

**PRICING SUPPLEMENT**



**ASIAN DEVELOPMENT BANK  
GLOBAL MEDIUM-TERM NOTE PROGRAM**

**Series No: 794-01-1**

CNY250,000,000 3.20 per cent. Notes due 10 November 2019  
(to be consolidated and form a single series with the CNY1,000,000,000  
3.20 per cent. Notes due 10 November 2019 issued on 10 November 2014)

Issue price: 100.231 per cent. plus 74 days' accrued interest

*Manager*

**HSBC**

The date of this Pricing Supplement is 21 January 2015.

This pricing supplement (the “Pricing Supplement”) is issued to give details of an issue of CNY250,000,000 3.20 per cent. Notes due 10 November 2019 (the “Notes”) (to be consolidated and form a single series with the CNY1,000,000,000 3.20 per cent. Notes due 10 November 2019 issued on 10 November 2014) by the Asian Development Bank (“ADB”) under its Global Medium-Term Note Program and to provide information supplemental to the Prospectus referred to below.

This Pricing Supplement supplements the terms and conditions of the Notes set forth in the Prospectus dated 28 April 2011 (as amended and supplemented and together with the documents incorporated by reference therein, the “Prospectus”) and should be read in conjunction with the Prospectus. Unless otherwise defined in this Pricing Supplement, capitalized terms used herein have the meanings given to them in the Prospectus.

The issue of the Notes was authorized pursuant to a global borrowing authorization of the Board of Directors of ADB dated 11 December 2014.

This Pricing Supplement does not constitute, and may not be used for the purposes of, an offer or solicitation by anyone in any jurisdiction in which such an offer or solicitation is not authorized or to any person to whom it is unlawful to make such an offer or solicitation, and no action is being taken to permit an offering of the Notes or the distribution of this Pricing Supplement in any jurisdiction where such action is required.

**Purchasers of the Notes should note that the Renminbi is not a freely convertible currency. Subject to Condition 7(i), all payments in respect of the Notes will be made solely by transfer to a Renminbi bank account maintained in Hong Kong in accordance with prevailing rules and regulations, and ADB cannot be required to make payment by any other means (including in currency or by transfer to a bank account in the mainland People's Republic of China). In addition, there can be no assurance that access to Renminbi funds for the purposes of making payments on the Notes or generally may not remain or become restricted.**

**The Notes are not required to be and have not been registered under the U.S. Securities Act of 1933, as amended. The Notes have not been approved or disapproved by the U.S. Securities and Exchange Commission or any state securities commission nor has the Commission or any state securities commission passed upon the accuracy or adequacy of this Pricing Supplement. Any representation to the contrary is a criminal offense in the United States.**

The distribution of this Pricing Supplement or the Prospectus and the offer and sale of the Notes may be restricted by law in certain jurisdictions. Persons into whose possession this Pricing Supplement or the Prospectus comes are required by ADB and the Manager to inform themselves about and to observe any such restrictions. For a description of certain restrictions on offers and sales of Notes and on the distribution of this Pricing Supplement or the Prospectus, see “Plan of Distribution” in the Prospectus.

The Notes are not the obligation of any government.

## TERMS AND CONDITIONS

The following items are the particular terms and conditions of the Notes to which this Pricing Supplement relates. In case of any conflict between such terms and conditions and the terms and conditions set forth in the Prospectus, the terms and conditions set forth in this Pricing Supplement shall govern.

### General Provisions

1. Issuer: Asian Development Bank
2. Series Number: 794-01-1
3. (i) Specified Currency (Condition 1(c)): Renminbi (“CNY”)\*  

\* Purchasers of the Notes should note that the Renminbi is not a freely convertible currency. Subject to Condition 7(i), all payments in respect of the Notes will be made solely by transfer to a Renminbi bank account maintained in Hong Kong in accordance with prevailing rules and regulations, and ADB cannot be required to make payment by any other means (including in currency or by transfer to a bank account in the mainland People's Republic of China). In addition, there can be no assurance that access to Renminbi funds for the purposes of making payments on the Notes or generally may not remain or become restricted.
- (ii) Specified Principal Payment Currency if different from Specified Currency (Condition 1(c)): Not applicable
- (iii) Specified Interest Payment Currency if different from Specified Currency (Condition 1(c)): Not applicable
- (iv) Alternative Currency (Condition 7(i)) (if applicable): Applicable.  
Condition 7(i) shall be replaced in its entirety with the following:

