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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)

Announcement on the Completion of the Non-public Issuance of Preference Shares (the Second Tranche)

Reference is made to the announcement (the “**Announcement**”) entitled Proposed Issuance of Preference Shares published by Agricultural Bank of China Limited (the “**Bank**”) on 8 May 2014. Unless otherwise specified, the terms defined in the Announcement shall have the same meaning in this announcement.

The Board of the Bank is pleased to announce that, as at the date of this announcement, the Bank has received the proceeds of the Issuance of Preference Shares (the Second Tranche) amounting to RMB40,000,000,000 (including the offering expenses totaling RMB45,344,000). The relevant fund verification entity has issued fund verification reports in respect of such proceeds.

I. Subscribers of the Issuance

The subscribers of the Issuance of Preference Shares (the Second Tranche) are 27 qualified investors in compliance with the requirements of the *Experimental Administrative Measures on Preference Shares* and other laws and regulations. The range of all the subscribers’ subscription amounts is between RMB200,000,000 and RMB5,000,000,000. The Issuance (the Second Tranche) does not arrange for preferential offerings to existing shareholders.

II. The Type and Key Terms of the Issuance of Preference Shares (the Second Tranche)

1	Nominal Value	RMB100
2	Issuance Price	Issued at nominal value
3	Number of Securities	The type of securities under the Issuance is preference shares issued in the PRC that are in compliance with CBRC rules regarding the eligibility criteria of Additional Tier-1 capital instruments. The total number of the preference shares under the Issuance shall not exceed 800 million shares, with a total proceeds not exceeding RMB80 billion. The Bank completed the issuance of the first tranche of preference shares in November 2014. The total number of preference shares issued was 400 million shares and the amount of proceeds raised was RMB40 billion. The Issuance is the second tranche and the number of the preference shares proposed to be issued shall not exceed 400 million shares, with a total proceeds not exceeding RMB40 billion.
4	Offering Size	The Issuance was approved by the CBRC and the CSRC under their respective approvals entitled <i>Approval in relation to the Issuance of Preference Shares and the Amendments of Articles of Association by Agricultural Bank of China (Yinjian Approval No. [2014] 561)</i> and <i>Approval Regarding the Non-public Issuance of Preference Shares of Agricultural Bank of China Limited (Zhengjian Approval No. [2014] 991)</i>. According to such approvals, the preference shares under the non-public Issuance shall not exceed 800 million shares, with a total proceeds not exceeding RMB80 billion. The Bank completed the issuance of the first tranche of preference shares in November 2014. The total number of preference shares issued was 400 million and the amount of proceeds raised was RMB40 billion. The Issuance is the second tranche and the number of the preference shares proposed to be issued shall not exceed 400 million shares, with a total proceeds not exceeding RMB40 billion.
5	Method of the Issuance	The Issuance of Preference Shares shall be entirely conducted through private placements in the PRC.
6	Dividend Accumulation	No

7	Participation in Distribution of Remaining Profit	No
8	Dividend Adjustment	Yes
9	Method of Dividend Payments	Dividends on the preference shares shall be paid in cash and annually. The dividends shall start to accrue on the last day for receiving investors' subscription payments, i.e. 11 March 2015. The dividend distribution date shall be 11 March of each year. If any dividend distribution date falls on a statutory holiday of the PRC, it shall be postponed to the next trading day and the interest of the payable dividends shall not be accrued during such postponement period. In the event that any dividends on the preference shares need to be calculated and distributed depending on the circumstances prior to the agreed dividend distribution date, such dividend shall be calculated based on the actual holding period of the preference shares, starting from the preceding dividend distribution date on a 360 days per year basis.
10	The Coupon Rate and Determination Principles	The coupon rate adjustment interval of the preference shares under the Issuance is 5 years, namely, 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 period. The coupon rate of the initial dividend period was determined at 5.50% per annum by a book-building procedure. The coupon rate of the preference shares shall not exceed the mean of the weighted average return on net assets of the Bank for the most recent two financial years.¹ The coupon rate shall consist of two parts: a base rate and a fixed premium. The base rate of the first dividend period is 3.26% (rounded to 0.01%) which is the arithmetic average yield of PRC Treasury bonds with a maturity of 5 years as contained in the yield curves of the inter-bank fixed- rate Treasury bonds published by www.chinabond.com.cn (or any other websites recognized by China Government Securities Depository Trust & Clearing Co., Ltd.) during the 20 trading days immediately preceding to the first date of the Issuance (i.e. 6 March 2015, but excluding this date); and the fixed premium (2.24%) is the difference between the coupon rate set at the time of Issuance (5.50%) and the base rate at the time of Issuance (3.26%). Once the fixed premium is determined, it shall no longer be adjusted.

