中国农业银行
AGRICULTURAL BANK OF CHINA

AGRICULTURAL BANK OF CHINA LIMITED
中 國 農 業 銀 行 股 份 有 限 公 司

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

(Stock Code: 1288)

OVERSEAS REGULATORY ANNOUNCEMENT

This announcement is made in accordance with Rule 13.10B of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

Pursuant to the relevant laws and regulations of the People's Republic of China, Agricultural Bank of China Limited (the "**Bank**") has published the 2015 CAPITAL ADEQUACY RATIO REPORT on the website of Shanghai Stock Exchange.

The above report is set out in this announcement for your information.

By Order of the Board
Agricultural Bank of China Limited
ZHANG Keqiu
Company Secretary

Beijing, the PRC
31 March, 2016

As at the date of this announcement, our executive directors are Mr. ZHAO Huan, Mr. CAI Huaxiang and Mr. LOU Wenlong; our non-executive directors are Mr. ZHAO Chao, Mr. ZHOU Ke, Mr. ZHANG Dinglong, Mr. CHEN Jianbo, Mr. HU Xiaohui and Mr. XU Jiandong; and our independent non-executive directors are Mr. Frederick MA Si-hang, Mr. WEN Tiejun, Mr. Francis YUEN Tin-fan, Ms. XIAO Xing and Mr. LU Jianping.

AGRICULTURAL BANK OF CHINA LIMITED

中 國 農 業 銀 行 股 份 有 限 公 司

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

(Stock Code: 1288)

2015 CAPITAL ADEQUACY RATIO REPORT

Contents

1. Overview

1.1 Profile

The predecessor of the Bank is Agricultural Cooperative Bank established in 1951. Since the late 1970s, the Bank has evolved from a state-owned specialized bank to a wholly state-owned commercial bank and subsequently a state-controlled commercial bank. The Bank was restructured into a joint stock limited liability company in January 2009. In July 2010, the Bank was listed on the Shanghai Stock Exchange and the Hong Kong Stock Exchange, respectively, which marked the completion of our transformation into a public shareholding commercial bank.

As one of the major integrated financial service providers in China, the Bank is committed to build a multi-functional and integrated modern financial service group. Capitalizing on the comprehensive business portfolio, extensive distribution network and advanced IT platform, the Bank provides range of corporate and retail banking products and services for a broad range of customers and conducts treasury operations and asset management. Our business scope includes, among other things, investment banking, fund management, financial leasing and life insurance. At the end of 2015, the Bank had total assets of RMB17,791,393 million, loans and advances to customers of RMB8,909,918 million and deposits of RMB13,538,360 million. Our capital adequacy ratio was 13.40%. The Bank achieved a net profit of RMB180,774 million in 2015.

The Bank had 23,670 domestic branch outlets at the end of 2015, including the Head Office, the Business Department of the Head Office, three specialized business units managed by the Head Office, 37 tier-1 branches (including branches directly managed by the Head Office), 362 tier-2 branches (including business departments of branches in provinces), 3,513 tier-1 sub-branches (including business departments in municipalities, business departments of branches directly managed by the Head Office and business departments of tier-2 branches), 19,698 branch outlets, and 55 other establishments. Our overseas branch outlets consisted of nine overseas branches and three overseas representative offices. The Bank had fourteen major subsidiaries, including nine domestic subsidiaries and five overseas subsidiaries.

The Bank was included in the list of Global Systemically Important Banks for two years from 2014. In 2015, the Bank ranked No. 36 in Fortune's Global 500, and ranked No. 6 in The Banker's "Top 1000 World Banks" list in terms of tier 1 capital. The Bank's issuer credit ratings were assigned A/A-1 by Standard & Poor's; the Bank's deposits ratings were assigned A1/P-1 by Moody's Investors Service; and the long-/short-term foreign-currency issuer default ratings were assigned A/F1 by Fitch Ratings.

1.2 Capital Adequacy Ratio

On 2 April 2014, the China Banking Regulatory Commission (hereinafter referred to as the "CBRC") approved the Bank's use of foundation Internal Ratings-Based (IRB) approach for non-retail exposures, IRB approach for retail exposures and standardized approach for operational risk on bank and group levels. As a result, the Bank became the first batch of domestic banks implementing advanced approaches for capital management. In accordance with the *Capital Rules* *for Commercial Banks (Provisional) (Decree of CBRC [2012] No. 1)*, CBRC determined the parallel implementation period for a commercial bank approved to adopt the advanced approaches of capital management. During the parallel implementation period, the banks shall calculate its capital adequacy ratios under both advanced approaches and other approaches, and shall comply with the capital floor requirements.

At the end of 2015, the Bank adopted the foundation IRB approach for non-retail exposures and IRB approach for retail exposures to measure credit risk-weighted assets, weighting approach to measure credit risk-weighted assets uncovered by Internal Ratings-Based approach, and standardized measurement approach to measure market risk-weighted assets and operational risk-weighted assets. Unless otherwise specified, such information as regulatory capital, risk exposure, capital requirement and risk-weighted assets contained herein were made by regulatory consolidation.

The table below sets out the net capital, risk-weighted assets and capital adequacy ratios pursuant to the *Capital Rules for Commercial Banks (Provisional)* calculated by the Bank.

In millions of RMB, except for percentages

Table 1.2A:Capital Adequacy Ratio

Item	31 December, 2015		31 December, 2014	
	The Group	The Bank	The Group	The Bank
CET 1 capital, net	1,124,690	1,115,628	986,206	976,752
Additional Tier 1 capital, net	79,902	79,899	39,946	39,944
Tier 1 capital, net	1,204,592	1,195,527	1,026,152	1,016,696
Tier 2 capital, net	267,028	266,067	365,407	364,678
Total capital , net	1,471,620	1,461,594	1,391,559	1,381,374
Risk-weighted assets	10,986,302	10,902,770	10,852,619	10,782,764
Credit risk-weighted assets	9,999,777	9,922,835	8,839,231	8,763,153
Portion covered by IRB approach	7,605,473	7,605,473	6,827,464	6,827,465
Portion uncovered by IRB approach	2,394,304	2,317,362	2,011,767	1,935,688
Market risk-weighted assets	87,123	84,322	69,557	68,449
Operational risk-weighted assets	899,402	895,613	862,357	858,605
Additional risk-weighted assets due to the requirement of the capital floor	-	-	1,081,474	1,092,557
CET 1 capital adequacy ratio	10.24%	10.23%	9.09%	9.06%
Tier 1 capital adequacy ratio	10.96%	10.97%	9.46%	9.43%
Capital adequacy ratio	13.40%	13.41%	12.82%	12.81%

The table below sets out the consolidated and unconsolidated capital adequacy ratios calculated in accordance with the *Rules on Capital Adequacy of Commercial Banks (Decree of CBRC[2007] No.11)* issued by the CBRC.

Table 1.2B: Capital Adequacy Ratio				
Item	**31 December, 2015**		**31 December, 2014**	
	The Group	**The Bank**	**The Group**	**The Bank**
Core capital adequacy ratio	10.00%	10.05%	9.91%	9.92%
Capital adequacy ratio	13.08%	13.13%	12.77%	12.76%

1.3 Disclosure Statement

Since 2013, the Bank has been disclosing to investors and the public the Capital Adequacy Ratio Report through public channels in accordance with the requirements of the *Capital Rules for Commercial Banks (Provisional)*. With a view to regulating this process the Bank formulated the *Administrative Measures on Information Disclosure of Capital Adequacy Ratio,* which was considered and approved by the Board of Directors of the Bank.

The information disclosure of capital adequacy ratio of the Bank can be classified into provisional disclosure and regular disclosure. Where changes arise from the common stocks and other capital instruments of the Bank, a provisional disclosure will be made in a timely manner. The Bank makes regular quarterly, interim and annual disclosures. The quarterly and interim disclosures are included in the reports of the listed company at the same period, while the annual disclosure is presented as a separate report. Investors and the public can visit the Investor Relations at the Bank's official Website (http://www.abchina.com) to inquire the Bank's disclosures.

This report was prepared pursuant to the regulatory requirements including the *Capital Rules for Commercial Banks (Provisional)* and the *Notice of the China Banking Regulatory Commission on Issuing the Supporting Policy Documents for the Capital Regulation of Commercial Banks (CBRC [2013] No.33)* issued by the CBRC. On 31 March 2016, the Board of Directors of the Bank considered and approved this report in the fourth meeting of 2016. On 31 March 2016, the Board of Supervisors of the Bank reviewed and approved this report in the second meeting of 2016.

It should be noted that this report is formulated in accordance with the regulatory requirements of the CBRC, while the annual report of the listed company is formulated in accordance with the PRC accounting standards and the International Financial Reporting Standards. As such, certain disclosure in this report is not directly comparable to the Bank's annual report of the listed company.

The report contains forward-looking statements on the Bank’s financial positions, operation results and risk profile. These statements are made on basis of existing plans, estimates and forecast. The Bank believes that the expectations made in these forward-looking statements are reasonable. However, the Bank considers that the actual operation condition is related to the future external events, internal finance, progress of business development, risk occurrence conditions or other performance, therefore, investors shall not heavily rely on these statements.

2. Risk Management Framework

2.1 Firm-wide Risk Management

Firm-wide risk management refers to the timely identification, measurement, monitoring, reporting and control of existing or potential risks in all aspects of business operations, processes and staff through the integration of elements of risk management including risk appetite, policies, organizations, tools and models, IT systems and risk culture, so as to ensure effective risk management in decision making, implementation and supervision. In 2015, confronted with challenging internal and external risk circumstances, the Bank, in accordance with the principles on governance of modern commercial banks, fulfilled the requirements for firm-wide risk management and enhanced the effectiveness of risk management, went all out to prevent and control all kinds of risks, took a more active role in risk prevention and control, upheld baseline of risk control, enhanced sense of responsibility, maintained stability of asset quality and applied the concept of "comprehensive risk management" to the whole risk control process for all kinds of risks, so as to offer strong support to the Bank's product innovation, business development and operational transformation.

2.2 Risk Appetite

Risk appetite is a term that refers to the types and levels of risks acceptable to the Bank as determined by the Board of Directors, which depends on the expectations and constraints of the Bank's major stakeholders, external operating environment and the conditions of the Bank, in order to achieve strategic targets and effective risk management. *The Risk Appetite Statement* and *The Administrative Measures for Risk appetite* described the types and levels of risks acceptable to the Bank during the course of operations. It established the risk limits, specified the basic principles for formulating risk policies and set up the general process for the formulation, adjustment, management duties and implementation of risk appetite.

The Bank maintains a "prudent and innovative" risk appetite. The Bank is devoted to positioning itself as a first-class modern commercial bank, maintaining its prudent and innovative risk appetite, operating in compliance with regulatory and legal requirements, and consistently implementing the new *Basel Capital Accord* and the new regulatory standards. At the same time, the Bank seeks to achieve moderate returns with reasonable levels of risk by maintaining security, profitability and liquidity and insisting on having an appropriate balance among capital, risk and revenue. The Bank maintains sufficient risk allowance and capital adequacy, aims to improve the Bank's overall risk management capability for business development and innovation, and creates value through risk management, so as to effectively support the achievement of the Bank's strategic targets.

In 2015, the Bank adhered to the "comprehensive, balanced and effective" risk strategy, strictly implemented "prudent and innovative" risk appetite and enhanced the risk appetite framework. Taking into account the balance among capital, risk and revenue, the Bank strengthened the guiding function of the economic capital, and refined the limit management of credit, market and operational risks. The Bank facilitated the effective integration of risk management and business development to improve its risk management capability.