“If the Specified Currency is no longer used by the government of the PRC for the payment of public and private debts or no longer used for settlement of transactions by public institutions in the PRC or within the international banking community, or in the reasonable opinion of the Calculation Agent, if such Specified Currency is otherwise not expected to be available to ADB, when any payment on the Notes is due, as a result of circumstances beyond the control of ADB, then ADB shall be entitled to satisfy its obligations to holders of Notes in respect of such payment by making such payment in U.S. dollars on the basis of the Spot Rate on the second Business Day prior to such payment (the “Determination Date”) or, if such rate is not available on the Determination Date, on the basis of the Spot Rate most recently available prior to such Determination Date, as determined by the Calculation Agent. Any payment made by ADB under such circumstances in U.S. dollars, will constitute valid payment, and will not constitute a default in respect of the Notes.

For the purpose of Condition 7(i), the following definitions apply:

“Business Day” means a day (other than a Saturday or Sunday) on which commercial banks are open for general business (including dealings in foreign exchange) in Hong Kong and New York;

“Calculation Agent” means Citibank, N.A.;

“PRC” means the mainland People’s Republic of China; and

“Spot Rate” means:

(a) the CNY/U.S. Dollar official fixing rate, expressed as the amount of CNY per one U.S. dollar for settlement in two business days, as reported by the Treasury Markets Association which appears on Reuters page <CNHFIX01> at or around 11:15 a.m. (Hong Kong time); or

(b) if such rate is not available, the Calculation Agent will determine the Spot Rate at or around 11:00 a.m. (Hong Kong time) on the Determination Date as the most recently available CNY/U.S. Dollar official fixing rate for settlement in two business days as reported by The State Administration of Foreign Exchange of the PRC (which is reported on the Reuters Screen Page CNY=SAEC).

Reference to a page on the Reuters Screen means the display page so designated on the Reuter Monitor Money Rates Service (or any successor service) or such other page as may replace that page for the purpose of displaying a comparable currency exchange rate.”

4. Aggregate Nominal Amount: CNY250,000,000
- The Notes will be consolidated and form a single series with the CNY1,000,000,000 3.20 per cent. Notes due 10 November 2019 issued on 10 November 2014.
5. Issue Price: 100.231 per cent. of the Aggregate Nominal Amount plus CNY1,621,917.81 on account of accrued interest for 74 days from and including 10 November 2014 to but excluding the Issue Date
6. Specified Denominations (Condition CNY500,000 and multiples thereof

1(a):	
7.	(i) Issue Date (Condition 5(d)): 23 January 2015
	(ii) Interest Commencement Date (if different from the Issue Date) (Condition 5(d)): 10 November 2014
8.	Maturity Date or Redemption Month (Condition 6(a)): 10 November 2019, adjusted in accordance with the Modified Following Business Day Convention
9.	Interest Basis (Condition 5): Fixed Rate (Condition 5(a)) (further particulars specified in paragraph 16 below)
10.	Redemption/Payment Basis (Condition 6(a)): Redemption at par
11.	Change of Interest or Redemption/Payment Basis: Not applicable
12.	Call/Put Options (Conditions 6(e) and (f)): Not applicable
13.	Status of the Notes (Condition 3): Senior
14.	Listing: Luxembourg Stock Exchange
15.	Method of distribution: Non-syndicated

**Provisions Relating to Interest Payable**

16.	Fixed Rate Note Provisions (Condition 5(a)): Applicable
	(i) Rate(s) of Interest: 3.20 per cent. per annum, payable semi-annually in arrears
	(ii) Interest Payment Date(s): 10 May and 10 November of each year, commencing on 10 May 2015, adjusted in accordance with the Modified Following Business Day Convention.
	(iii) Fixed Coupon Amount(s): Each Fixed Coupon Amount per Specified Denomination shall be calculated by multiplying the product of the Rate of Interest and the Specified Denomination

by the Day Count Fraction and rounding the resultant figure to the nearest CNY0.01, with CNY0.005 being rounded upwards.