¹ Calculated in accordance with the *Guidelines on the Compilation of Information Disclosure Documents by Companies that Offer Securities to the Public No. 9 — Calculation and Disclosure of Return on Equity and Earnings Per Share* (amended in 2010).

		The new coupon rates applicable in the subsequent dividend periods shall be the sum of the prevailing base rate and the fixed premium. The prevailing base rate shall be the arithmetic average yield (rounded to 0.01%) of PRC Treasury bonds with a maturity of 5 years as contained in the yield curves of the inter-bank fixed-rate Treasury bonds to be published by www.chinabond.com.cn (or any other websites recognized by China Government Securities Depository Trust & Clearing Co., Ltd.) during the 20 trading days immediately preceding to the re-pricing date (which is each fifth anniversary of the first date of the Issuance and which is on 6 March, but excluding such re-pricing date). If the yield of PRC Treasury bonds with a maturity of 5 years becomes unavailable on any re-pricing date in future, the Issuer and the investors will agree on a base rate or its determination principles at the request of relevant authorities.
11	Conditions of Dividend Distribution	1) In order to satisfy the regulatory requirements regarding the eligibility criteria of Additional Tier-1 capital instruments, the Bank has the right to cancel the distribution of part or all of the dividends on preference shares, and such cancellation shall not constitute a breach of the agreement by the Bank. The Bank will make its best effort to protect the interests of holders of preference shares when resolving matters of dividend distribution. 2) Decisions on the declaration and payment of all of the dividends on preference shares shall be made by the Board of the Bank in accordance with the authorization of the shareholders' general meeting. If the distribution of part or all of the dividends on preference shares is cancelled, the cancellation shall be approved by the shareholders' general meeting. If the Bank resolves to cancel the distribution of part or all of the dividends on preference shares, the Bank shall inform the holders of preference shares at least 10 business days prior to dividend distribution date in accordance with the provisions of relevant authorities. 3) The distribution of dividends shall be neither linked to the Bank's rating, nor be adjusted pursuant to any change thereof. 4) Unless the Bank resolves to distribute all of the dividends on preference shares for the current dividend period, the Bank shall not distribute any profit to its ordinary shareholders over the same period.