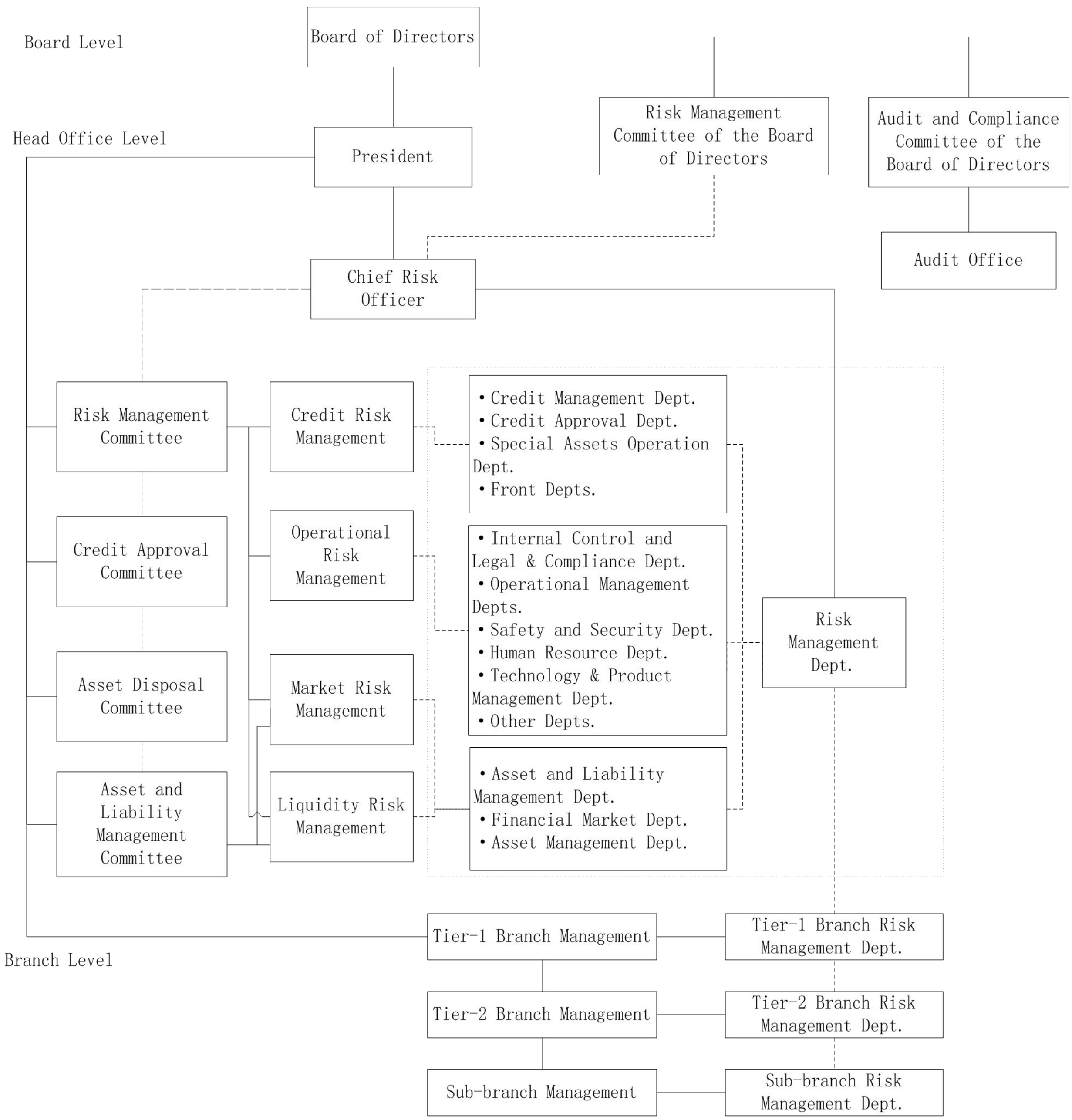
2.3 Structure and Organization of Risk Management

The Board of Directors assumes the ultimate responsibility for risk management. The Risk Management Committee, the Audit and Compliance Committee under the Board of Directors perform the risk management functions, review the key risk management issues and supervise and evaluate the establishment of risk management system and the risk level of the Bank.

Senior Management is the organizer and executor of risk management of the Bank. Under the senior management oversight, the Bank has various risk management committees with different functions, including Risk Management Committee (with three sub-committees, namely credit risk management committee, market risk management committee and operational risk management committee), Credit Approval Committee, Asset and Liability Management Committee and Asset Disposal Committee. Risk Management Committee is primarily responsible for considering material risk management issues, studying and drafting risk management policies, procedures and tools, analyzing and evaluating the overall risk profile of the Bank, and coordinating, guiding and reviewing the risk management of all departments and branches.

Based on the principles of "centralized management and control, matrix distribution, overall coverage, all-staff participation", the Bank has established "Three Lines of Defense" for risk management consisting of business operation departments (risk-taking departments), risk management departments, and the Internal Audit Department. The Risk Management Department is responsible for leading the construction of a firm-wide risk management system and implementation of the *Basel Capital Accord* throughout the bank. For each major risk category, the Bank has designated a management unit to take charge of overall risk control, and the respective risk management duties of each relevant management unit and business unit which are exposed to risks are clearly defined. This Bank keeps on developing a professional group of risk management, and strives to achieve continuous improvement in the performance and competence of the bank-wide risk management staff.

Risk Management Organizational Chart



2.4 Risk Management Policies

The Bank establishes a clear, scientifically applicable and comprehensive systemic framework with respect to risk policies, which includes basic policies consisting of risk appetite and risk planning, and general and specific measures regarding risk management, detailed instructions and operation procedures for daily risk management. The basic policies establish the general requirements and fundamental principles for firm-wide risk management and serve as the basis of business operations and risk management activities of the Bank. The general and specific measures cover the material risks the Bank assumes, namely credit risk, market risk, operational risk, liquidity risk, reputation risk, strategy risk, etc. The Bank continues to refine the administrative measures for various business operations and integrates risk management, internal control and compliance requirements into these administrative measures for various business operations, such as credit underwriting, transactions and investments as well as payment and settlement, in an effort to ensure the risk appetite and risk policies are implemented consistently. Under the leadership of the Board of Directors and Senior Management, policies and procedures are always available to be followed in various risk management operations, and risk identification, measurement, monitoring, control, and reporting are carried out effectively.

In 2015, the Bank kept on refining the risk policies and procedures. As for credit risk, the Bank formulated the *Management Measures for Risk Tolerance Alarm in respect of Non-Performing Loans of Farmer Accounts (Provisional)*; as for market risk, the Bank formulated the *Annual Policy on Fund Transaction and Investment and Market Risk Management*, and amended the *Risk Management Measures for Wealth Management Business Involving Fixed-income Assets*; as for operational risk, the Bank modified the *Standards on Report of Operational Risk Events*.

2.5 Risk Management Tools and IT Systems

Implementation of the advanced approaches for capital management

The Bank keeps on pushing forward the implementation of advanced approaches for capital management. In 2015, the Bank applied to the CBRC for the regulatory assessment and approval of some advanced approach items of the Bank, which included the rating system for non-retail overseas customers, the improved solution for benchmarking of domestic and overseas non-retail ratings, the waiver of the regulatory requirement that retail risk-weighted assets in the IRB approach should not be below the respective level as stipulated in the weighting approach, and implementation of the market risk internal model approach.

In respect of credit risk, the Bank launched the domestic and foreign non-retail Internal Ratings-Based (IRB) system in 2009 and 2007 respectively, and the retail IRB system was brought online in 2011. The IRB system of the Bank has a solid data base, and its model is scientifically designed. It has good risk identification ability and can perform cautious and reliable evaluation of risk parameters. Its policies and procedures are scientific and effective while its rating results are thoroughly applied, and principles for the measurement of risk weighted assets are prudent and reasonable. During the Reporting Period, the Bank enhanced the prudent management of rating and established a dynamic adjustment mechanism for rating, with an aim to improve the resolution of credit risk. The Bank also strengthened the rating sensitivity management and enhanced timely identification of default risk through performance measurement, systematic early warning and etc. The bank strengthened retail rating management by widening the application of ratings, and assigning a more important role to customer ratings in the process of loan management and control during the loan extension and repayment cycle. In addition, the Bank strengthened monitoring risks associated with "Three Rural Issues (Agriculture, Rual Areas, Farmers) " related loans and gave unwavering support for the stable development of "Three Rural Issues" loan business.

In respect of market risk, the Bank launched Internal Models Approach (IMA) in 2012 and established the advanced measurement and management system for market risk with regard to organizational structure, policies and procedures, measurement methods and IT systems. In 2015, the Bank carried out the validation of the market risk IMA, optimized market risk measurement model, and raised the level of parameterization of the system. In addition, the Bank applied the measurement results of the IMA to risk analysis of financial market operations and investment decision-making.

In respect of operational risk, the Bank kept on promoting the implementation of the advanced measurement approaches for operational risk, collected the internal loss data since 2008 and established an advanced measurement approach system focusing on the loss distribution approach, which was applied to measuring operational risk economic capital commencing from January 2014. During the internal operation procedure of the advanced approaches, the Bank perfected the reporting standards for the internal loss data, and built a data quality review mechanism. Meanwhile, the Bank also enriched measurement models, optimized measurement engines and improved the stability and accuracy of measurement. The Bank optimized the operational risk management scoring card, and incorporated the business condition and internal control data closely related to the risk of the Bank into the measurement model, which strengthened the sensitivity and forward-looking to the indication of operational risk.

Internal Capital Adequacy Assessment Process (ICAAP). The Bank actively carried out the 2015 ICAAP. The assessment report has been reviewed and approved by the Board of Directors. Based on the 2014 special audit results of ICAAP, the Bank kept on improving the assessment process, strengthened effective application of assessment results, established a strong basis of capital adequacy management throughout the Bank, organized and carried out 2015 special audit on ICAAP.

Information disclosure on capital adequacy ratio. According to the requirements of the *Capital Rules for Commercial Banks (Provisional)*, the Bank shall make quarterly, semi-annual and annual disclosures of its capital adequacy ratio. In 2015, according to the regulatory requirements, the Bank completed the 2014 Capital Adequacy Ratio Report, which was published together with the Annual Report. The quarterly and semi-annual information of capital adequacy ratio were included in Quarterly Report and Interim Report of the Bank for inspection by the public and investors.

Tools and measures for risk management

The Bank actively promoted the implementation of the advanced approaches for capital management, and established an operation and transmission mechanism of risk management to balance capital, risk and return by using various risk management tools, such as economic capital, risk limits, credit rating, risk classification, impairment provision, stress test and risk appraisal. As such, the capability of risk identification, measurement, monitoring, control and reporting has been extensively enhanced.

The Bank continually refined the management of economic capital and, on the basis of converging the measurement of economic capital to the framework of regulatory capital and by reference to actual condition of risk management practice, kept on carrying out adaptive adjustments and optimizing measurement methods. Risk parameters of internal rating and advanced approaches for capital management have been used to produce a more refined measurement of economic capital. In terms of categories of risk, the three major categories, i.e. credit risk, market risk, and operational risk were covered. In terms of application scope, the Head Office departments and domestic and overseas branches were all included. Moreover, the Bank has introduced the real-time adjustment mechanism and strengthened fundamental management and governance of high-risk areas. It has raised the measurement standard for credit businesses with highly contagious risks such as credit guarantee circle (chain) and urged the branches to reduce risk-taking.

The Bank continued to carry out concentration risk and industry-specific exposure limit management, so as to enhance loan portfolio management. The Bank developed the monitoring system of credit concentration risk and attained higher automation of risk measurement and monitoring. It strengthened management and control of industry-specific exposure limits for 19 industries which included industries with high energy consumption, high pollution and overcapacity, as well as industries such as metal and non-metal trading and so on. The exposure limit management system was upgraded, which allowed the Bank to enforce a systematic control of off-balance-sheet credit business and put "quasi-credit" businesses like wealth management and financing under surveillance, in order to optimize loan portfolios.

The Bank attached importance to application and guidance of the risk report, evaluation and appraisal across the entire bank, and closely followed economic and financial trends at home and abroad. Having regard to the overall internal operation, the Bank carried out risk monitoring, analysis, and early warning for key regions, industries and clients. The Bank comprehensively analyzed and assessed risk profiles of the whole bank, the various branches and institutions, and the various business lines and, in a timely manner, reported and submitted relevant risk reports to the Board of Directors, Board of Supervisors, and Senior Management. Through utilization of tools and methods like internal rating, value at risk (VaR), economic capital and stress test, the Bank continually expanded the width and depth of the report of risk analysis. The Bank intensified the horizontal and vertical mechanisms of risk appraisal, delegated the duties of risk management to each level of the branches and horizontal departments, so as to facilitate bank-wide collaboration for risk management and mitigation and achievement of risk management targets.

The Bank has established a database for data of credit risk, market risk and operational risk, built up a risk management information system associated with the firm-wide information management system of core businesses, produced and upgraded a number of IT systems to perform customer rating, calculation of risk-weighted assets, risk classification and impairment, operational risk management, etc. The risk management tools, database, and information systems established and used by the Bank have laid a solid foundation for the sophistication and validity of risk management, and been able to facilitate efficient decision-making for business management.

In 2015, the Bank actively adapted to the "New Normal" of economic development of China, followed the macroeconomic regulation and control policies and enhanced support to the real economy. In accordance with the central government's policy guidance that "eastern region takes the lead, central region rises, western region develops and northeast region revitalizes", the Bank focused on identifying and seizing strategic development opportunities regarding "the three major economic belts"; through the lending strategy of "encouraging the growth of some sectors while discouraging some others", the Bank focused on supporting for high-quality clients and projects, and gave preference to agricultural modernization, major infrastructure, basic industries, hi-tech manufacturing, emerging service industries and areas related to people livelihood when allocating credit resources. The Bank kept on refining credit policies and procedures, improving credit processes, optimizing credit risk management tools and systems, strengthening risk control for key areas and customers, carrying out measures to mitigate credit risk, and maintaining stability of asset quality.

