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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)

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 2013 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
LI Zhenjiang
Company Secretary

Beijing, PRC
25 March 2014

As at the date of this announcement, our executive directors are Mr. JIANG Chaoliang, Mr. ZHANG Yun, Mr. GUO Haoda and Mr. LOU Wenlong; our non-executive directors are Mr. SHEN Bingxi, Mr. LIN Damao, Mr. CHENG Fengchao, Mr. LI Yelin, Mr. XIAO Shusheng and Mr. ZHAO Chao; and our independent non-executive directors are Mr. Anthony WU Ting-yuk, Mr. QIU Dong, Mr. Frederick MA Si-hang, Mr. WEN Tiejun and Mr. Francis YUEN Tin-fan.

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2013 CAPITAL ADEQUACY RATIO REPORT

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1 Overview

1.1 Profile

The predecessor of Agricultural Bank of China 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. The Bank was listed on the Shanghai Stock Exchange and the Hong Kong Stock Exchange, respectively in July 2010, which marked the completion of our transformation into a public shareholding commercial bank.

Being one of the major integrated financial service providers in China, the Bank is committed to catering to the needs of “Sannong” and capitalizing on the synergy between the Urban Areas and the County Areas. The Bank strives to expand into the international market and provides diversified services so as to become a first-class modern commercial bank. 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 for our own accounts or on behalf of customers. Our business scope includes, among other, things investment banking, fund management, financial leasing and life insurance. At the end of 2013, the Bank had total assets of RMB14,562,102 million, deposits of RMB11,811,411 million and loans of RMB7,224,713 million. Our capital adequacy ratio and nonperforming loan ratio were 11.86% and 1.22%, respectively. The Bank achieved a net profit of RMB166,211 million in 2013.

The Bank had 23,547 domestic branch outlets, 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), 351 tier-2 branches (including business departments of branches in provinces), 3,506 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), and 19,648 other establishments. Our overseas branch outlets consisted of seven overseas branches and three overseas representative offices. Our major subsidiaries consisted of nine domestic subsidiaries and three overseas subsidiaries.

In 2013, the Bank ranked No. 64 in *Fortune*’s Global 500, and ranked No. 10 in The *Banker*’s “Top 1000 World Banks” list in terms of Tier 1 capital for the year of 2012. In 2013, the Bank’s issuer credit ratings were assigned A/A-1 by Standard & Poor’s; the bank 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. The Bank's outlook ratings assigned by the above credit rating agencies were "stable".

1.2 Capital Adequacy Ratio

The Bank currently adopts the weighting approach for credit risk-weighted assets, the standardized measurement approach for market risk-weighted assets and the basic indicator approach for operational risk-weighted assets. The table below sets out the measurement of consolidated and unconsolidated capital adequacy ratios, net capital and risk-weighted assets pursuant to the *Capital Rules for Commercial Banks (Provisional)* (Decree of China Banking Regulatory Commission [2012] No.1) issued by the China Banking Regulatory Commission (hereinafter referred to as the "CBRC"). Unless otherwise specified, such information as regulatory capital, risk exposure, capital requirement and risk-weighted assets contained herein were made by regulatory consolidation.

In millions of RMB, except for percentages

Table 1.2A: Capital Adequacy Ratio		
Item	The Group	The Bank
Core Tier 1 capital	838,473	831,648
Tier 1 capital	838,474	831,648
Total capital	1,074,967	1,067,420
Risk-weighted assets	9,065,631	9,004,578
Credit risk-weighted assets	8,220,434	8,162,538
Market risk-weighted assets	57,123	56,806
Operational risk-weighted assets	788,074	785,234
Core Tier 1 capital adequacy ratio	9.25%	9.24%
Tier 1 capital adequacy ratio	9.25%	9.24%
Capital adequacy ratio	11.86%	11.85%

The table below sets out the consolidated and unconsolidated capital adequacy ratios during the phase-in period, calculated in accordance with the *Rules for the Management of Capital Adequacy Ratio of Commercial Banks* (Decree of China Banking Regulatory Commission [2007] No.11) issued by the CBRC.

Table 1.2B: Capital Adequacy Ratio

Item	The Group	The Bank
Core capital adequacy ratio	9.81%	9.82%
Capital adequacy ratio	12.57%	12.55%

1.3 Disclosure Statement

Since 2013, the Bank has been disclosing the information about our capital adequacy ratio through public channels in accordance with the requirements of the *Capital Rules for Commercial Banks (Provisional)*. With a view to regulating the disclosure of information about the capital adequacy ratio, 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. Our information disclosure of capital adequacy ratio can be classified into provisional disclosure and regular disclosure. Where changes arise from the ordinary 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 quarterly and interim reports of the Bank, while the annual disclosure is presented as a separate report published in the Bank's website (<http://www.abchina.com/cn/>) under the heading of Investor Relations.

