	580	544	7,597	97,221	100,890	21	206,971
Other financial assets	41	1,999	6	589	27,168	4,895	4,160	748	39,606

At 31 December 2015	Past due/ undated	On demand	Within 1 month	1-3 months	3-12 months	1-5 years	5-10 years	Over 10 years	Total
Total non-derivative financial assets	544,648	485,469	1,315,837	686,382	2,004,987	4,822,329	3,336,587	2,450,052	15,646,291
Non-derivative financial liabilities									
Deposits from banks and other financial institutions	–	123,942	191,741	14,441	131,846	1,092,931	–	–	1,554,901
Borrowings from governments and financial institutions	–	–	18,670	92,542	123,197	121,618	4,808	5,371	366,206
Placements from banks	–	–	15,746	13,580	40,100	–	–	–	69,426
Financial liabilities at fair value through profit or loss	21	–	10,175	9,296	72,080	3,252	–	–	94,824
Financial assets sold under repurchase agreements	–	–	11,352	1,964	10,097	7,333	–	–	30,746
Due to customers	–	1,591,420	32,728	44,964	110,082	67,606	9,483	20,676	1,876,959
Debt securities issued	–	–	134,840	200,938	917,527	4,252,223	2,509,080	1,168,233	9,182,841
Other financial liabilities	19,763	7,520	2,603	58,171	4,189	7,317	5,667	616	105,846
Total non-derivative financial liabilities	19,784	1,722,882	417,855	435,896	1,409,118	5,552,280	2,529,038	1,194,896	13,281,749
Derivative cash flows									
Derivatives settled on a net basis									
Net inflow	–	–	24	(42)	114	2,550	1,355	5,080	9,081
Derivatives settled on a gross basis:									
Total inflow	–	–	296,633	172,960	691,927	54,598	247	774	1,217,139
Total outflow	–	–	(296,417)	(175,602)	(702,058)	(54,967)	(185)	(704)	(1,229,933)

At 31 December 2014	Past due/ undated	On demand	Within 1 month	1-3 months	3-12 months	1-5 years	5-10 years	Over 10 years	Total
Non-derivative financial assets									
Cash and balances with the central bank	1,081	56,320	–	–	–	–	–	–	57,401
Deposits with banks and other financial institutions	276	760,328	28,680	1,315	214,334	1,142	16	–	1,006,091
Placements with banks and other financial institutions	–	–	17,269	2,268	–	–	–	–	19,537
Financial assets at fair value through profit or loss	49,638	3,015	1,069	9,870	17,161	13,482	7,100	–	101,335
Financial assets held under resale agreements	–	–	1,000,901	84,170	2,584	616	–	–	1,088,271
Loans and advances to customers, net	10,929	–	87,224	219,756	1,395,342	4,246,284	2,750,354	2,018,333	10,728,222
Available-for-sale financial assets	24,571	–	6,705	13,493	32,595	74,647	22,413	3,447	177,871
Held-to-maturity investments	–	–	1	153	1,088	2,958	89	–	4,289
Debt securities classified as receivables	122	22	278	513	4,005	12,439	4,803	–	22,182
Other financial assets	40	1,411	67	418	4,761	9,317	5,599	2,585	24,198
Total non-derivative financial assets	86,657	821,096	1,142,194	331,956	1,671,870	4,360,885	2,790,374	2,024,365	13,229,397
Non-derivative financial liabilities									
Deposits from banks and other financial institutions	–	78,066	474,716	16,193	147,222	1,106,917	–	–	1,823,114

At 31 December 2014	Past due/ undated	On demand	Within 1 month	1-3 months	3-12 months	1-5 years	5-10 years	Over 10 years	Total
Borrowings from governments and financial institutions	–	38	29,508	71,768	241,010	112,915	3,479	5,899	464,617
Placements from banks	–	–	48,993	14,570	13,227	–	–	–	76,790
Financial liabilities at fair value through profit or loss	–	–	1,067	5,214	2,147	–	–	–	8,428
Financial assets sold under repurchase agreements	–	–	16,225	4,060	5,216	3,141	–	–	28,642
Due to customers	–	853,394	22,321	46,431	108,649	46,338	9,775	22,225	1,109,133
Debt securities issued	–	–	102,598	210,697	753,338	3,937,572	2,073,577	971,881	8,049,663
Other financial liabilities	12	3,837	202	189	4,943	8,171	2,887	311	20,552
Total non-derivative financial liabilities	12	935,335	695,630	369,122	1,275,752	5,215,054	2,089,718	1,000,316	11,580,939
Derivative cash flows									
Derivatives settled on a net basis									
Net inflow	–	–	26	–	125	935	1,358	5,280	7,724
Derivatives settled on a gross basis:									
Total inflow	–	–	208,641	184,809	787,808	20,251	247	774	1,202,530
Total outflow	–	–	(207,791)	(182,738)	(776,097)	(19,791)	(185)	(704)	(1,187,306)

Letters of guarantee issued, letters of credit issued, bank bill acceptance and loan commitments are included below based on the earliest contractual maturity date.