3. Information on Composition of Capital

3.1 Scope for Calculating Capital Adequacy Ratio

The scope for calculating the Bank's consolidated capital adequacy ratio includes the Bank and the financial institutions in which the Bank has direct or indirect investments in compliance with the requirements of the *Capital Rules for Commercial Banks (Provisional)*. The scope for calculating the Bank's unconsolidated capital adequacy ratio includes all the domestic and foreign branches of the Bank.

The main difference between the scope of regulatory consolidation and the scope of accounting consolidation is that ABC Life Insurance Co., Ltd., which is controlled by the Bank, is not included in the scope of regulatory consolidation. As of the end of 2015, the Bank had 14 major subsidiaries. Pursuant to the *Capital Rules for Commercial Banks (Provisional)*, capital deduction was adopted for investments in ABC Life Insurance Co., Ltd., while the remaining 13 subsidiaries were included in the scope of regulatory consolidation.

Table 3.1A: Consolidation Treatments for Different Invested Entities

No.	Classification of Invested entities	Consolidation Treatments
1	Financial institutions included in financial consolidation scope (excluding insurance company)	Include into the scope of regulatory consolidation
2	Financial institutions not included in financial consolidation scope (excluding insurance company)	Not include into the scope of regulatory consolidation
3	Insurance companies	Not include into the scope of regulatory consolidation
4	Other industrial and commercial enterprises	Not include into the scope of regulatory consolidation

The following table sets out basic information of invested entities within the calculation scope of consolidated capital adequacy ratio according to the balance of equity investment.

Table 3.1B: Basic Information of the Invested Entities within the Calculation Scope of Consolidated Capital Adequacy

No.	Name of invested entity	Date of establishment	Place of incorporation	Paid-in capital	Total shareholding ratio (%)	Business nature and principal activities
1	China Agricultural Finance Co., Ltd.	1988	Hong Kong, PRC	HKD 588,790,000	100	Investment
2	ABC-CA Fund Management Co., Ltd.	2008	Shanghai, PRC	RMB 200,000,001	51.67	Funds
3	ABC Hubei	2008	Hubei, PRC	RMB	50	Banking

	Hanchuan Rural Bank Limited Liability Company			31,000,000		
4	ABC Hexigten Rural Bank Limited Liability Company	2008	Inner Mongolia, PRC	RMB 19,600,000	51.02	Banking
5	ABC International Holdings Limited	2009	Hong Kong, PRC	HKD 4,113,392,449	100	Investment
6	ABC Financial Leasing Co., Ltd.	2010	Shanghai, PRC	RMB 3,000,000,000	100	Financial Leasing
7	ABC Jixi Rural Bank Limited Liability Company	2010	Anhui, PRC	RMB 29,400,000	51.02	Banking
8	ABC Ansai Rural Bank Limited Liability Company	2010	Shaanxi, PRC	RMB 20,000,000	51	Banking
9	Agricultural Bank of China (UK) Limited	2011	London, UK	USD 100,000,000	100	Banking
10	ABC Zhejiang Yongkang Rural Bank Limited Liability Company	2012	Zhejiang, PRC	RMB 210,000,000	51	Banking
11	ABC Xiamen Tong'an Rural Bank Limited Liability Company	2012	Fujian, PRC	RMB 100,000,000	51	Banking
12	Agricultural Bank of China (Luxembourg) Limited	2014	Luxembourg	EUR 20,000,000	100	Banking
13	Agricultural Bank of China (Moscow) Limited	2014	Moscow, Russia	SUR 1,400,000,000	100	Banking

Table 3.1C: Basic Information about the Invested Entity Subjected to Deduction Treatment						
No.	**Name of invested entity**	**Date of establishment**	**Place of incorporation**	**Paid-in capital**	**Total shareholding ratio (%)**	**Business nature and principal activities**
1	ABC Life Insurance Co., Ltd.	2005	Beijing, PRC	RMB 2,032,653,061	51	Insurance

3.2 Regulatory Capital Shortfall of Investees

There was no regulatory capital shortfall of the investees in which the Bank has a majority equity interest or control.

3.3 Restrictions on Intra-group Capital Transfers

The Bank carried out intra-group capital transfers pursuant to the *Law of the People's Republic of China on Commercial Banks*, the *Measures for Implementation of Administrative Licensing Matters Concerning Chinese-funded Commercial Banks,* other related laws and regulations as well as related requirements of regulatory authorities.

3.4 Contrast between Regulatory Consolidation and Financial Statement

The Bank compiled the balance sheet within the scope of regulatory consolidation in accordance with the *Capital Rules for Commercial Banks (Provisional)* and the *Notice of the China Banking Regulatory Commission on Issuing the Supporting Policies for the Capital Regulation of Commercial Banks*. The contrast between the items of regulatory consolidation and financial statement is shown in the table below.

In millions of RMB

Table 3.4: Balance Sheet as in Financial Statement and as under Regulatory Consolidation

Item	Balance sheet as in financial statement	Balance sheet as under regulatory consolidation	Code
Assets			
Cash and balances at central banks	2,587,057	2,587,040	A01
Deposits with banks and other financial institutions	697,923	695,409	A02
Placements with banks and other financial institutions	504,252	504,252	A03
Financial assets designated at fair value and changes included into the profits and losses for the period	439,261	439,249	A04
Derivative financial instruments	16,038	16,038	A05
Financial assets held under resale agreements	471,809	470,187	A06

Interest receivables	104,775	104,233	A07
Loans and advances to customers	8,506,675	8,505,350	A08
Available-for-sale financial assets	1,214,542	1,198,763	A09
Hold-to-maturity investments	2,300,824	2,293,754	A10
Accounts receivable investment	557,420	542,941	A11
Long term equity investment	273	3,075	A12
Fixed Assets	156,178	155,710	A13
Land use rights	23,037	23,036	A14
Deferred tax assets	81,548	81,548	A15
Goodwill	1,381	-	A16
Intangible assets	2,739	2,566	A17
Other assets	125,661	98,209	A18
Total assets	**17,791,393**	**17,721,360**	**A00**
Liabilities			
Borrowings from central bank	60,599	60,599	L01
Deposits from banks and other financial institutions	1,221,901	1,223,878	L02
Placements from banks and other financial institutions	315,759	315,759	L03
Financial liabilities designated at fair value and changes included into the profits and losses for the period	430,443	430,443	L04
Financial assets sold under repurchase agreements	88,804	88,804	L05
Due to customers	13,538,360	13,538,345	L06
Derivative financial liabilities	12,192	12,192	L07
Debt securities issued	382,742	382,742	L08
Employee salary payables	39,890	39,746	L09
Taxes payables	45,214	45,183	L10
Interest payables	225,383	225,421	L11
Deferred tax liabilities	111	12	L12
Provisions	17,682	17,682	L13
Other liabilities	200,428	129,937	L14
Total liabilities	**16,579,508**	**16,510,743**	**L00**
Owner's equity			
Paid-in capital	324,794	324,794	E01

Other equity instruments	79,899	79,899	E02
Capital reserve	98,773	98,765	E03
Surplus reserve	96,748	96,748	E04
General reserve	175,606	175,606	E05
Undistributed profits	412,005	412,110	E06
Minority interests	1,794	565	E07
Other comprehensive income	22,266	22,130	E08
of which: Foreign currency translation reserve	(163)	(163)	E09
Total owner's equity	**1,211,885**	**1,210,617**	**E00**

3.5 Composition of Capital

Pursuant to the *Capital Rules for Commercial Banks (Provisional)*, the composition of regulatory capital is shown in the table below.

In millions of RMB

Table 3.5: Composition of Capital

	CET 1 capital	**Balance at the end of the reporting period**	**Code**
1	Paid-in capital	324,794	E01
2	Retained earnings	684,464	
2a	Surplus reserve	96,748	E04
2b	General reserve	175,606	E05
2c	Undistributed profits	412,110	E06
3	Accumulated other comprehensive income and disclosed reserve	120,895	
3a	Capital reserve	98,765	E03
3b	Others	22,130	E08
4	Directly issued capital subject to phase out from CET 1 capital (only applicable to non-joint stock companies, banks of joint stock companies just fill with "0")	0	
5	Common share capital issued by subsidiaries and held by third parties	132	
6	**CET 1 capital before regulatory adjustments**	**1,130,285**	
CET 1 capital: regulatory adjustments			
7	Prudential valuation adjustments	-	
8	Goodwill (net of deferred tax liability)	-	A16

9	Other intangible assets other than land use rights (net of deferred tax liability)	2,566	A17
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	
11	Cash-flow hedge reserve to the items not calculated at fair value	-	
12	Shortfall of provisions to expected losses on loans	-	
13	Securitization gain on sale	-	
14	Unrealized gains and losses due to changes in own credit risk on fair valued liabilities	-	
15	Defined-benefit pension fund net assets (net of deferred tax liability)	-	
16	Investments in own shares (if not already netted off paid-in capital on reported balance sheet)	-	
17	Reciprocal cross-holdings in common equity	-	
18	Deductible amount of the CET 1 capital from insignificant minority capital investment of the financial institutions outside the scope of consolidation	-	
19	Deductible amount of the CET 1 capital from significant minority capital investment of the financial institutions outside the scope of consolidation	-	
20	Mortgage servicing rights	-	
21	Other deductible amount in the net differed tax asset that rely on future profitability of the bank	-	
22	Significant investments in the capital of financial institutions outside the scope of regulatory consolidation and other net deferred tax assets that rely on the Bank's future profitability (amount exceeding the 15% of the CET 1 capital)	-	
23	of which: significant investments in the capital of financial institutions	-	
24	of which: mortgage servicing rights	-	
25	of which: deductible amount in other net deferred tax assets that rely on the Bank’s future profitability	-	
26a	Investment in CET 1 capital of financial institutions outside the scope of regulatory consolidation but in which the Bank has the control	3,029	
26b	Shortfall of CET 1 capital of financial institutions outside the scope of regulatory consolidation but in which the Bank has the control	-	
26c	Total other items deductible from CET 1 capital	-	
27	Regulatory adjustments applied to CET 1 due to insufficient	-	

	Additional Tier 1 and Tier 2 to cover deductions		
28	**Total regulatory adjustments to CET 1 capital**	**5,595**	
29	**CET 1 capital**	**1,124,690**	
Additional Tier 1 capital			
30	Directly issued qualifying Additional Tier 1 instruments plus related stock surplus	79,899	
31	of which: classified as equity	79,899	E02
32	of which: classified as liabilities	-	
33	Directly issued capital instruments subjects to phase out from Additional Tier 1	-	
34	Minority interest given recognition in Tier 1	3	
35	of which: instruments issued by subsidiaries subject to phase out	(2)	
36	**Additional Tier 1 capital before regulatory adjustments**	**79,902**	
Additional Tier 1 capital: regulatory adjustments			
37	Investments in own Additional Tier 1 instruments	-	
38	Reciprocal cross-holdings in Additional Tier 1 instruments	-	
39	Additional Tier 1 capital from insignificant minority capital investment of the financial institutions outside the scope of consolidation	-	
40	Additional Tier 1 capital from significant minority capital investment of the financial institutions outside the scope of consolidation	-	
41a	Investments in Additional Tier 1 capital of financial institutions outside the scope of consolidation but in which the Bank has the control	-	
41b	Shortfall of Additional Tier 1 capital of financial institutions outside the scope of consolidation but in which the Bank has the control	-	
41c	Other items deductible from Additional Tier 1 capital	-	
42	Amount deductible from Additional Tier 2 capital but not yet deducted	-	
43	**Total regulatory adjustments to Additional Tier 1 capital**	-	
44	**Additional Tier 1 capital**	**79,902**	
45	**Tier 1 capital (CET 1 capital + Additional Tier 1 capital)**	**1,204,592**	
Tier 2 capital			
46	Directly issued qualifying Tier 2 instruments plus related stock surplus	135,000	
47	Directly issued capital instruments subject to phase out from Tier 2	105,000	