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| (iv) Broken Amount(s):  | Not applicable  |
| (v) Relevant Financial Center:  | Hong Kong   |
| (vi) Additional Business Center(s)<br>(Condition 5(d)):                               | Beijing and New York  |
| (vii) Day Count Fraction (Condition 5(d)):  | Actual/365 (Fixed)  |
| (viii) Determination Date(s):   | Not applicable  |
| (ix) Other terms relating to the method of calculating interest for Fixed Rate Notes: | The last paragraph of Condition 5(a) shall be replaced in its entirety by the following:<br><br>“Interest will cease to accrue on each Fixed Rate Note on the Maturity Date unless, upon due presentation thereof, payment of principal is improperly withheld or refused, in which event interest will continue to accrue at the specified Rate of Interest up to but excluding the earlier of (i) the date on which actual payment of principal is made, or (ii) the 15th calendar day following the receipt of such payment of principal by the Paying Agent.” |
| 17. Floating Rate Note Provisions<br>(Condition 5(b)):                                | Not applicable  |
| 18. Zero Coupon/Deep Discount Note Provisions (Conditions 5(c) and 6(c)):             | Not applicable  |
| 19. Index-Linked Interest Note Provisions:  | Not applicable  |
| 20. Dual Currency Note Provisions:  | Not applicable  |

**Provisions Relating to Redemption**

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|-----|--|------------------------------|
| 21. | Call Option (Condition 6(e)):  | Not applicable               |
| 22. | Put Option (Condition 6(f)):   | Not applicable               |
| 23. | Final Redemption Amount:   | Aggregate Nominal Amount     |
|     | (i) Alternative Payment Mechanism (Conditions 7(c)):   | Not applicable               |
|     | (ii) Long Maturity Note (Condition 7(f)):  | Not applicable               |
|     | (iii) Variable Redemption Amount (Condition 6(d))  | Not applicable               |
| 24. | Early Redemption Amount:   |                              |
|     | (i) Early Redemption Amount(s) payable on an Event of Default (Condition 9) and/or the method of calculating the same (if required or if different from that set out in the Conditions): | As set out in the Conditions |
|     | (ii) Unmatured Coupons to become void (Condition 7(f)):  | Not applicable               |

**Additional General Provisions Applicable to the Notes**

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| 25. | Form of Notes:   | Registered Notes                               |
|     | Definitive Registered Notes:   | Global Registered Note available on Issue Date |
| 26. | Talons for future Coupons to be attached to definitive Bearer Notes (and dates on which such Talons mature): | Not applicable                                 |



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| 27. | Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences (if any) of failure to pay, including any right of ADB to forfeit the Notes and interest due on late payment: | Not applicable |
| 28. | Details relating to Installment Notes:   | Not applicable |
| 29. | Redenomination, renominalization and reconventioning provisions:   | Not applicable |
| 30. | Consolidation provisions:  | Not applicable |
| 31. | Other terms or special conditions:   | Not applicable |

**Distribution**

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|-----|---------------------------------------|---|
| 32. | (i) If syndicated, names of Managers: | Not applicable  |
|     | (ii) Stabilizing Manager (if any):    | Not applicable  |
| 33. | If non-syndicated, name of Dealer:    | The Hongkong and Shanghai Banking Corporation Limited   |
| 34. | Additional selling restrictions:      | <p>The following paragraphs shall be deemed to replace the sections in their entirety as set out under the headings “United Kingdom”, “People’s Republic of China”, “Japan” and “Hong Kong” in the section entitled “Plan of Distribution” in the Prospectus:</p> <p><i>United Kingdom</i></p> <p>The Manager has represented, warranted and agreed that:</p> <p>(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</p> |

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 ADB; and

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

*People’s Republic of China*

The Manager has represented and agreed that the Notes are not being offered or sold and may not be offered or sold, directly or indirectly, in the mainland People’s Republic of China, except as permitted by the securities laws of the mainland 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; “FIEA”), and the Manager 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 (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Act (Act No. 228 of 1949, as amended)) or to others for re-offering

or resale, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

*Hong Kong*

The Manager has represented and agreed that:

- (a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes other than (i) to persons whose ordinary business is to buy or sell shares or debentures (whether as principal or agent); or (ii) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance; or (iii) 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 or which do not constitute an offer to the public within the meaning of that Ordinance; and
- (b) it has not issued or had in its possession for the purpose of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere any advertisement,

invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to professional investors as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance.