At 31 December 2015	Within 1 month	1-3 months	3-12 months	1-5 years	5-10 years	Over 10 years	Total
Loan commitments	4,550	2,934	71,411	252,498	422,684	2,343,130	3,097,207
Letters of guarantee issued	1,984	883	7,608	37,988	27,807	507	76,777
Bank bill acceptance	4,629	6,922	19,860	–	–	–	31,411
Letters of credit issued	2,844	2,717	3,766	2,425	–	–	11,752
Total	14,007	13,456	102,645	292,911	450,491	2,343,637	3,217,147
At 31 December 2014	1,508,837	87,581	462,802	966,019	63,486	636	3,089,361

(5) Fair value of financial assets and liabilities

The best evidence of fair value for a financial instrument is the bid price for the asset held or the offer price for the liability issued in an active market. If the market for a financial instrument is not active, fair value is determined using valuation techniques. The valuation technique makes maximum use of observable market data and relies as little as possible on the Group specific inputs. In other words, the valuation techniques adopted by the Group incorporate all factors that market participants could consider in setting a price, and are consistent with accepted economic methodologies for pricing financial instruments.

(a) Financial instruments measured at fair value

Fair value hierarchy of financial instruments measured at fair value

	Level 1	Level 2	Level 3	Total
At 31 December 2015				
Financial assets				
Financial assets at fair value through profit or loss	12,168	167,228	501,764	681,160
Derivative financial assets	–	14,180	–	14,180
Available-for-sale financial assets	10,400	338,417	14,976	363,793
Total	22,568	519,825	516,740	1,059,133

	Level 1	Level 2	Level 3	Total
Financial liabilities				
Financial liabilities at fair value through profit or loss	–	(92,132)	–	(92,132)
Derivative financial liabilities	–	(17,668)	–	(17,668)
Total	–	(109,800)	–	(109,800)
At 31 December 2014				
Financial assets				
Financial assets at fair value through profit or loss	11,867	37,140	46,788	95,795
Derivative financial assets	–	18,965	–	18,965
Available-for-sale financial assets	13,309	142,125	16,533	171,967
Total	25,176	198,230	63,321	286,727
Financial liabilities				
Financial liabilities at fair value through profit or loss	–	(8,295)	–	(8,295)
Derivative financial liabilities	–	(9,518)	–	(9,518)
Total	–	(17,813)	–	(17,813)

Transferring between level 1 and level 2 during 2015 and 2014 was insignificant.

The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation techniques and key inputs used).

Financial assets/financial liabilities	Fair value at 31 December 2015	Fair value at 31 December 2014	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s) (i)	Relationship of unobservable input(s) to fair value
Financial assets at fair value through profit or loss – Debt securities	6,137	6,151	Level 1	Quoted bid prices in an active market (for example, Shanghai Stock Exchange).	N/A	N/A
Financial assets at fair value through profit or loss – Stock and fund	1,767	3,802				
Financial assets at fair value through profit or loss – Equity investments	4,264	1,914				
Available-for-sale financial assets – Debt securities	5,057	5,271				
Available-for-sale financial assets – Equity investments	5,343	8,038				
Financial assets at fair value through profit or loss – Debt securities	72,881	28,549	Level 2	Discounted cash flow. Future cash flows are estimated based on forward interest rate (from observable yield curves at the end of the reporting period), face amount and contract interest rates, discounted at a rate that reflects the credit risk of various counterparties.	N/A	N/A
Financial assets at fair value through profit or loss – Wealth management products and others	231	120				
Financial assets at fair value through profit or loss – Stock and fund	–	30				
Financial assets at fair value through profit or loss – interbank certificate of deposit	446	146				
Financial assets at fair value through profit or loss – asset management program and others	93,670	8,295				
Financial liabilities at fair value through profit or loss – asset management program	(92,132)	(8,295)				
Available-for-sale financial assets – Debt securities	233,148	135,671				
Available-for-sale financial assets – interbank certificate of deposit	103,248	6,454				
Available-for-sale financial assets – Equity Investment	2,021	–				
Derivative financial assets – Currency swaps (including cross-currency interest rate swaps)	4,968	10,298	Level 2	Discounted cash flow. Future cash flows are estimated based on forward interest rate (from observable yield curves at the end of the reporting period), face amount and contract interest rates, discounted at a rate that reflects the credit risk of various counterparties.	N/A	N/A
Derivative financial liabilities – Currency swaps (including cross-currency interest rate swaps)	(9,971)	(2,190)				