48	Tier 2 instruments (and CET1 and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties (amount allowed in group Tier 2)	10	
49	of which: Portions not given recognition after the transition period	(2)	
50	Excess loan loss provisions	132,018	
51	**Tier 2 capital before regulatory adjustments**	**267,028**	
Tier 2 capital: regulatory adjustments			
52	Investments in own Tier 2 instruments	-	
53	Reciprocal cross-holdings in Tier 2 instruments	-	
54	Tier 2 capital from insignificant minority capital investment of the financial institutions outside the scope of consolidation	-	
55	Tier 2 capital from significant minority capital investment of the financial institutions outside the scope of consolidation	-	
56a	Investments in Tier 2 capital of financial institutions outside the scope of consolidation but in which the Bank has the control	-	
56b	Shortfall of Tier 2 capital of financial institutions outside the scope of consolidation but in which the Bank has the control	-	
56c	Other items deductible from Tier 2 capital	-	
57	**Total regulatory adjustments to Tier 2 capital**	**-**	
58	**Tier 2 capital**	**267,028**	
59	**Total capital (Tier 1 capital + Tier 2 capital)**	**1,471,620**	
60	**Total risk weighed assets**	**10,986,302**	
Capital adequacy ratios and reserve capital requirements			
61	CET 1 capital adequacy ratio	10.24%	
62	Tier 1 capital adequacy ratio	10.96%	
63	Capital adequacy ratio	13.40%	
64	Institution specific buffer requirement	3.50%	
65	of which:capital conservation buffer requirement	2.50%	
66	of which: countercyclical buffer requirement	0.00%	
67	of which: G-SIB buffer requirement	1.00%	
68	CET 1 capital available to meet buffers (as a percentage of risk weighted assets)	4.96%	
National minima			
69	CET 1 minimum ratio	5%	
70	Tier 1 minimum ratio	6%	
71	Total capital minimum ratio	8%	

Amounts not deducted from the thresholds for deduction			
72	Non-significant investments in the capital of other unconsolidated financial institutions	71,765	
73	Significant investments in the common stock of unconsolidated financial institutions	784	
74	Mortgage servicing rights (net of related tax liability)	N/A	
75	Other net deferred tax assets relying on the Bank's future profitability (net of deferred tax liabilities)	81,536	A15-L12
Applicable caps on the inclusion of over-provision for loss on loans in Tier 2 capital			
76	Provisions for excess loan loss actually provided under the Weighting Approach	36,331	
77	The amount of provisions eligible for inclusion in Tier 2 capital excess loan loss under the Weighting Approach	29,559	
78	Provisions for loan loss actually provided under the Internal Ratings-Based approach	147,290	
79	The amount of provisions eligible for inclusion in Tier 2 capital excess loan loss under the Internal Ratings-Based Approach	102,459	
Capital instruments subject to phase-out arrangements			
80	Amount included in CET 1 capital due to transitional arrangements	-	
81	Amount excluded from CET 1 capital due to transitional arrangements	-	
82	Amount included in Additional Tier 1 capital due to transitional arrangements	-	
83	Amount excluded from Additional Tier 1 capital due to transitional arrangements	-	
84	Amount included in Tier 2 instruments due to transitional arrangements	105,000	
85	Amount excluded from Tier 2 due to transitional arrangements	20,000	

3.6 Main Features of Eligible Capital Instruments

As of the end of 2015, the eligible capital instruments of the Bank included common stocks, preference shares and Tier 2 capital instrument. On 15 July 2010, A-shares of the Bank were listed on the Shanghai Stock Exchange, and H-shares of the Bank were listed on the Hong Kong Stock Exchange on 16 July 2010. In September 2014, the Bank was approved to conduct a private issue of no more than 800 million preference shares in China to raise no more than RMB80 billion with multiple issuances. As at 13 November 2014, the Bank completed the first issuance of 400 million preference shares, with RMB40 billion raised. In March 2015, the Bank completed the second issuance of 400 million preference shares, with RMB40 billion raised. All of the raised funds after deducting issue expenses are used to replenish Additional Tier 1 capital.

During the period from 2009 to 2012, the Bank issued in aggregate subordinated bonds amounting to RMB150 billion in the PRC inter-bank bond market. Pursuant to the requirement of *Capital Rules for Commercial Banks (Provisional)*, since 2013, the amount of conventional subordinated bonds that can be included in regulatory capital shall be reduced year by year, and as of the end of 2015, the aggregate amount that could be included in Tier 2 capital was RMB105 billion. As at 18 August 2014, with the approval from the CBRC and PBOC, the Bank successfully issued Tier 2 capital bonds amounting to RMB30 billion in national inter-banks securities market, all of which were included into Tier 2 capital. The following table sets forth the main features of eligible capital instruments of the Bank.

Table 3.6: Main Features of Eligible Capital Instruments

		Ordinary share of A-shares	**Ordinary share of H- shares**	**Preference shares**	**Tier 2 capital instruments**
1	Issuer	Agricultural Bank of China Limited	Agricultural Bank of China Limited	Agricultural Bank of China Limited	Agricultural Bank of China Limited
2	Unique code	601288	1288	360001 and 360009	1428012
3	Governing laws	"Company Law of the People's Republic of China", "Securities Law of the People's Republic of China", "Law of the People's Republic of China on Commercial Banks", "Rules Governing the Listing of Stocks on Shanghai Stock Exchange", etc.	"Company Law of the People's Republic of China", "Securities Law of the People's Republic of China", "Law of the People's Republic of China on Commercial Banks", "Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited", etc.	"Company Law of the People's Republic of China", "Securities Law of the People's Republic of China", "the Administrative Measures on the Pilot Scheme of Preference Shares", etc.	"Law of the People's Republic of China on Commercial Banks", "Capital Rules for Commercial Banks (Provisional)", "Measures for the Administration of the Issuance of Financial Bonds in the National Inter-bank Bond Market", etc.
	Regulatory treatments				
4	of which: Application of Capital Rules for Commercial Banks (Provisional) transitional rules	CET 1 capital	CET 1 capital	Additional Tier 1 capital	Tier 2 capital
5	of which: Application of	CET 1 capital	CET 1 capital	Additional Tier 1 capital	Tier 2 capital

	Capital Rules for Commercial Banks (Provisional) post-transitional rules				
6	of which: Eligible at the Bank / the Group	the Bank and the Group	the Bank and the Group	the Bank and the Group	the Bank and the Group
7	Instrument type	Ordinary shares	Ordinary shares	Preference shares	Tier 2 capital bonds
8	Recognized in regulatory capital (in million RMB, most recent reporting date)	294,055	30,739	79,899	30,000
9	Par value	RMB1	RMB1	RMB100	RMB100
10	Accounting classification	Equity	Equity	Equity	Liability
11	Original date of issuance	2010-07-15	2010-07-16	2014-10-31 and 2015-03-06	2014-08-18
12	Perpetual or dated	Perpetual	Perpetual	Perpetual	Dated
13	of which: Original maturity dates	No maturity date	No maturity date	No maturity date	2024-08-18
14	Issuer call subject to prior regulatory approval	No	No	No	Yes (subject to prior regulatory approval)
15	of which: Optional call date, contingent call dates and redemption amount	-	-	-	2019-08-18
16	Of which: Subsequent call dates, if applicable	-	-	-	-
	Bonus or Dividends				
17	of which: Fixed or floating dividend / bonus	Floating	Floating	The coupon rate of the preference shares will be adjusted every 5 years. The dividend of the preference shares under the Issuance will be paid at an agreed fixed coupon rate during each dividend adjustment period.	Fixed
18	of which: coupon rate and any related index	Subject to the Board's decision	Subject to the Board's decision	Coupon rate of the first dividend adjustment period of the first issuance of preference shares is 6%. Coupon rate of	5.8%

				the first dividend adjustment period of the second issuance of preference shares is 5.5%.	
19	of which: Existence of a dividend stopper	No	No	Yes	No
20	of which: Whether fully discretionary in cancellation of bonus or dividend	Full discretionary	Full discretionary	Full discretionary	Without discretionary
21	of which: Existence of step up or other incentive to redeem	No	No	No	No
22	of which: Non-cumulative or cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative
23	Convertible or non-convertible	No	No	Yes	No
24	of which: If convertible, specify conversion trigger(s)	-	-	(1) If the CET 1 capital adequacy rate of the Bank decreased to 5.125% (or below), the preference shares issued will be fully or partially transferred to ordinary shares of A share, in order to make the CET 1 capital adequacy rate resumed to above 5.125%. In case of partial transfer, all preference shares issued will be transferred in proportion on the same conditions. (2) All preference shares issued will be transferred into ordinary shares of A share in case of the earlier occurrence of the following two situations: 1) the CBRC considers that the Bank could not survive in case no conversion will be carried out; 2) relevant authority	-

				considers that the Bank could not survive in case no capital injection with public departments or no provision of support with the same effectiveness. If the Bank mandatorily transfer the issued preference shares to ordinary shares, it shall report to the CBRC for investigation and making decision, and shall performance the obligations of disclosure temporary reports and announcements in accordance with Securities Law of the People’s Republic of China and relevant requirements of the CBRC.	
25	of which: If convertible, fully or partially	-	-	Fully or partially	-
26	of which: If convertible, determine methods for conversion price	-	-	The initial conversion price of the preference shares under the Issuance shall be the average trading price of the ordinary shares of the A Share of the Bank in 20 trading days preceding the date of the Board resolution on the Issuance Plan (i.e. RMB2.43 per share) After the date of the Board resolution, in the event the Bank issues stock dividends, converts capital reserves to share capital, conducts follow-on issuances of shares (excluding the ordinary shares that	-

				may be converted from the convertible capital instruments issued by the Bank such as preference shares and convertible corporate bonds), conducts a rights issue or acts under similar circumstances, the Bank will adjust the conversion price on a cumulative basis in accordance with the sequence of occurrences of the foregoing events. The specific adjustment measures are as follows: In the event of issuing stock dividends or converting capital reserves to share capital: P1=P0/(1+n); In the event of conducting follow-on issuances of shares or rights issue: P1=P0×(N+Q×(A/M))/(N+Q); Among which: “P0” is the conversion price before the adjustment; “n” is the ratio of stock dividends or converting capital reserves to share capital; “Q” is the number of ordinary shares issued in the follow-on issuances of shares or the rights issue; “N” is the total number of the Bank’s ordinary shares before the increase or rights issue; “A” is the subscription price of the follow-on	

				issuances of shares or rights issue; "M" is the newly issued shares' closing price on the trading day one day prior to the date of the effective and irrevocable announcement on offering results in the follow-on issuances of shares or rights issue; P1 is the adjusted conversion price. When the above changes in the Bank's shares and/or shareholder's interests occur, the Bank will adjust the conversion price in sequence, and will make corresponding information disclosure in accordance with relevant requirements. The mandatory conversion price of the preference shares will not be adjusted according to the Bank's distribution of cash dividends on ordinary shares.	
27	of which: If convertible, mandatory or optional conversion	-	-	Yes	-
28	of which: If convertible, specify instrument type convertible into	-	-	Ordinary Shares	-
29	of which: If convertible, specify issuer of instrument it converts into	-	-	Agricultural Bank of China Limited	-
30	Write-down feature	No	No	No	Yes
31	of which: If write-down, write-down trigger(s)	-	-	-	Triggers refer to the occurrence of the earlier of the following two events: (1)

					the CBRC considers that the issuer could not survive if no write-down carried out; (2) relevant authority considers that the issuer could not survive in case no capital injection with public departments or no provision of support with the same effectiveness.
32	of which: If write-down, full or partial	-	-	-	Full write-down
33	of which: If write-down, permanent or temporary	-	-	-	Permanent
34	of which: If temporary write-down, description of write-up mechanism	-	-	-	-
35	Position in subordination hierarchy in liquidation (instrument type immediately senior to instrument)	Subordinate to the depositors, creditors, junior debt and Additional Tier 1 capital instruments	Subordinate to the depositors, creditors, junior debt and Additional Tier 1 capital instruments	Subordinate to the depositors, creditors, junior debt, prior to CET 1 capital instruments	Subordinate to the depositors and creditors, and prior to equity capital and other Tier 1 capital instrument
36	Non-eligible transitioned features	No	No	No	No
37	of which: If yes, specify non-eligible features	-	-	-	-

3.7 Threshold Deductions Limit and Limit of Excess Loan Loss Provisions

According to the *Capital Rules for Commercial Banks (Provisional)*, the Bank's non-significant minority capital investments to financial institutions outside the scope of consolidation, significant minority capital investment in financial institutions outside the scope of consolidation and other deferred tax assets that rely on future profitability of the bank are not meet the threshold deduction limit, details of which are as followings.

In millions of RMB

Table 3.7A: Threshold Deduction Limit

Items applied threshold deduction approach	Amount	Capital deduction limit		Difference up to the cap
		Item	Amount	
Non-Significant minority capital investments in the financial institutions outside the scope of consolidation, of which:	71,765	10% of the CET 1 capital[1], net	112,469	40,704
CET 1 capital investment	646			
Additional Tier 1 capital	649			
Tier 2 capital	70,470			
CET 1 capital of significant minority capital investments in financial institutions outside the scope of consolidation	784	10% of the CET 1 capital[2], net	112,469	111,685
Other net deferred tax assets that rely on future profitability of the bank	81,536		112,469	30,933
Un-deducted part of CET 1 capital of significant capital investment in financial institutions outside the scope of consolidation and additional net deferred tax assets rely on the Bank's profitability	82,320	15% of the CET 1 capital[3], net	168,704	86,384

Notes: 1. The CET 1 capital, net of regulatory deduction refers to the balance after deducted all deductible items of the CET 1 capital.