### **Operational Information**

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| 35. ISIN:   | XS1133585056                               |
| 36. Common Code:  | 113358505                                  |
| 37. Any clearing system(s) other than Euroclear, Clearstream, Luxembourg and DTC and the relevant identification number(s): | Euroclear and Clearstream, Luxembourg only |
| 38. Delivery:   | Delivery against payment                   |
| 39. Additional Paying Agent(s) (if any):  | Not Applicable                             |
| 40. Governing Law:  | English                                    |

### **Listing Application**

This Pricing Supplement comprises the details required to list the issue of Notes described herein pursuant to the listing of the Global Medium-Term Note Program of ADB.

### **Incorporation by Reference**

In addition to the documents specified in “Availability of Information and Incorporation by Reference – Incorporation by Reference” in the Prospectus, any quarterly or interim financial statements of ADB subsequent to the date of ADB’s latest Information

Statement published on ADB's website, including but not limited to the financial statements commencing from page 16 of ADB's Management's Discussion and Analysis and Condensed Quarterly Financial Statements as of and for the nine months ended 30 September 2014, shall be deemed to be incorporated in and to form part of this Pricing Supplement, and references to this "Pricing Supplement" shall mean this document and any documents incorporated by reference in and forming part of this Pricing Supplement, except, and to the extent, any such document is superseded or modified by any subsequent document incorporated by reference in and forming part of this Pricing Supplement. Documents incorporated by reference in and forming part of this Pricing Supplement may not have been submitted to the same review and clearance procedures to which this Pricing Supplement has been submitted as of the date hereof by any stock exchange or regulatory authority referred to herein. They may therefore be subject to change and adjustments.

Copies of documents incorporated by reference in this Pricing Supplement may be obtained without charge from the offices of ADB as set out under "Availability of Information and Incorporation by Reference – Availability of Information" of the Prospectus.

## **Risk Factors**

*There are certain special risks associated with investing in the Notes. For a discussion of additional matters that should be considered by you before investing in the Notes, see "Risk Factors" beginning on page 11 in the Prospectus.*

### ***The Renminbi is not freely convertible; there are significant restrictions on remittance of Renminbi into and outside the PRC***

Renminbi is not freely convertible at present. The PRC government continues to regulate conversion between the Renminbi and foreign currencies despite the significant reduction over the years by the PRC government of control over routine foreign exchange transactions under current accounts. Currently, participating banks in Singapore, Hong Kong, Taiwan, London, Frankfurt, Seoul, Toronto, Sydney, Doha, Paris and Luxembourg have been permitted to engage in the settlement of RMB trade transactions. This represents a current account activity.

On 7 April 2011, SAFE promulgated the "Circular on Issues Concerning the Capital Account Items in connection with Cross-Border Renminbi" (the "**SAFE Circular**"), which became effective on 1 May 2011. According to the SAFE Circular, in the event that foreign investors intend to use Renminbi (including offshore Renminbi and onshore Renminbi held in the capital accounts of non-PRC residents) to make contribution to an onshore enterprise or make payment for the transfer of equity interest of an onshore enterprise by a PRC resident, such onshore enterprise shall be required to submit the prior written consent of the relevant Ministry of Commerce ("**MOFCOM**") to the relevant local branch of SAFE of such onshore

enterprise and register for a foreign invested enterprise status. Further, the SAFE Circular clarifies that foreign debts borrowed, and foreign guarantee provided, by an onshore entity (including a financial institution) in Renminbi shall, in principle, be regulated under the current PRC foreign debt and foreign guarantee regime.

On 13 October 2011, the People's Bank of China (the "**PBOC**") promulgated the "Administrative Measures on Renminbi Settlement of Foreign Direct Investment" (外商直接投资人民币结算业务管理办法) (the "**PBOC RMB FDI Measures**") as part of the implementation of the PBOC's detailed foreign direct investment (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 14 June 2012, the PBOC further issued the implementing rules for the PBOC RMB FDI Measures. Under the PBOC RMB FDI Measures, special approval for FDI and shareholder loans from the PBOC, which was previously required, is no longer necessary. In some cases however, post-event filing with the PBOC is still necessary.