Financial assets/financial liabilities	Fair value at 31 December 2015	Fair value at 31 December 2014	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s) (i)	Relationship of unobservable input(s) to fair value
Derivative financial assets – currency forward contracts	58	172	Level 2	Discounted cash flow. Future cash flows are estimated based on forward interest rate (from observable yield curves at the end of the reporting period), face amount and contract interest rates, discounted at a rate that reflects the credit risk of various counterparties.	N/A	N/A
Derivative financial liabilities – currency forward contracts	(57)	(172)				
Derivative financial assets – Interest rate swaps	8,750	7,814	Level 2	Discounted cash flow. Future cash flows are estimated based on forward interest rate (from observable yield curves at the end of the reporting period), face amount and contract interest rates, discounted at a rate that reflects the credit risk of various counterparties.	N/A	N/A
Derivative financial liabilities – Interest rate swaps	(7,270)	(6,735)				
Derivative financial assets – currency options	34	260	Level 2	Black-Scholes Option Pricing Model. Black-Scholes Option Pricing Model is estimated based on forward interest rates (from observable yield curves at the end of the reporting period) and contract exercise price, volatility that reflects the credit risk of various counterparties.	N/A	N/A
Derivative financial assets – Interest rate options	370	421				
Derivative financial liabilities – Interest rate options	(370)	(421)				

Financial assets/financial liabilities	Fair value at 31 December 2015	Fair value at 31 December 2014	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s) (i)	Relationship of unobservable input(s) to fair value
Financial assets at fair value through profit or loss – Equity investments	176	140	Level 3	Rent capitalization method: the project value is converted by the expected future annual rent divided by net project appropriate capitalization rate	The capitalization rate, ranging from 7% to 11% (weighted average of 9.81%)	The higher the capital ratio, the lower the fair value
	441,562	33,852	Level 3	Discounted cash flow method: Future cash flow estimates based on the estimated recoverable amount, according to management based on the best estimate of the average cost of capital is expected to level of risk as determined by discounting.	The weighted average cost of capital, between 4.2% to 19% (weighted average of 9.36%)	The higher the weighted average cost of capital, the lower the fair value
					Liquidity discount, ranging from 10% to 20% (weighted average of 13.49%)	The higher the liquidity discount, the lower the fair value
					Perpetual growth rate, ranging from 2% to 3% (weighted average of 2.35%)	The higher the perpetual growth rate, the higher the fair value
					Minority interest discount of 20% (weighted average of 20%)	The higher the minority interest discount, the lower the fair value
					Listed probability of 0% (weighted average of 0%)	The higher the probability of listing, the higher the fair value
	55,101	9,900	Level 3	Market Approach: Refer to inputs similar to industry-related index comparable companies on the market, fair value of the project is calculated after considering the liquidity discount sector The main input: Industry liquidity discount	Liquidity discount, ranging from 9.4% to 36.31% (weighted average of 29.35%)	The higher the liquidity discount, the lower the fair value
Financial assets at fair value through profit or loss – Wealth management products and others	4,925	2,896	Level 3	Market Approach:Similar to industry-related index comparable companies on the reference market, fair value is calculated after considering the liquidity discount sector investment projects The main input value: Industry liquidity discount	Liquidity discount, ranging from 9.4% to 36.31% (weighted average of 29.35%)	The higher the liquidity discount, the lower the fair value
Available-for-sale financial assets – Equity investments	14,976	16,533	Level 3	Market Approach:Similar to industry-related index comparable companies on the reference market, fair value is calculated after considering the liquidity discount sector investment projects The main input value: Industry liquidity discount	Liquidity discount, 35%	The higher the liquidity discount, the lower the fair value

(1) At the balance sheet date, when the Group uses some unobservable inputs when assessing the fair value of third level financial instruments. If the change happened to one or more unobservable inputs in a reasonably possible alternative assumption, these will not be significant impact on assessing the fair value of financial instruments.