2. The CET 1 capital, net of regulatory deduction refers to the balance after deducted all deductible items of the CET 1 capital and non-significant minority capital investment to financial institutions outside the consolidation.

3.The CET 1 capital, net of regulatory deduction refers to the balance after deducted all deductible items of the CET 1 capital, Non-significant minority capital investment of the financial institution outside the consolidation, CET 1 capital of significant minority capital investment in financial institutions outside the consolidation and other net deferred tax assets that rely on future profitability of the bank.

According to the *Capital Rules for Commercial Banks (Provisional)*, under the weighting approach, provisions of excess loan loss included in the Tier 2 capital is the excess of the provision of the loan loss actually provided by the Bank over the minimum requirement, which is not allowed to exceed 1.25% of the credit risk weighted asset. Under the Internal Ratings-Based approach, provisions of excess loan loss included in the Tier 2 capital is the excess of the provision of the loan loss actually provided by the Bank over the expected loss, which is not allowed to exceed 0.6% of the credit risk weighted asset. In the parallel run period, the amount of provisions of excess loan loss with the coverage lower than 150% included into Tier 2 capital is not allowed to excess 0.6% of the credit risk weighted asset, and the provisions of excess loan loss with the coverage higher than 150% could be all included into Tier 2 capital.

In millions of RMB

Measurement method	Item	Amount
Portion uncovered by IRB approach	Provisions for loan loss	44,094
	The amount of provisions eligible for inclusion in Tier 2 capital	36,331
	The limit of provisions eligible for inclusion in Tier 2 capital	29,559
	If not reach the provision cap, the difference up to the cap	-
Portion covered by IRB approach	Provisions for loan loss	359,091
	The amount of provisions eligible for inclusion in Tier 2 capital	147,290
	The limit of provisions eligible for inclusion in Tier 2 capital	102,459
	If not reach the provision cap, the difference up to the cap	-

Table 3.7B: Limits of Excess Loan Loss Provisions Could be Included into the Tier 2 Capital

3.8 Changes in Paid-in Capital

During the Reporting Period, the Bank did not have any increase or decrease in its paid-in capital, separation or consolidation matters.

3.9 Significant Capital Investments

During the Reporting Period, the Bank had no significant capital investment.

4. Credit Risk

4.1 Credit Risk Management

Credit risk refers to the risk of loss from the default of an obligator or counterparty when payments fall due. The Bank is exposed to credit risk that is primarily distributed among our loan portfolio, investment portfolio, guarantee business and various other on- and off-balance sheet credit risk. The Bank's objectives of credit risk management are to adhere to its risk appetite, and assume appropriate level of credit risk and earn returns commensurate with respective risks assumed based on its credit risk management capability and capital level, as well as to lower and control the loss for risk as a result of the default of obligators or counterparties, or the downgrading of credit rating or the weakening of contractual capability.

The Bank gradually established and consummated a clear, scientific and applicable and comprehensive credit risk management policy system which included basic policies, systems and measures, based on needs of business development and comprehensive risk management of the Bank, coordinated business development with risk control, formulated a same goal for business development and risk control, ensured the consistency between policies and procedures. The basic policies of credit risk management mainly covered the industry-specific credit, professional reviewing and approval, risk categorization, transaction control, code of conduct, capital insurance, etc., which served as the fundamental standard for credit risk management of the Bank as well as the fundamental basis for setting out management measures. Under the basic policies, sound systems and measures of credit risk management including credit reviewing and approval, limit management, internal rating, credit authority, draw-down management, collateral management, post-lending management, disposal or write-offs, etc. were established to make sure each risk management activity complying with regulations. In addition, the Bank continuously clarified and perfected the specific management measures and operation procedures of each business, product, customer operation for each department and business line, ensuring that the credit risk management system be comprehensively implemented.

The Bank authorized presidents of branches to conduct business and delegation according to the risk management capability of the branches, and all businesses undertaking credit risk should be conducted in accordance with procedures and permissions. The Bank designed and implemented the basic process of credit underwriting, i.e. customer's application and acceptance → business investigation (evaluation) → business examination, reviewed by credit approval committee and approval by authorized person → (filing) → business implementation → post-business management → (management of non-performing assets) → recovery of loans, based on credit scale, complexity, and risk characteristics on the basic principles of "separating the loan initiation from approval, adopting checks and balance, achieving symmetry between powers and responsibilities, and maintaining clarity and efficiency". The Bank implemented customer layering management. Based on the customer's risk level and the Bank's risk exposures, customer management bank is determined. The business department of the customer management bank led daily management of customers. Risk management department and credit management department at all levels supervised and controlled customer risks, oversaw the post-lending management of relevant business departments, until the loan recovered upon the expiry of business. Where there was non-performing assets (including loan), disposal department of non-performing loan would take over the non-performing assets under required procedures and permissions by various disposal means until the non-performing assets reversed, recovered, transferred or written-off.

The Bank assesses the recoverability of loans due and classifies the loans by taking account of principle factors, including the borrower's repayment capacity, repayment record, willingness to repay the loan, profitability of the loan project, and the reliability of the secondary repayment source in accordance with the *Guidelines of Loan Credit Risk Classification* issued by the CBRC. The Bank classifies its loans into five categories, namely normal, special mention, substandard, doubtful and loss, in which loans classified as substandard, doubtful and loss are regarded as non-performing loans. Overdue loans refer to loans that customers fail to repay the principal or interest in accordance with the maturity dates stipulated in the contracts. The recognition and provision for impairment losses on loans are assessed individually and collectively. Provision made individually represents the aggregate allowance for impairment losses from corporate loans classified as substandard, doubtful and loss. Provision made collectively represents the aggregate allowance for impairment losses provided for corporate loans classified as normal and special mention, as well as retail loans (including card overdraft).

4.2 Credit Risk Exposure

The Bank calculates the non-retail credit risk-weighted assets by foundation Internal Ratings-Based approach (IRB), of which risk exposure of company and financial institution has been applied for ratification of regulatory authorities, and adopted the Internal Ratings-Based approach (IRB) for retail credit risk-weighted assets and the weighting approach for the part of credit risk-weighted assets not covered by IRB approach.

In millions of RMB

Table 4.2A: Credit Risk Exposure Covered by IRB Approach

Item	Risk exposure
Companies	6,274,267
Sovereignty	-
Financial institutes	2,953,813
Retail	2,707,028
Assets securitization	-
Equity	-
Others	-
Total	**11,935,108**

In millions of RMB

Table 4.2B: Credit Risk Exposure Uncovered by IRB Approach	
Item	**Risk exposure**
On-balance sheet credit risk exposure	**7,071,159**
Cash and cash equivalents	2,551,882
Debts issued by central governments and central banks	1,066,704
Loans to public sector entities	832,572
Loans to domestic financial institutions	916,276
Loans to foreign financial institutions	167,196
Loans to general enterprises	665,414
Loans to small and micro enterprises	3,137
Loans to individuals	222,112
Residual value of leasing assets	-
Equity investments	7,312
Real estate not for own use	579
Risk exposures from the settlement of securities, commodity and foreign currency transactions	-
Others	634,835
Asset securitization items on balance sheet	3,140
Off-balance sheet credit risk exposure	**524,599**
Counterparty credit risk exposure	**18,172**
Total	**7,613,930**

4.3 Internal Ratings-Based Approach

4.3.1 Introduction of Internal Ratings-Based Approach

Under the unified leadership of the Board of Directors and the senior management, the Bank implements the rating management mechanism of "initiated by customers' department, reviewed by credit management department and monitored by risk management department". Risk management department is the competent department of internal rating, responsible for managing the general internal rating for the Bank; departments of customers, credit management, audit, internal compliance, asset and liability management, science and technology, etc. perform their respective duties and jointly carry out the management of internal rating. In recent years, the Board of Directors, senior management and each relevant department of the Bank proactively performed their duties and effectively drove the construction and implementation of the internal rating system.

The Bank strengthened the rating management and enhanced its prudence in measuring the default risk. By leveraging the measuring results, the Bank improved its capability for risk decisions. Currently, the rating parameters have been widely used in credit approval, loan pricing, economic capital measurement, performance appraisal, risk monitor, risk report, loan clarification, limit management, risk appetite, reserve provision.

Customers with 90 days' overdue or occurred advance on its off-balance sheet credit assets such as letter of guarantee, acceptance, letter of credit, etc. will be deemed automatically as default by the system. As to circumstances of business deterioration or insolvency of debtor, it will be identified by the standardized and rigorous procedure. Among the customers of non-retail default during the year, nearly half of them were determined default by manpower.

The Bank has established a non-retail default database with date longer than 10 years, including 590 thousand non-default customers and 15 thousand default customers, and a retail default date base longer than 10 years, including over 35 million non-default customers and over 350 thousand default customers, providing a helpful data support for the development, validation, optimization of the rating model of the Bank, as well as for the work of stress test and quantitative measurement.

Based on the statistical regression methods, after generally considering the fluctuation of systematic risk and individual risk during a full economic cycle, the Bank established the risk prediction models of probability of default, loss at given default, and exposure at default. The Bank established probability of default model for non-retail sector, and prediction models of probability of default, loss at given default, exposure at default risk for retail sector. All of the major models are supported by sufficient data, which effectively ensured the accuracy and reliability of the models. The clarification ability of the models remains at a relatively high level.

Basic assumptions of the rating models mainly include that the internal and external environment have no material change, the structure of customers and assets of the Bank have no material adjustment and the historical data could be used to predict the future, etc.

4.3.2 Non-retail Credit Risk Exposure Covered by IRB Approach

Following table sets out non-retail risk exposure of the Bank classified by levels of probability of default as of the end of 2015.

In millions of RMB, except for percentages

Table 4.3A: Non-retail Risk Exposure by Probability of Default

Probability of default	Exposure at default	Average PD	Weighted average LGD	Weighted average risk weight	Risk-weighted assets
Rating 1	1,504,543	0.03%	44.41%	18.35%	276,131
Rating 2	1,695,415	0.17%	42.97%	43.45%	736,636
Rating 3	907,392	0.42%	39.46%	62.15%	563,988
Rating 4	1,475,365	0.78%	42.75%	77.37%	1,141,499

Rating 5	916,265	1.23%	41.96%	87.06%	797,712
Rating 6	782,958	1.70%	39.16%	88.84%	695,553
Rating 7	763,687	2.40%	39.78%	98.62%	753,152
Rating 8	400,830	3.20%	40.01%	102.79%	412,010
Rating 9	271,399	4.43%	39.68%	107.97%	293,029
Rating 10	154,417	5.63%	41.42%	127.79%	197,326
Rating 11	86,609	8.95%	41.89%	141.54%	122,588
Rating 12	21,051	12.92%	41.83%	157.97%	33,254
Rating 13	5,052	18.51%	42.12%	197.33%	9,968
Rating 14	2,523	27.61%	43.37%	205.26%	5,178
Rating 15	59,622	42.87%	42.50%	198.56%	118,387
Rating 16	176,455	100.00%	43.26%	38.99%	68,803
Total	**9,223,583**	**-**	**-**	**67.49%**	**6,225,214**

Note: Counterparty credit risk exposure is excluded.

4.3.3 Retail Credit Risk Exposure Covered by IRB Approach

Following table sets out retail risk exposure of the Bank by types as of the end of 2015.

In millions of RMB, except for percentages

Table 4.3B: Retail Risk Exposure by Types

Item	Exposure at default	Average PD	Weighted average LGD	Weighted average risk weight	Risk-weighted assets
Personal residential mortgages	1,932,896	1.18%	21.60%	18.61%	359,632
Eligible circulation retail	341,636	2.62%	42.50%	25.53%	87,222
Other retail	432,496	3.15%	49.05%	46.26%	200,089
Total	**2,707,028**	**-**	**-**	**23.90%**	**646,943**

4.4 Credit Risk Exposure Uncovered under Internal Ratings-Based Approach

As of the end of 2015, the Bank calculated the part of credit risk exposure not covered by IRB approach by weighting approach, details of which are set out in the following table.