12	Conversion Arrangement	When the trigger conditions for mandatory conversion are met, the remaining existing preference shares under the Issuance, subject to regulatory approvals, will be wholly or partially converted into A Share ordinary shares. 1. Trigger conditions for mandatory conversion 1) If the Common Equity Tier-1 (“CET 1”) capital adequacy ratio of the Bank decreases to 5.125% (or below), preference shares under the Issuance shall be wholly or partially converted into A Share ordinary shares in order to restore the Bank’s CET 1 capital adequacy ratio to above 5.125%. In the case of partial conversion, all preference shares under the Issuance shall be converted on a pro rata basis on the same terms and conditions. 2) All preference shares under the Issuance shall be converted into A Share ordinary shares upon the earlier occurrence of either of the following two situations: (i) the CBRC is of the view that the Bank can no longer sustain itself if the preference shares are not converted; (ii) relevant authorities are of the view that the Bank can no longer sustain itself without capital injections from the public sector or any support to the same effect. When the preference shares under the Issuance are to be mandatorily converted into ordinary shares, the Bank shall report the matter of conversion to the CBRC for vetting and approval, and perform its obligations of information disclosure pursuant to the Securities Law of The People’s Republic of China and relevant provisions of the CSRC, such as provisional reports, announcements, among others. 2. Conversion amount and determination principles The number of ordinary shares converted from preference shares shall be calculated based on the following formula: $Q=V/P.$ Among which: “V” is the aggregate nominal value of the preference shares to be converted; “P” is the conversion price.
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		Following a calculation based on the above formula, any remaining preference shares held by a holder of preference shares that can only be converted into less than one full ordinary share shall be handled by the Bank in accordance with the requirements of relevant authorities. 3. Conversion price and adjustment mechanisms The initial conversion price of the preference shares under the Issuance shall be the average trading price of the A Share ordinary shares 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, among others), 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: $P1 = P0 \times (N + Q \times (A/M)) / (N + Q)$; 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.
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		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. 4. Attribution of dividends on ordinary shares in the year of mandatory conversion Any additional A Share ordinary shares of the Bank resulting from the mandatory conversion of the preference shares under the Issuance shall rank <i>pari passu</i> with the Bank's existing A Share ordinary shares. All ordinary shareholders registered on the share register of the Bank on the dividend record date (including any holders of A Share ordinary shares converted from the preference shares under the Issuance) shall be entitled to dividend distributions on ordinary shares in the then-current period and shall equally enjoy all the interests of ordinary shareholders.
13	Redemption Arrangement	The Issuance of preference shares provides for optional redemption by the Issuer but does not provide for an investor's right to put back their preference shares. Holders of preference shares do not have the right to call for the Bank's redemption of their preference shares. The Bank is entitled to exercise its redemption right in the following circumstances with prior approval from the CBRC: 1) Replacing the redeemed preference shares with capital instruments of equal or higher quality while maintaining the Bank's sustainable earnings; or 2) Ensuring a capital level significantly higher than the regulatory capital requirements stipulated by the CBRC following the redemption. Following the fifth anniversary of the issuance date (6 March 2015), the Bank is entitled to redeem all or part of the preference shares under the Issuance on every dividend distribution date, with such redemption right remaining exercisable until all the preference shares have been converted or redeemed in full. The detailed arrangements for the redemption right shall be finalized by the Board of the Bank in accordance with the authorization of the shareholders' general meeting.

		Preference shares shall be redeemed in cash. The redemption price shall be the nominal value plus any declared but unpaid dividends for the then-current dividend period.
14	Rating Arrangement	Based on comprehensive analysis and valuation of the Bank's operation status and in accordance with applicable regulations, China Chengxin International Credit Rating Co. Ltd. issued the Credit Rating Report of the Preference Shares of Agricultural Bank of China Limited for Non- public Issuance in 2015 on 28 January 2015. According to the rating report, the Bank's issuer credit rating is AAA, the Bank's outlook rating is "stable", and the Preference Shares are rated as AA+. During the existence of the preference shares under the Issuance, China Chengxin International Credit Rating Co. Ltd. will continue to conduct regular and ad hoc follow-up ratings of the Bank and the preference shares.
15	Guarantee Arrangement	There is no guarantee arrangement in relation to the Issuance.
16	Transfer Arrangement	No lock-up period is attached to the preference shares under the Issuance. The preference shares will not be listed for trading after the Issuance, and will be traded on the designated trading platform of the Shanghai Stock Exchange.
17	Arrangement on Restoration of Voting Rights	For the duration of the preference shares under the Issuance, when the Bank fails to pay dividends on preference shares for a total of three financial years or for two consecutive financial years, holders of preference shares shall have the right to attend the shareholders' general meetings and jointly vote with ordinary shareholders starting from the day following the date on which the shareholders' general meeting resolves to not distribute dividends on preference shares as agreed in the profit distribution plan for that year. The number of voting rights to be restored from preference shares shall be calculated using the following formula: $Q=V/P$. The number of voting rights shall be rounded down to the nearest integer. Among which, "V" is the total nominal value of preference shares from which the voting rights shall be restored; "P" is the average trading price of the A Share ordinary shares of the Bank for the 20 trading days preceding the date of the Board resolution on the Issuance Plan (i.e. RMB2.43 per share). The voting rights shall be restored until the date on which all dividends for preference shares of that year are distributed.