Reconciliation of level 3 items is listed as follows:

	Financial assets			
	Financial assets at fair value through profit or loss	Derivative financial assets	Available-for-sale financial assets	Total financial assets
At 1 January 2015	46,788	–	16,533	63,321
Total gain	4,130	–	(1,672)	2,458
– gain	3,751	–	(445)	3,306
– other comprehensive income	379	–	(1,227)	(848)
Sales	(15,885)	–	–	(15,885)
Addition	467,794	–	115	467,909
Settlements	–	–	–	–
Transfer out from level 3	(1,063)	–	–	(1,063)
At 31 December 2015	501,764	–	14,976	516,740
Total gain for the year for assets/liabilities held at 31 December 2015				
– included in profit or loss	4,155	–	(445)	3,710
– included in other comprehensive income	379	–	(1,227)	(848)

	Financial assets			
	Financial assets at fair value through profit or loss	Derivative financial assets	Available-for-sale financial assets	Total financial assets
At 1 January 2014	31,140	16	1,517	32,673
Total gain	2,136	8	4,282	6,426
– gain	2,114	8	–	2,122
– other comprehensive income	22	–	4,282	4,304
Sales	(2,308)	(24)	(1,611)	(3,943)
Addition	21,425	–	12,022	33,447
Settlements	1,395	–	323	1,718
Transfer out from level 3	(7,000)	–	–	(7,000)
At 31 December 2014	46,788	–	16,533	63,321
Total gain for the year for assets/liabilities held at 31 December 2014				
– included in profit or loss	2,114	8	–	2,122
– included in other comprehensive income	22	–	4,449	4,471

For some OTC structured derivatives, the Group has determined their fair value through valuation services provided by the third-party instead of inquiry from counterparties, and the main inputs used are observable. Therefore, the Group has transferred them into Level 2.

(b) Financial instruments not measured at fair value

In respect of assets and liabilities carried at other than fair value, the following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable.

(i) Cash and balances with the central bank, deposits with banks and other financial institutions, financial assets purchased under resale agreements, deposits from financial institutions, current account balances of customers, financial assets sold under repurchase agreements, current receivables or payables within other assets and other liabilities respectively.

Given that these financial assets and liabilities are short-term in nature and reprice to current market rates frequently, the carrying amount approximates the fair value.

(ii) Investment securities classified as held to maturity and debt securities classified as receivables

The fair value of listed securities is estimated using bid market price. The fair value of unlisted securities is estimated using valuation techniques that take into consideration future cash flows and valuations of similar quoted securities.

(iii) Loans and advances to customers

The carrying amount of variable rate loans and advances to customers is a reasonable estimate of fair value because interest rates are mainly tied to the market rates and are adjusted when applicable. The fair value of fixed rate loans to customers is estimated using a discounted cash flow analysis utilising the rates currently offered for loans of similar remaining maturities. For impaired loans, fair value is estimated by discounting the future cash flows over the time period, which they are expected to be recovered.

(iv) Fixed interest-bearing deposits and borrowings

The fair value of fixed interest-bearing deposits and borrowings is estimated using a discounted cash flow analysis utilising the rates currently offered for deposits and borrowings with similar remaining maturities.

(v) Debt securities and subordinated debt issued

The fair value of debt securities is determined using quoted market prices where available or by reference to quoted market prices for similar instruments. For those securities where quoted market prices or quoted market prices for similar instruments are not available, a discounted cash flow model is used based on a current yield curve appropriate for the remaining term to maturity. The type of the fair value hierarchy is level 2.

The estimated fair values of financial instruments, of which the respective amortised cost are different, at the end of each reporting period are summarised as follows:

	31 December 2015		31 December 2014	
	Amortised cost	Fair value	Amortised cost	Fair value
Debt securities issued	7,301,372	7,554,679	6,353,559	6,397,268

(6) Capital management

The Group's objectives when managing capital, which is a broader concept than the "equity" presented on the face of the consolidated statement of financial position, are:

- to comply with the capital requirements set by the regulators of the banking markets where the entities within the Group operate;
- to safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders; and
- to maintain a strong capital base to support the development of its business.

Capital adequacy and the utilization of regulatory capital are closely monitored by the management in accordance with the guidelines developed by the Basel Committee and relevant regulations promulgated by the CBRC. Required information related to capital levels and utilization is filed quarterly with the CBRC.

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