In millions of RMB

Table 4.4A: Credit Risk Exposure Not Covered by IRB Approach

Items	Risk exposure	Risk exposures after risk mitigation
On-balance sheet credit risk exposure	**7,071,159**	**6,903,191**
Cash and cash equivalents	2,551,882	2,551,882
Debts issued by central governments and central	1,066,704	1,066,704

banks		
Loans to public sector entities	832,572	832,572
Loans to domestic financial institutions	916,276	825,188
Loans to foreign financial institutions	167,196	167,073
Loans to general enterprises	665,414	595,712
Loans to small and micro enterprises	3,137	2,273
Loans to individuals	222,112	215,978
Residual value of leasing assets	-	-
Equity investments	7,312	7,255
Real estate not for own use	579	579
Risk exposures from the settlement of securities, commodity and foreign currency transactions	-	-
Asset securitization items on balance sheet	3,140	3,140
Others	634,835	634,835
Off-balance sheet credit risk exposure	**524,599**	**466,091**
Counterparty credit risk exposure	**18,172**	**18,172**
Total	**7,613,930**	**7,387,454**

The table below sets forth the risk exposures before and after risk mitigation classified by risk weights as of the end of 2015.

In millions of RMB

Table 4.4B: Risk Exposures before and after Risk Mitigation by Risk Weights

Risk weights	Risk exposure	Risk exposures after risk mitigation
0%	4,037,621	4,037,621
20%	966,770	906,239
25%	620,391	584,863
50%	12,075	12,075
75%	234,461	226,319
100%	1,634,185	1,511,967
150%	-	-
250%	83,695	83,695
400%	1,130	1,130
1250%	5,430	5,373
Total	**7,595,758**	**7,369,282**

Note: On-balance sheet and off-balance sheet credit risk exposures are included, but counterparty credit risk exposure is excluded.

The following table sets forth the risk exposures of capital instruments held by the Bank that were issued by other commercial banks, equity investments in industrial and commercial enterprises as well as real estate not for own use as of the end of 2015.

In millions of RMB

Table 4.4C: Risk Exposures for the Holdings of Capital Instruments Issued by Other Commercial Banks, Equity Investments in Industrial and Commercial Enterprises and Real Estate Not for Own Use

Item	Risk exposure
CET 1 capital instruments issued by other commercial banks	398
Additional Tier 1 capital instruments issued by other commercial banks	649
Tier 2 capital instruments issued by other commercial banks	24,540
Equity investments in industrial and commercial enterprises	4,103
Real estate not for own use	579
Total	**30,269**

4.5 Credit Risk Mitigation

In 2015, the Bank proactively implemented the requirements of the *Capital Rules for Commercial Banks (Provisional)*, further refined its credit risk management system and business processes, enhanced the construction of positions responsible for collateral evaluation, perfected relevant management information systems, and constantly improved the share of qualified credit risk mitigation instruments and management level of credit risk mitigation. According to the regulatory requirements, the Bank implemented the newly-amended the *Regulations on Guarantee of Credit Business of Agricultural Bank of China*, formulated the *Management Measures for Remaining Credit Risk of Agricultural Bank of China* and further improved the credit risk mitigation management system. It also strengthened security and guarantee management, increased conditions for conducting security and guaranteed business and accession standard of guarantor. Besides, the Bank perfected the management of financing guarantee companies' list system and carried out rectification of guarantee circles. The Bank also strengthened collateral and pledges management, conducted credit re-inspection over collateral and pledges of corporate customers and strictly implemented the requirements regarding post-lending revaluation of collateral and pledges. It also further optimized the functions of the information platform for credit risk mitigation management to improve the management and control competence.

Under the IRB approach, the Bank acknowledged the mitigation effect of risk mitigation instruments, such as qualified collateral and pledges, net amount settlement, guarantees etc. based on relevant requirements of the *Capital Rules for Commercial Banks (Provisional)*. The effect was reflected by the decrease of the loss at given default, exposure at default and probability of default. Eligible collateral and pledges include financial pledges, receivables, commercial and residential properties, and other collateral and pledges. Qualified guarantees mainly consist of guarantees provided by financing institutions and common companies. The Bank took a full consideration of the impact of currency mismatch and term mismatch on the value of the mitigation instruments and determined prudently result of mitigation. When a single risk exposure has various credit risk mitigation instruments, the Bank will consider its risk mitigation effect by subdividing the risk exposure into exposure covered by each risk mitigation instrument.

Under the weighting approach, the Bank identified eligible credit risk mitigation tools, and confirmed that the risk mitigation effect of the eligible collateral and pledges or of the guarantee provided by the eligible guarantors in accordance with the relevant requirements of the *Capital Rules for Commercial Banks (Provisional)*. Loans pledged by eligible collaterals and pledges have the same risk weights as the collateral, or take the risk weights of the direct creditor rights against the collateral's issuers or acceptors. For loans with partial pledges, the portion being protected by pledges have a relatively lower risk weight. Any loan being fully guaranteed by the eligible guarantors directly has the risk weight of the guarantor. For the loans that are partly guaranteed, the part of which obtains a relatively lower risk weight.

In millions of RMB

Table 4.5A: Credit Risk Mitigation Quantitative Information under IRB Approach

Risk exposure type	**Covered by qualified collateral and pledges**				**Covered by netting settlemen-ts**	**Covered by qualified guaranto-r**	**Covere d by credit derivati-ves**
	Commercial and residential property	**Financial collateral**	**Receivables**	**Other collateral and pledges**			
Companies	1,026,658	282,982	22,310	34,789	-	522,906	-
Sovereignty	-	-	-	-	-	-	-
Financial institutes	345	283,366	240	-	-	9,849	-
Retail	-	-	-	-	-	-	-
Assets securitization	-	-	-	-	-	-	-
Equity	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-
Total	**1,027,003**	**566,348**	**22,550**	**34,789**	**-**	**532,755**	**-**

In millions of RMB

Table 4.5B: Credit Risk Mitigation under Weighting Approach			
Item	**Covered by netting settlements**	**Covered by financial collateral and guarantees**	**Covered by other eligible mitigations**
On-balance sheet credit risk exposure	-	**167,968**	-
Cash and cash equivalents	-	-	-
Debts issued by central governments and central banks	-	-	-
Loans to public sector entities	-	-	-
Loans to domestic financial institutions	-	91,088	-
Loans to foreign financial institutions	-	123	-
Loans to general enterprises	-	69,702	-
Loans to micro and small enterprises	-	864	-
Loans to individuals	-	6,134	-
Residual value of leasing assets	-	-	-
Equity investments	-	57	-
Others	-	-	-
Risk exposures from the settlement of securities, commodity and foreign currency transactions	-	-	-
Asset securitization items on balance sheet	-	-	-
Off-balance sheet credit risk exposure	-	**58,508**	-
Counterparty credit risk exposure	**3,090**	**-**	**-**
Total	**3,090**	**226,476**	**-**

4.6 Loans and Advances to Customers

As of the end of 2015, the total loans and advances to customers based on our accounting consolidation amounted to RMB 8,909,918 million. The relevant data of loans and advances to customers in this section are prepared under the scope of the accounting consolidation. The distribution of the loans and advances to customers of the Bank is shown in the table below.

In millions of RMB, except for percentages

Table 4.6A: Distribution of Loans and Advances to Customers by Geographical Area

Item	Amount	Percentage (%)
Corporate loans and advances		
Head Office	215,317	3.5
Yangtze River Delta	1,355,458	22.0
Pearl River Delta	724,691	11.7
Bohai Rim	1,062,323	17.2
Central China	774,559	12.5
Western China	1,346,434	21.8
Northeastern China	256,614	4.2
Overseas and Others	439,905	7.1
Subtotal	**6,175,301**	**100.0**
Personal loans and advances		
Head Office	101	-
Yangtze River Delta	692,935	25.4
Pearl River Delta	538,353	19.7
Bohai Rim	401,251	14.7
Central China	357,957	13.1
Western China	629,495	23.0
Northeastern China	107,798	3.9
Overseas and Others	6,727	0.2
Subtotal	**2,734,617**	**100.0**
Total loans and advances to customers	**8,909,918**	**-**

In millions of RMB, except for percentages

Table 4.6B: Distribution of Loans and Advances to Customers by Industry

Item	Amount	Percentage (%)
Corporate loans and advances		
Manufacturing	1,481,883	24.0
Production and supply of power, heat, gas and water	604,313	9.8
Real estate	548,388	8.9
Transportation, logistics and postal services	924,356	15.0
Wholesale and retail	650,670	10.5

Water, environment and public utilities management	205,797	3.3
Construction	216,636	3.5
Mining	260,558	4.2
Leasing and commercial services	461,772	7.5
Finance	457,823	7.4
Others	363,105	5.9
Subtotal	**6,175,301**	**100.0**
Personal loans and advances		
Residential mortgage	1,927,049	70.5
Personal business	230,424	8.4
Personal consumption	185,531	6.8
Credit card overdraft	222,206	8.1
Loans to rural households	167,695	6.1
Others	1,712	0.1
Subtotal	**2,734,617**	**100.0**
Total loans and advances to customers	**8,909,918**	**-**

In millions of RMB

Table 4.6C: Distribution of Loans and Advances to Customers by Contractual Period and Collateral

Item	Less than 1 year	1 to 5 years	Over 5 years	Total
Loans secured by mortgage	1,127,445	649,224	2,489,132	4,265,801
Loans secured by pledged	623,149	71,132	503,719	1,198,000
Guaranteed loans	692,293	263,559	393,338	1,349,190
Unsecured loans	916,995	340,169	839,763	2,096,927
Total	**3,359,882**	**1,324,084**	**4,225,952**	**8,909,918**

In millions of RMB

Table 4.6D: Distribution of Loans and Advances to Customers by Period Overdue

Item	1 to 90 days past due	91 to 360 days past due	361 days to 3 years past due	Over 3 years past due	Total
Loans secured by mortgage	67,076	63,271	37,878	6,716	174,941
Loans secured by pledged	2,600	7,202	5,049	1,568	16,419
Guaranteed loans	21,478	26,103	18,134	4,143	69,858

Unsecured loans	7,311	8,522	2,190	271	18,294
Total	**98,465**	**105,098**	**63,251**	**12,698**	**279,512**

In millions of RMB, except for percentages

Table 4.6E: Five-category Classification of Loans and Advances

Item	Amount	Percentage (%)
Normal	8,322,619	93.41
Special mentioned	374,432	4.20
Non-performing loans	**212,867**	**2.39**
Substandard	47,755	0.54
Doubtful	147,864	1.66
Loss	17,248	0.19
Total	**8,909,918**	**100.0**

In millions of RMB, except for percentages

Table 4.6F: Non-performing Loans by Product Type

Item	Amount	Percentage (%)	Non-performing loan ratio (%)
Corporate loans	**177,453**	**83.3**	**3.30**
Of which: Short-term corporate loans	142,154	66.7	6.23
Medium- and long-term corporate loans	35,299	16.6	1.14
Discounted bills	**-**	**-**	**-**
Retail loans	**31,884**	**15.0**	**1.17**
Residential mortgage loans	8,257	3.9	0.43
Credit card overdraft	6,059	2.8	2.73
Personal consumption loans	2,892	1.4	1.61
Loans to private business	8,495	4.0	3.69
Loans to rural households	6,020	2.8	3.59
Others	161	0.1	12.43
Overseas and others	**3,530**	**1.7**	**0.79**
Total	**212,867**	**100.0**	**2.39**

In millions of RMB, except for percentages

Table 4.6G: Distribution of Non-performing Loans by Geographical Area

Item	Amount	Percentage (%)	Non-performin
Head Office	7	-	-
Yangtze River Delta	41,684	19.6	2.03
Pearl River Delta	29,600	13.9	2.34
Bohai Rim	40,005	18.8	2.73
Central China	28,084	13.2	2.48
Northeastern China	6,036	2.8	1.66
Western China	63,921	30.0	3.23
Overseas and Others	3,530	1.7	0.79
Total	**212,867**	**100.0**	**2.39**

In millions of RMB, except for percentages

Table 4.6H: Non-performing Loans by Industry to Domestic Enterprises

Item	Amount	Percentage (%)	Non-performing loan ratio (%)
Manufacturing	74,522	42.0	5.45
Production and supply of power, heat, gas and water	2,785	1.6	0.47
Real estate	9,270	5.2	1.76
Transportation, logistics and postal services	5,210	2.9	0.58
Wholesale and retail	62,072	35.0	12.31
Water, environment and public utilities management	945	0.5	0.46
Construction	5,447	3.1	2.59
Mining	7,859	4.4	3.14
Leasing and commercial services	2,122	1.2	0.47
Finance	313	0.2	0.24
Information transmission, software and IT service	181	0.1	0.67
Other	6,727	3.8	3.09
Total	**177,453**	**100.0**	**3.30**

In millions of RMB

Table 4.6I: Balance and Changes to the Allowance for Impaired Losses

Item	Individually assessed	Collectively assessed	Total
At 1st January 2015	73,094	284,977	358,071
Charge for the year	95,085	(13,188)	81,897
-Addition	103,532	49,622	153,154
-Reversal	(8,447)	(62,810)	(71,257)
Write-offs and transfer-out	(33,921)	(7,408)	(41,329)
Transfer-in	(358)	336	(22)
-Recoveries of loans and advances written-off in previous years	805	425	1,230
-Unwinding of discount on allowance	(1,302)	(463)	(1,765)
-Exchange difference	139	374	513
Other transfer-in/out	-	4,626	4,626
At 31st December 2015	**133,900**	**269,343**	**403,243**

In millions of RMB

Table 4.6J: Credit Quality of Loans and Advances

Item	Amount
Neither past due nor impaired	8,623,179
Past due but not impaired	73,872
Impaired	212,867
Subtotal	**8,909,918**
Less: Allowance for impairment losses of loans and advances to customers	(403,243)
Book value of loans and advances to customers	8,506,675

5. Market Risk

5.1 Market Risk Management

Market risk refers to the risk of loss in the on- and off-balance sheet businesses of banks as a result of an adverse change in market prices (interest rates, exchange rates, commodity prices and stock prices, etc.). The major types of market risks that the Bank is exposed to are interest rate risk, exchange rate risk and commodity price risk. The Bank's objectives of market risk management are to adhere to the risk appetite, identify, measure, monitor and control market risk of all trading and non-trading business activities, ensure that the level of market risk is controlled within a reasonable range.