On 3 December 2013, the MOFCOM promulgated the "Circular on Issues in relation to Cross-border Renminbi Foreign Direct Investment" (商务部关于跨境人民币直接投资有关问题的公告) (the "**MOFCOM Circular**"), which became effective on 1 January 2014, to further facilitate FDI by simplifying and streamlining the applicable regulatory framework. The MOFCOM Circular replaced the "Notice on Issues in relation to Cross-border Renminbi Foreign Direct Investment" (商务部关于跨境人民币直接投资有关问题的通知) promulgated by MOFCOM on 12 October 2011 (the "**2011 MOFCOM Notice**"). Pursuant to the MOFCOM Circular, written approval from the appropriate office of MOFCOM and/or its local counterparts specifying "Renminbi Foreign Direct Investment" and the amount of capital contribution is required for each FDI. Compared with the 2011 MOFCOM Notice, the MOFCOM Circular no longer contains the requirements for central level MOFCOM approvals for investments of RMB300 million or above, or in certain industries, such as financial guarantee, financial leasing, micro-credit, auction, foreign invested investment companies, venture capital and equity investment vehicles, cement, iron and steel, electrolyse aluminium, ship building and other industries under the state macro-regulation. Unlike the 2011 MOFCOM Notice, the MOFCOM Circular has also removed the approval requirement for foreign investors who intend to change the currency of their existing capital contribution from a foreign currency to Renminbi. In addition, the MOFCOM Circular also clearly prohibits FDI funds from being used for any investments in securities and financial derivatives (except for investments in PRC listed companies by strategic investors) or for entrustment loans in the PRC.

As the SAFE Circular, the PBOC RMB FDI Measures and the MOFCOM Circular 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 liberalise control over cross border remittance of Renminbi in the future 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 outside 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 ADB to source Renminbi to finance its obligations under the Notes.

***There is only limited availability of Renminbi outside the PRC, which may affect the liquidity of the Notes and ADB's ability to source Renminbi outside the PRC to service the 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. Currently, licensed banks in Singapore and Hong Kong may offer limited Renminbi denominated banking services to Singapore residents, Hong Kong residents and specified business customers. The PBOC has also established a Renminbi clearing and settlement mechanism for participating banks in Singapore, Hong Kong, Taiwan, London, Frankfurt, Seoul, Toronto, Sydney, Doha, Paris and Luxembourg. Each of Industrial and Commercial Bank of China, Singapore Branch, Bank of China (Hong Kong) Limited and Bank of China, Taipei Branch, China Construction Bank (London) Limited, Bank of China, Frankfurt Branch, Bank of Communications, Seoul Branch, Industrial and Commercial Bank of China (Canada), Bank of China (Australia) Limited, Industrial and Commercial Bank of China Limited, Doha Branch, Bank of China, Paris Branch and Industrial and Commercial Bank of China Limited, Luxembourg Branch (each an "**RMB Clearing Bank**") has entered into settlement agreements with the PBOC to act as the RMB clearing bank in Singapore, Hong Kong, Taiwan, London, Frankfurt, Seoul, Toronto, Sydney, Doha, Paris and Luxembourg respectively.

However, the current size of Renminbi-denominated financial assets outside the PRC is limited. Renminbi business participating banks do not have direct Renminbi liquidity support from PBOC. They are only allowed to square open positions with the relevant RMB Clearing Bank after consolidating the Renminbi trade position of banks outside Singapore, Hong Kong and Taiwan that are in the same bank group of the participating banks concerned with their own trade position, and the relevant RMB Clearing Bank only has access to onshore liquidity support from the PBOC for the purpose of squaring open positions of participating banks for limited types of transactions, including open positions resulting from conversion services for corporations relating to cross border trade settlement . The relevant RMB Clearing Bank is not obliged to square for participating banks any open positions resulting from other foreign exchange transactions or conversion services and 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 settlement agreement 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 ADB is required to source Renminbi in the offshore market to service the Notes, there is no assurance that ADB will be able to source such Renminbi on satisfactory terms, if at all.

***Investment in the Notes is subject to exchange rate risks***

The value of the Renminbi against the U.S. dollar, Hong Kong dollar and other foreign currencies fluctuates and is affected by changes in the PRC and international political and economic conditions and by many other factors. Subject to Condition 7(i) of the Terms and Conditions of the Notes, ADB will make all payments of interest and principal with respect to the Notes in Renminbi. As a result, the value of these Renminbi payments may vary with the prevailing exchange rates in the marketplace. If the value of the Renminbi depreciates against the U.S. dollar, Hong Kong dollar or other foreign currencies, the value of a Noteholder's investment in U.S. dollar, Hong Kong dollar or other applicable foreign currency terms will decline.