18	Use of Proceeds	The total amount of the proceeds shall not be more than RMB80 billion, among which the amount of proceeds in 2015 shall not be more than RMB40 billion. The proceeds will be used to replenish the Additional Tier-1 capital of the Bank in accordance with applicable laws and regulations and with the approval of the regulatory authorities including the CBRC and the CSRC.
19	Explanations on Other Special Terms	None

III. Compliance of the Process of the Issuance and the Subscribers

The Issuer's legal counsel King & Wood Mallesons (Beijing) for the Issuance is of the view that: the Issuance has obtained the necessary internal approvals from the Issuer and has obtained the approvals from the CBRC and the CSRC. The Issuer can conduct the Issuance of Preference Shares (the Second Tranche) in accordance with the relevant approvals of the CBRC and CSRC, the legal documents (including the Subscription Invitations and the Application and Quotation Sheets) produced and signed in respect of the Issuance of Preference Shares (the Second Tranche) are legal and valid; the process of the Issuance of Preference Shares (the Second Tranche) is fair and equal in accordance with the *Implementation Measures of Non-public Issuance of Shares by Listed Companies*; the offering results (including the subscribers, the coupon rate, the number of preference shares, the allotment results for all subscribers) determined by the issuance process mentioned above are fair, equal and in compliance with the CSRC's *Experimental Administrative Measures on Preference Shares* and other relevant laws and regulations; The application for the trading of the preference shares issued under the Issuance of Preference Shares (the Second Tranche) on the Shanghai Stock Exchange is subject to the approval of the Shanghai Stock Exchange.

IV. The Board's Undertakings Relating to the Compensation to Shareholders

As the holders of preference shares are entitled to receive their profit distribution of the Bank prior to the ordinary shareholders at the agreed coupon rate, without taking into account any financial return that may be generated from the use of proceeds, the Issuance will reduce the net profit attributable to ordinary shareholders, which will result in decreases of RMB0.01 in earnings per share attributable to the ordinary shareholders of the Bank and 0.54 percentage points in returns on equity, respectively².

In light of the above, the Bank plans to use the proceeds from the Issuance rationally by strengthening capital constraints, optimizing resource allocation, improving development advantages, and maintaining the risk limitation, and through the following measures to enhance the Bank's sustainable development capabilities as well as enhance shareholders' value in

² Based on the financial data for the 12 months ended on 31 December, 2013, assuming the Issuance of Preference Share was completed on 1 January 2013 with an Issuance size of RMB80 billion and a coupon rate of 6%.

the mid-to long-term to compensate for the short-term negative impacts on instant returns to shareholders:

1. Strengthen capital constraints and promote business development mode to change towards a capital-saving one. The Bank will adhere to the basic principles of established capital management and capital adequacy ratio management objectives, strengthen capital constraints and returns management and establish and improve long-term capital management mechanisms.
2. Optimize the allocation of resources and improve capital efficiency. The Bank will conscientiously implement the requirements of the national industrial structural adjustment and rationally allocate credit resources. The Bank will manage the diversity and yield of the investment portfolio while ensuring adequate liquidity.
3. Enhance the competitive advantage of the Bank's County Area Banking Business, tap into the new financial needs arising from rural reforms and urbanization, innovate the financial services model and continuously improve the service synergies between urban and rural areas.
4. Maintain the risk limitation and strengthen risk management. The Bank will continue to strengthen comprehensive risk management system construction from culture, structure, systems and tools perspectives and enhance risk prevention and control of key areas.

Based on the above measures, the Bank undertakes that, in the absence of major incidents resulting in substantial material impact on the Bank's operations, earnings per share attributable to ordinary shareholders of the Bank in 2014 (i.e. the year of the Issuance of Preference Shares) will be able to return to the level above those in 2013, which is RMB0.51. Currently, the remunerations of the Chairman of the Board, President, Chairman of the Board of Supervisors, the executive directors and other senior managers are approved by the relevant authorities in accordance with the Bank's results of operations. In the event that the results of operations decline, the remunerations of the Chairman, President, Chairman of the Board of Supervisors, the executive directors and other senior managers of the Bank will be significantly affected.

By Order of the Board
Agricultural Bank of China Limited
ZHU Gaoming
Company Secretary

Beijing, the PRC
18 March 2015

As at the date of this announcement, our executive directors are Mr. LIU Shiyu, Mr. ZHANG Yun 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. Anthony WU Ting-yuk, Mr. QIU Dong, Mr. Frederick MA Si-hang, Mr. WEN Tiejun, Mr. Francis YUEN Tin-fan and Ms. Xiao Xing.