In 2015, the Bank further improved its market risk limit indicator systems, continuously enhanced investment in the development of market risk management IT systems and carried out overall validation of the Internal Model Approach (IMA). The Bank optimized some of the measurement models and improved the parameterization level of the system in accordance with auditor's opinions and accepted an on-site compliance assessment on the market risk IMA of the Bank by the CBRC.

5.2 Market Risk Exposure

As of the end of 2015, the Bank's market risk capital requirement measured by standardized approach was RMB 6,970 million.

In millions of RMB

Table 5.2: Market Risk Capital Requirements Measured by Standardized Approach

Item	Capital requirement
Interest rate risk	1,758
Equity risk	-
Foreign exchange risk	5,141
Commodity risk	71
Option risk	-
Total	**6,970**

6. Operational Risk

6.1 Operational Risk Management

Operational risk refers to the risk caused by imperfect or problematic internal procedures, personnel and information technology systems as well as external events, including legal risk, but excluding strategic risk and reputation risk. The Bank's objectives of operational risk management are to adhere to the risk appetite, and incessantly improve the capacity of operational risk management, control the operational risk within the tolerable range as well as maintain a balance among risk, cost and return. The Bank set up operational risk tolerance management mechanisms, based on which the strategy and strength of operational risk management were determined. The Bank established the process of operational risk management covering identification, assessment, monitoring, reporting, control / mitigation and measurement.

In 2015, the Bank kept on trial operation of the Advanced Measurement Approach (AMA) in operational risk economic capital measurement. According to management practice, the Bank continued to optimize the measurement model and enhanced the stability and sensibility of measurement. The Bank further refined the measurement method of operational risk economic capital, optimized scoring card of operational risk, and included operation condition of risk management system and tools into the items of scoring card to raise the predictability of economic capital measurement. The Bank established the system of tolerance indicators and continually monitored changes of the tolerance indicators. When the risk indicators worsened or exceeded the threshold values, the Bank directed and urged relevant management departments and the related operating banking unit to strengthen management. The Bank also kept on strengthening prevention and control of operational risk in key areas, promoted the implementation of key personnel rotation system and other systems and intensified governance of operational risk of branch outlets. On the other hand, the Bank performed the assessment of operational risk satisfactorily. Specifically, the Risk Management Department carried out special risk assessments of businesses regarding counter operation and other areas, and promoted business-line functions to carry out self-assessment of operational risk, so as to timely and accurately identify risks. In addition, based on the results of identification, it intensified measures of risk prevention and control and fortified control measures against various risks arising out of, among others, internal and external fraudulent acts. The Bank also formulated standard procedures for operational risk reporting, consolidated the loss database (LD) and through means like hierarchical reviewing and strict grading scoring, improved the data quality to lay a solid foundation for risk quantitative analysis and implementation of the AMA. The Bank has basically completed the bank-wide business impact analysis, refined the emergency plan, organized and carried out emergency drilling, thereby raising the management level of business continuity.

6.2 Operational Risk Exposure

As of the end of 2015, the Bank adopted standardized approach to measure the regulatory capital for operational risk, in which the regulatory capital requirement for the Group was RMB71,952 million, and for the Bank was RMB71,649 million.

7. Other Risks

7.1 Securitization Risk

7.1.1 Information on Securitization Business

Securitization refers to that the originator packages and transfers the asset to the special purpose vehicle which generates future cash flows and in turn issues securities supported by the future cash flow of the assets, with different payment order and credit ratings.

The Bank participates in securitization business, mainly serving as originator, lending services provider and investor.

As Originator and Lending Services Provider

To mobilize asset inventories, adjust the asset and liability proactively, enrich the risk management measures, raise the capital adequacy ratio and promote operational transformation, the Bank carried out one issue of credit asset securitization business in 2015- "Nongying Credit Asset Securitization Trust Assets-backed Securities (ABS) 2015 Issue I". The underlying assets were the loans of the Bank to industrial and commercial enterprises, with a total scale of RMB5,092 million. This security was issued at par value. In the issue process, the Bank served as the originator, participating in the selection of the underlying assets, transaction structure design and road-show activities. As the lending services provider, the Bank provided post-lending management, receiving the principal and the interest, fund transfer and information disclosure for the assets pool.

As of the end of 2015, the balance of the underlying assets in the securitization for the Bank as the originator was RMB7,791 million.

As Investor

As an investor in the ABS market, the Bank generates investment returns through purchasing and holding assets-backed securities, and exposes to the relevant credit risk, market risk and liquidity risk. Investment amount is determined with reference to the annual investment strategy and risk-adjusted returns.

7.1.2 Accounting Policies

In the normal course of business, the Bank transfers credit assets to a special purpose trust which then issues ABS to investors.

The Bank may retain a part of subordinated tranches, which may give rise to part of the risks and returns of the transferred assets. The Bank will, according to the retention degree of risk and returns, analyze and judge whether to terminate recognition of relevant credit assets. Those financial assets concerning the continuing involvement are recognized on the consolidated statement of financial position to the extent of the Bank's continuing involvement. The extent of the Bank's continuing involvement is the extent to which the Bank is exposed to changes in the value of the transferred assets.

7.1.3 Securitization Risk Exposure

The Bank adopted the standardized approach to measure the risk-weighted assets in securitization in accordance with the *Capital Rules for Commercial Banks (Provisional)*. As of the end of 2015, the risk exposure of the Bank was RMB3,140 million, and the capital requirement was RMB922 million.

In millions of RMB

Table 7.1A: Securitization Originated by the Bank, not Settled during the Reporting Period

Asset securitization product	Originating year	Exposure of underlying assets at origination	Exposure of underlying assets at the end of 2015	External credit rating institution
Nongyin Credit Asset-backed Securities 2014 Issue I	2013	2,122	100	China Chengxin International Credit Rating Co., Ltd., China Credit Rating Co., Ltd.
Nongyin Credit Asset-backed Securities 2014 Issue II	2013	8,003	2,777	China Chengxin International Credit Rating Co., Ltd., China Credit Rating Co., Ltd.
Nongying Credit Asset Securitization Trust Asset-backed Securities 2015 Issue I	2015	5,092	4,914	China Chengxin International Credit Rating Co., Ltd., China Credit Rating Co., Ltd.

Note: The originating dates of products of 2014 Issue I and II were in 2013 and the issuing dates were in 2014.

In millions of RMB

Table 7.1B: Balance of Risk Exposures of Securitization

	As originator[1]	As Investor
Risk exposure by transaction types		
Balance of risk exposures of traditional asset securitization	1,039	2,101
Balance of risk exposures of synthetic asset securitization	-	-
Risk exposure by risk exposure types		
Asset-backed securities	1,039	301
Mortgage-backed securities (MBS)	-	1,800

Credit enhancement	-	-
Liquidity facility	-	-
Interest rate or currency swap	-	-
Credit derivatives	-	-
Offset by tranche	-	-
Others	-	-

Note:1. Serving as originator refers to risk exposure arising from the assets securitization retained and issued by the Bank other than aggregate amount of the assets securitization program issued as the originator.

In millions of RMB

Table 7.1C: Risk Exposures of Securitization Based on Risk Weights

Risk weights	Risk exposure	Capital requirement
Risk weights≤20%	2,254	36
20%<Risk weights≤50%	-	-
50%<Risk weights≤100%	-	-
100%<Risk weights≤350%	-	-
350%<Risk weights≤1250%	886	886
Total	**3,140**	**922**

In millions of RMB

Table 7.1D: Securitization Assets of Originator

Type	Balance of underlying assets	Balance of the non-performing assets	Balance of the overdue loans	Losses recognized during the Reporting Period[1]
Loans to corporate customers	7,791	-	-	60
Personal residential mortgage loans	-	-	-	-
Other personal loans	-	-	-	-
Re-securitization	-	-	-	-
Others	-	-	-	-
Total	**7,791**	**-**	**-**	**60**

Note: 1. Losses recognized during the reporting period refers to the impairment and write-off of the securitization retained by the Bank as originator during the reporting period.

7.2 Counterparty Credit Risk

Counterparty credit risk refers to the risk from the default of the counterparty to a transaction before the final settlement of the transaction's cash flows. The counterparty credit risk of Bank is mainly from Over-the-Counter (OTC) derivative transactions. During the Reporting Period, the Bank continuously improved the management of counterparty credit risk, prudently selected counterparties, and accurately measured the counterparty credit risk. The Bank developed relevant management measures, which required clients to accept a risk rating assessment and pay a corresponding proportion of margins before entering into derivative transactions. The clients should enter into derivative transactions on an as-required basis, so as to avoid clients conducting derivative transactions for speculative purpose and reduce wrong-way risk. Collateral were monitored periodically to keep abreast of changes in collateral. If the Bank's credit rating was downgraded, the Bank would reduce such impact by providing sufficient amount of additional collaterals and pledges, hedging in the market or adjusting trading strategies.

As of the end of 2015, the Bank adopted the Current Exposure Method (CEM) to measure the counterparty credit risk exposure and took into account the risk mitigation effect of netting. Details are shown in the following table.

In millions of RMB

Table 7.2A: Net Credit Risk Exposures of Counterparties

Item	Risk exposure
Total positive contractual fair value (without netting)	12,024
Total current credit risk exposures (without netting)	19,579
Total current credit risk exposures (after netting)	19,582
Less: Collateral and pledges	-
Net credit risk exposure of derivatives	19,582

In millions of RMB

Table 7.2B: Distribution of Current Credit Risk Exposures by Product Type

Item	Risk exposure
Interest rate contracts	3,631
Exchange rate contracts	15,951
Stock contracts	-
Commodity contracts	-
Credit derivatives tools	-
Total	**19,582**

7.3 Equity Risk of Banking Book

The equity investments of the Bank are classified into three types: long-term equity investments, financial assets at fair value through profit and loss for the current period and available-for-sale financial assets. Long-term equity investments are initially measured at initial investment costs, and are subsequently measured by cost method and equity method. Available-for-sale equity investments are measured at fair value for both initial and subsequent measurement.

In accordance with the *Capital Rules for Commercial Banks (Provisional),* for the non-significant minority capital investments in unconsolidated financial institutions, the Bank deducted the amount exceeding 10% of its CET 1 net capital in aggregate from the regulatory capital at all tiers respectively. For the significant minority capital investments in unconsolidated financial institutions, the Bank deducted the amount of investment in CET 1 capital exceeding 10% of its CET 1 net capital in aggregate from its CET 1 capital, and for investments in Additional Tier 1 capital and Tier 2 capital, deducted in full from the corresponding tiers of capital. Where the significant minority capital investments in unconsolidated financial institutions and the corresponding net deferred tax assets are not deducted from CET 1 capital of the Bank, the aggregate amount shall not exceed 15% of the Bank's CET 1 net capital.

As of the end of 2015, the Bank adopted the weighting approach for the measurement of equity investments in financial institutions and other equity investments in banking book that were not deducted. Details are shown in the following table.

In millions of RMB

Table 7.3: Risk Exposures of Equity in Banking Book

Types of the invested entity	Risk exposures of publicly traded equity [1]	Risk exposures of non-publicly traded equity [1]	Unrealized profit or loss on potential risk [2]
Financial institutes	1,366	1,501	246
Companies	87	5,760	613
Total	**1,453**	**7,261**	**859**

Note:1. Risk exposures of publicly traded equity refers to the risk exposures of listed companies, and risk exposures of non-publicly traded equity refers to the risk exposures of unlisted companies.
2. Unrealized profit or loss on potential risk refers to gain or loss that has been recognized in the balance sheet but not yet been recognized in the income statement.