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

Subject to Condition 7(i) of the Terms and Conditions of the Notes, all payments to investors in respect of the Notes will be made solely (i) for so long as the Notes are represented by a Registered Global Note held with the common depositary for Euroclear and Clearstream, Luxembourg, by transfer to a Renminbi bank account maintained in Hong Kong in accordance with prevailing rules and procedures for Euroclear and Clearstream, Luxembourg, or (ii) for so long as the Notes are in definitive form, by transfer to a Renminbi bank account maintained in Hong Kong in accordance with prevailing rules and regulations. ADB cannot be required to make payment by any other means (including in any other currency or by transfer to a bank account in the PRC).

**Remittance of Renminbi Into and Outside the PRC**

The Renminbi is not a freely convertible currency. The remittance of Renminbi into and outside the PRC is subject to control imposed under PRC law. Set out below is a summary of certain regulations that are generally applicable in respect of current account item and capital account item payments relating to the PRC.

***Current Account Items***

Under PRC foreign exchange control regulations, current account item payments include payments for imports and exports of goods and services, payments of income and current transfers into and outside the PRC.

Prior to July 2009, all current account items were required to be settled in foreign currencies. Since July 2009, the PRC has commenced a pilot scheme pursuant to which



Renminbi may be used for settlement of imports and exports of goods between approved pilot enterprises in five designated cities in the PRC including Shanghai, Guangzhou, Dongguan, Shenzhen and Zhuhai and enterprises in designated offshore jurisdictions including Hong Kong and Macau. In June 2010, August 2011 and February 2012 respectively, the PRC government promulgated the “Circular on Issues concerning the Expansion of the Scope of the Pilot Programme of Renminbi Settlement of Cross-Border Trades”, the “Circular on Expanding the Regions of Cross-border Trade Renminbi Settlement” and the “Notice on Matters Relevant to the Administration of Enterprises Engaged in Renminbi Settlement of Export Trade in Goods”. Pursuant to these circulars, (i) Renminbi settlement of imports and exports of goods and of services and other current account items became permissible, (ii) the list of designated pilot districts were expanded to cover all provinces and cities in the PRC, (iii) the restriction on designated offshore districts has been lifted and (iv) any enterprise qualified for the export and import business is permitted to use Renminbi as settlement currency for exports of goods, provided that the relevant provincial government has submitted to PBOC and five other PRC authorities (the “**Six Authorities**”) a list of key enterprises subject to supervision and the Six Authorities have verified and signed off such list (the “**Supervision List**”). On 12 June 2012, the PBOC issued a notice stating that the Six Authorities had jointly verified and announced a Supervision List and as a result any enterprise qualified for the export and import business is permitted to use Renminbi as settlement currency for exports.

On 5 July 2013, the PBOC promulgated the “Circular on Policies related to Simplifying and Improving Cross-border Renminbi Business Procedures” (the “**2013 PBOC Circular**”) with the intent to improve the efficiency of cross border Renminbi settlement and facilitate the use of RMB for the settlement of cross border transactions under current accounts or capital accounts. In particular, the 2013 PBOC Circular simplifies the procedures for cross border Renminbi trade settlement under current account items. For example, PRC banks may conduct settlement for PRC enterprises upon the PRC enterprises presenting the payment instruction, with certain exceptions. PRC banks may also allow PRC enterprises to make/receive payments under current account items prior to the relevant PRC bank’s verification of underlying transactions (noting that verification of underlying transactions is usually a precondition for cross border remittance).

As new regulations, the above circulars will be subject to interpretation and application by the relevant PRC authorities. Local authorities may adopt different practices in applying these circulars and impose conditions for settlement of current account items. Further, if any new PRC regulations are promulgated in the future which have the effect of permitting or restricting (as the case may be) the use of Renminbi for payment of transactions categorised as current account items, then such settlement will need to be made subject to the specific requirements or restrictions set out in such regulations.

### ***Capital Account Items***

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

Settlements for capital account items are generally required to be made in foreign currencies. For instance, foreign investors (including any Hong Kong investors) are required to make any capital contribution to foreign invested enterprises in a foreign currency in accordance with the terms set out in the relevant joint venture contracts and/or articles of association as approved by the relevant authorities. Foreign invested enterprises or relevant PRC parties are also generally required to make capital item payments including proceeds from liquidation, transfer of shares, reduction of capital, interest and principal repayment to foreign investors in a foreign currency. That said, the relevant PRC authorities may grant approval for a foreign entity to make a capital contribution or a shareholder's loan to a foreign invested enterprise with Renminbi lawfully obtained by it outside the PRC and for the foreign invested enterprise to service interest and principal repayment to its foreign investor outside the PRC in Renminbi on a trial basis. The foreign invested enterprise may be required to complete registration and verification process with the relevant PRC authorities before such Renminbi remittances.