7.4 Interest Rate Risk of Banking Book

Interest rate risk refers to risk of loss to the Bank's income or economic value arising from adverse movements of the statutory or market interest rate. The interest rate risk of the banking book (IRRBB) mainly arises from a mismatch of the maturity or re-pricing dates of interest rate-sensitive assets and liabilities in the banking book and the inconsistencies in the change of the benchmark interest rate on which assets and liabilities are based.

In 2015, China geared up the interest rate liberalization reform. The Bank carried out comprehensive analysis on the influences of the reform, and actively researched and formulated responsive measures. During the Reporting Period, the Bank continued to optimize the pricing model of deposits and loans, strengthened the management of differentiated pricing, and improved its market-oriented pricing ability. The Bank actively launched products capitalizing on interest rate liberalization like certificate of deposit to enrich liability management tools. The Bank strengthened monitoring and analysis of interest rate implementation, timely adjusted FTP prices, and increased the flexibility of pricing authorization. Persisting in risk-neutral and moderate gap strategy, the Bank strengthened the analysis and forecast of net interest margin through measuring interest rate risk by a number of methods including gap analysis, duration analysis, static scenario simulation, and stress testing, so as to have reasonable deployment of product structure and term structure of asset and debt portfolios, and keep the overall interest rate risk within an acceptable range.

As of the end of 2015, the details of IRRBB of the Bank are set forth in the table below. The table indicates the movements in income and equity under different interest rates, on the premise that there is a parallel shift in the yield curve, and without taking into account the early payment of loans, demand-deposits sunk, and any risk management actions that might be adopted by the management to reduce interest rate risk.

In millions of RMB

Table 7.4: Sensitivity Analysis of Interest rate Risk of Banking Book

Major currencies	Interest rate increased by 100 bps		Interest rate decreased by 100 bps	
	Impacts on the profit	Impacts on the equity	Impacts on the profit	Impacts on the equity
RMB	(15,471)	-	15,471	-
USD	260	-	(260)	-
Others	-	-		-
Total	**(15,211)**	**-**	**15,211**	**-**

7.5 Liquidity Risk

Liquidity risk refers to the risk that the Bank is unable to acquire sufficient funds in a timely manner at a reasonable cost, in response to repay due debts, fulfill other payment obligations and meet other funding needs during normal course of business. The objective of liquidity risk management of the Bank is to establish a scientific and sound liquidity risk management framework, satisfy the liquidity requirement arising from assets, liabilities and off-balance sheets operations and the obligation of external payment in a timely manner in normal or stressed operating environment balance profitability and safety of the funds, strengthen management and supervision on liquidity risk for branches, subsidiaries and business lines, and safeguard the Bank against overall liquidity risk.

Liquidity Risk Management

The Bank closely monitored the changes in monetary policies and market movements, strengthened analysis and judgment of the macroeconomic and financial situation and factors affecting liquidity, upheld the liquidity risk baseline to balance safety, liquidity and profitability so as to ensure a healthy liquidity position. The Bank adjusted and optimized the structure of assets and liabilities, stabilized sources of deposits, ensured easy access to financing channels in the market and maintained a proper ratio of high quality liquidity assets on reserve to meet customers' payment obligations. The Bank enhanced real-time monitoring and flexible adjustment and re-allocation of fund positions, ensured adequate reserves and increased the return on fund operation. Through such efforts, the impact of capital market fluctuation in the Reporting Period on liquidity management of the Bank was addressed effectively. The Bank has reinforced liquidity monitoring, warning and analysis, and yearly reported the management of liquidity risk to the Board, in order to make sure the Board has been informed of the liquidity risk situation and how it was managed timely. The Bank completed the second phase of centralized reform of excess reserves, and realized the zero-balance management of excess reserves of six domestic branches in China. The Bank further reduced the occupation of low-interest capital and improved the return of fund operation. The Bank actively pushed forward RMB fund integration management of domestic and overseas institutions, strengthened collaboration of domestic and overseas institutions, and raised efficiency of settlement. In view of the expansion of pilot projects of the Free Trade Area, the Bank formulated different policies of capital management, developed and released the online system of capital management in Free Trade Area. The Bank optimized and upgraded the liquidity management information system, developed the functional module of liquidity management of RMB Cross-border Payment System, and improved the mechanism of forecast, monitoring, and early warning of liquidity. The Bank disclosed indicator values and detailed breakdown of liquidity coverage on a quarterly basis in compliance with regulatory requirements.

Liquidity Risk Analysis

In 2015, China maintained prudent monetary policies. Through coordinated uses of a number of tools, the People's Bank of China (the central bank) adjusted the liquidity of the capital market appropriately. Through four times of general lowering deposit requirement reserve ratio and five times of targeted reserve ratio cuts, the central bank provided long-term liquidity for the market. At the same time, the central bank adopted an average balance method in checking deposit reserve of banks, carried out a series of open-market operations, bundled with instruments such as short-term liquidity operation (SLO), standing lending facility (SLF), medium-term lending facility (MLF), and pledged supplementary lending (PSL) to make a timely and appropriate two-way regulation and maintain a balanced sufficient amount of market liquidity. the central bank applied price instruments as necessary and lowered the benchmark lending interest rates for five times to guide the market rate move down and reduced social financing cost. The Bank continued to monitor monetary policies, changes in market liquidity, as well as the development of the asset and liability businesses and the liquidity position of the Bank. On the premise that the liquidity was secured, the Bank improved the return on the funds and the adaptability to manage liquidity risk. During the Reporting Period, the Bank rationalized the arrangement of cash flow for due payment, and the liquidity position was adequate, safe and controllable in general.

In millions of RMB

Table 7.5: Liquidity Gap Analysis

Past due	On demand	In 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Not Dated	Total
48,107	(8,194,380)	126,537	(263,526)	825,092	1,681,453	4,385,011	2,393,379	**1,001,673**

8. Internal Capital Adequacy Assessment

8.1 Internal Capital Adequacy Assessment Methods and Process

The Bank coordinated and facilitated the construction of the Second Pillar, consolidated the foundation of capital governance, and primarily established Internal Capital Adequacy Assessment Process (ICAAP) with the features of the Bank. Based on the corporate governance principles of modern commercial bank, the Bank gradually optimized the management system of ICAAP, and further clarified the reporting lines and the responsibilities of the Board of Directors, senior management and various departments on capital management, thereby making the division of responsibilities and process clearer. The Board of Directors took the primary responsibility for capital management, the senior management was responsible for organizing and implementing the work of the capital management, and all relevant departments cooperated for the internal growth, conservation and release of capital.

In 2015, the Bank kept on pushing forward the work of implementation of ICAAP, normalizing and consolidating the working mechanism. The Bank carried out assessment of internal capital adequacy in 2015, and completed the report of internal capital adequacy assessment. The report was reviewed and approved by the Board of Directors, and filed with the regulatory authority. In 2015, the Bank carried out special audit of ICAAP to ensure compliance, effectiveness, and continuity of capital management. Based on the development strategy, with balancing conformity to regulatory standard, risk coverage, value creation, and peer comparability, the Bank strengthened capital planning management and reasonably set budget for short, medium and long term capital adequacy ratio. Through refining capital allocation and enhancing monitoring and assessment, the Bank further improved capital management and had a sound control over the pace of capital consumption, and continued to strength the capacity of value creation.

8.2 Capital Planning and Capital Adequacy Ratio Management Plan

In 2013, the Bank formulated the *Capital Plan for 2013-2015 of Agricultural Bank of China* and the *Compliance Plan of Capital Adequacy Ratios for 2013-2018 of Agricultural Bank of China*, which were reviewed and approved by the Board of Directors. In 2015, the Bank continued to strengthen economic capital management, optimize allocation of economic capital, refine the mechanism of capital control, raise efficiency of capital utilization, optimize the size and structure of risk-weighted assets, and improve the long-term capital management mechanism. According to the relevant rules and regulations on commercial banks and requirements of corporate governance, the Bank formulated the *Capital Plan for 2016-2018 of Agricultural Bank of China* , which has been reviewed and approved by the Board of Directors.

As the Global Systemically Important Banks (G-SIBs), in accordance with regulations of the Financial Stability Board (FSB) and other international and domestic regulatory requirements, the Bank had formulated the *Recovery Plan of Agricultural Bank of China Limited*, and the *Resolution Plan of Agricultural Bank of China Limited*. These documents have been examined and reviewed by the Board of Directors of the Bank, and reviewed and approved by the cross-border crisis management group composed of international and domestic regulatory authorities.

9. Remuneration

As of the end of 2015, Nomination and Remuneration Committee of Board of Directors of the Bank was composed of 6 directors, including non-executive directors Mr. Zhou Ke, Mr. Xu Jiandong, independent non-executive directors Mr. Ma Shiheng, Mr. Wen Tiejun, Ms. Xiao Xing, and Mr. Lu Jianping. Mr. Wen Tiejun is chairman of Nomination and Remuneration Committee of the Board of Directors. The primary duties of the Nomination and Remuneration Committee are to formulate selection and appointment standards and procedures of the Bank’s directors, chairpeople and members of all special committees under the Board of Directors and senior management, make recommendations to the Board of Directors on the election procedures and qualifications, formulate remuneration measures of directors, supervisors and senior management, propose remuneration distribution plans and submit to the Board of Directors for reviewing. During the Reporting Period, the Nomination and Remuneration Committee under the Board of Directors convened 6 meetings. For details of remuneration of members of Nomination and Remuneration Committee of the Board of Director of the Bank, as well as basic information about members of senior management and staff in positions that exert significant influence on risks, please refer to "Directors, Supervisors and Senior Management" in the Bank's 2015 Annual Report.

In order to attract, retain and incentivize employees, the Bank established a position-based wage system among its domestic branches on the principles that the salary and bonus are determined based on positions, capabilities and performance, and change with position change, whereby the employees' pay levels are determined based on such factors as position value, short-term and long-term performance. It preliminarily built up a remuneration system in line with the operational and management needs of a modern commercial bank. The Bank formulated and adjusted the remuneration policy in strict accordance with relevant regulatory requirement, laws and regulations, and requirements under corporate governance of the Bank. The remuneration of the employees in the risk and compliance departments in the Bank was determined based on factors such as personal ability, performance and dedication, without direct relation to its supervisory duties.

In compliance with the regulatory requirements, the Bank established a performance-based salary deferred payment system. An appropriate proportion of the performance-based salary for the current period for its senior management and employees whose professional activities could have a material impact on the Bank's risk profile.,was deferred. Having considered the actual performance and time-lag risk, such payment would be made after expiry of deferred payment period, thereby linking the employees' current and long-term responsibilities and contributions with the development of the Bank.

The Bank's overall pay level was linked with the growth of its net profit, and subject to the regulation of and approval by the Ministry of Finance as well as the Ministry of Human Resources and Social Security of the PRC. Remunerations of the Bank's institutions and employees at all levels were associated with such factors as the operating results of units and the performance appraisal results.

The performance appraisal of the Bank's institutions and employees at all levels included the performance, risk indicator and other indicators of sustainable development, reflecting long-term performance and risk profile in aggregate. According to the results of the performance appraisal, the Bank adjusted the pay level by means of salary distribution, deferred payment and other forms.

The Bank’s variable remuneration primarily comprised of performance-based pay (including deferred salary payment, etc.), which was paid in cash. Variable remuneration was allocated based on factors including the current and long-term contributions of employees and risk profile. In the event of deductible in performance-based pay and deferred salary payment under relevant stipulations, the variable remuneration would be adjusted.

10. Outlook

The Bank adheres to the operation philosophy of modern commercial banks, and continuously works on improving the corporate governance mechanism, maintaining a balance among safety, liquidity and profitability, and striking a balance among capital, risk and return. The Bank also proactively pushes forward the development of the firm-wide risk management system and implementation of advanced approaches for capital management. The Bank implements the "prudent and innovative" risk appetite. Essential management abilities in key areas including risk management and internal control management have been further enhanced. Asset quality has been stable as a whole and the risk-resisting ability has kept strong. In the future, the Bank will closely monitor any changes in the trends of domestic and global economy and finance, comply strictly with regulatory and compliance requirements at home and abroad, further strengthen the guiding role of the “prudent and innovative” risk appetite, keep on improving the overall risk management framework and its effectiveness, and continue to enhance implementation and utilization of advanced approaches for capital management and utilization of its contributions. The Bank will emphasize risk resolution in high-risky industries and high risk clients, and take a number of measures to facilitate NPLs collection. In addition, the Bank will actively deal with the interest rate market reform and the drastic fluctuations of exchange rate, attend to risk management and control of bonds investment and trading and the wealth management business. At the same time, the Bank will strengthen internal control and compliance management, step up the prevention and control of internal and external cases. With all the above efforts, the Bank expects to provide adamant support for its reform and business development by strengthening its capital position and ability to manage risk, helping it to forge ahead on the road to becoming a top-notch modern commercial bank in the international arena.