On 7 April 2011, the State Administration of Foreign Exchange ("**SAFE**") issued the "Circular on Issues Concerning the Capital Account Items in connection with Cross-Border Renminbi" (the "**SAFE Circular**"), which clarifies that the borrowing by an onshore entity (including a financial institution) of Renminbi loans from an offshore creditor shall in principle follow the current regulations on borrowing foreign debts and the provision by an onshore entity (including a financial institution) of external guarantees in Renminbi shall in principle follow the current regulations on the provision of external guarantees in foreign currencies. According to the 2013 PBOC Circular, upon enforcement of external guarantees in Renminbi provided by onshore non-financial enterprises, PRC banks may provide RMB settlement services (i.e. remittance of enforcement proceeds) directly, which seems to indicate that SAFE approval for enforcement (which would be required in the case of the external guarantees in foreign currencies) is no longer required. Furthermore, onshore non-financial enterprises can (via PRC banks) extend loans in Renminbi to offshore entities within the same group under Renminbi cash pooling arrangements and will no longer need to apply for a quota from SAFE. However, SAFE has not amended its positions under the SAFE Circular, nor has it issued any regulations to confirm the positions in the 2013 PBOC Circular. Therefore, there remain potential inconsistencies between the provisions of the SAFE Circular and the provisions of the 2013 PBOC Circular and it is unclear how SAFE will deal with such inconsistencies in practice.

On 13 October 2011, the PBOC issued the PBOC RMB FDI Measures which set out operating procedures for PRC banks to handle RMB settlement relating to RMB FDI and borrowing by foreign invested enterprises of offshore RMB loans. Prior to the PBOC RMB FDI Measures, cross-border RMB settlement for RMB FDI has required approvals on a case-by-case basis from the PBOC. The new rules replace the PBOC approval requirement with less onerous post-event registration and filing requirements. The PBOC RMB FDI Measures cover various aspects of RMB FDI, including capital injection, payment of purchase price in the acquisition of PRC domestic enterprises, repatriation of dividends and distribution, as well as Renminbi denominated cross-border loans. Foreign invested enterprises, whether established or acquired by foreign investors, shall complete the corporate information registration after the completion of relevant RMB FDI transactions, and shall make post-event registration or filing with the PBOC of increases or decreases in registered capital, equity transfers or swaps, merger or acquisition or other changes to registered information.

As new regulations, the above circulars will be subject to interpretation and application by the relevant PRC authorities. There is no assurance that approval of such remittances, borrowing or provision of external guarantee in Renminbi will continue to be granted or will not be revoked in the future. Further, since the remittance of Renminbi by way of investment or loans are now categorised as capital account items, such remittances will need to be made subject to the specific requirements or restrictions set out in the relevant SAFE rules. If any new PRC regulations are promulgated in the future which have the effect of permitting or restricting (as the case may be) the remittance of Renminbi for payment of transactions categorised as capital account items, then such remittances will need to be made subject to the specific requirements or restrictions set out in such rules.

### **Material Adverse Change Statement**

There has been no material adverse change in the financial position or prospects of ADB since the date of the financial statements included in the Information Statement of ADB, which was most recently published on 30 April 2014.

### **Recent Developments**

On 4 May 2014, ADB's Board of Governors approved the following with respect to its 2013 reported net income of U.S.\$548.2 million after appropriation of guarantee fees to the special reserve:

- a. U.S.\$96.8 million, representing unrealized gains as of 31 December 2013, be added to the cumulative revaluation adjustments account;
- b. U.S.\$31.0 million, representing the adjustment to the loan loss reserve as of 31 December 2013, be added from the loan loss reserve to the net income;
- c. U.S.\$332.4 million be allocated to the ordinary reserve;

- d. U.S.\$120.0 million be allocated to the Asian Development Fund; and
- e. U.S.\$30.0 million be allocated to the Technical Assistance Special Fund.

**Responsibility**

ADB accepts responsibility for the information contained in this Pricing Supplement which, when read together with the Prospectus referred to above, contains all information that is material in the context of the issue of the Notes.

ASIAN DEVELOPMENT BANK

By: \_\_\_\_\_  
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