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* (Yin Jian Fa [2013] No.33) issued by the CBRC. On 25 March 2013, the Board of Directors of the Bank considered and approved this report in the second meeting of 2014. On 25 March 2013, the Board of Supervisors of the Bank reviewed and approved this report in the second meeting of 2014.

It should be noted that this report is prepared in accordance with the regulatory requirements of the CBRC, while the annual report is prepared in accordance with the PRC accounting standards and the International Financial Reporting Standards. As such, certain information in this report on capital adequacy ratio is not directly comparable to the financial information contained in the annual report of listed company.

2 Risk Management System

2.1 Firm-wide Risk Management Framework

The firm-wide risk management, through the integration of elements of risk management including risk appetite, policies, organizations, tools and models, data systems and risk culture, refers to the timely identification, measurement, monitoring and control of existing or potential major risks in all aspects of business operation, processes and staff, so as to ensure the effectiveness in decision making, implementation and supervision of risk management.

The Bank actively pushed forward the construction of a firm-wide risk management framework on the principles for the governance of modern commercial banks. In 2009, the Board considered and approved the *Outline of Firm-wide Risk Management Framework of Agricultural Bank of China*, which set forth the major targets and tasks of firm-wide risk management framework for the following three years. As of the end of 2012, the Bank had completed the major tasks and achieved the targets set out in this outline. The framework had been basically set up and operated effectively. In 2013, the enhancement of risk management was listed as one of the goals of the Bank's plan regarding "three major managements and three major reformations" by the Board of Directors and Senior Management. "Comprehensive risk management" was emphasized by covering various major risks of domestic and foreign areas, parent companies and subsidiaries, as well as on- and off-balance sheets under the scope of risk management system, so as to realize full coverage of risk management areas, refine the whole-process risk management mechanism, optimize the organizational structure of risk management continuously, deepen the application of advanced approach for capital management, enhance risk prevention in major industries and fields, and improve the risk evaluation mechanism with respect to products and business. In 2013, the Board of Directors of the Bank considered and approved the *Risk Management Plan for 2013-2015 of Agricultural Bank of China*, which set forth the overall arrangement for the next three years in respect of further improving risk management system and enhancing management of credit risk, market risk, operational risk and other major risks. The Plan also established the general direction, target tasks, main focuses and implementation measures of risk management.

2.2 Risk Appetite

Risk appetite is a term that refers to the types and levels of risks that the Bank is willing to accept as determined by the Board of Directors according to the expectations and constraints of our major stakeholders, external operating environment and the conditions of the Bank, in order to achieve strategic targets and effective risk management.

The Bank fully enables a sound and innovative risk appetite to guide the risk management work based on its comprehensive, balanced and effective risk management strategy. "Sound" means

the Bank's operations are in line with its risk management capability and the risk it assumes is compatible with its total capital and commensurate with its revenue. "Innovative" means the Bank continues to optimize its risk governance mechanism, policies, organizations and tools, and provides sufficient guaranty for business development and product innovation through the enhancement of its risk management capability.

In 2011, upon the consideration and approval by the Board of Directors, the Bank duly published the *Risk Appetite Statement* and the *Administrative Measures for Risk Appetite*. The *Risk Appetite Statement* describes the types and levels of risks which the Bank is willing to accept during the course of operations, interprets our risk appetite with qualitative and quantitative methods, establishes the bottom-line of risk management and stipulates the basic principles for formulating risk management policies of the Bank. The *Administrative Measures for Risk Appetite* mainly addresses the implementation of risk appetite in the management of all business operations of the Bank, and establishes the general principles for its formulation and adjustment, management duties and implementation of risk appetite. In 2013, the Bank further demonstrated the guidance function of the sound and innovative risk appetite, continued to improve its internal mechanism for balancing capital, risks and revenue, as well as optimized the balance sheet structure by adopting return on economic capital as a core indicator. The Bank also refined the risk management in relation to the organizational structure, policies, tools and models, IT systems and data, with a view to deepening the application of advanced approach for capital management, further strengthening the risk management and control ability of branch outlets, and enhancing the support and guard provided by risk management in respect of the Bank's transformation of operations, product innovation and increase in return on capital.

2.3 Structure and Organization of Risk Management

With the ultimate responsibility for risk management, the Board of Directors is responsible for reviewing key risk management issues and supervising the operation of risk management system and the risk profile of the Bank. The Risk Management Committee under the Board of Directors performs the risk management functions under the authorization of the Board of Directors. The Board of Supervisors takes charge of supervising the performance of duties of the Board of Directors and Senior Management in respect of risk management.

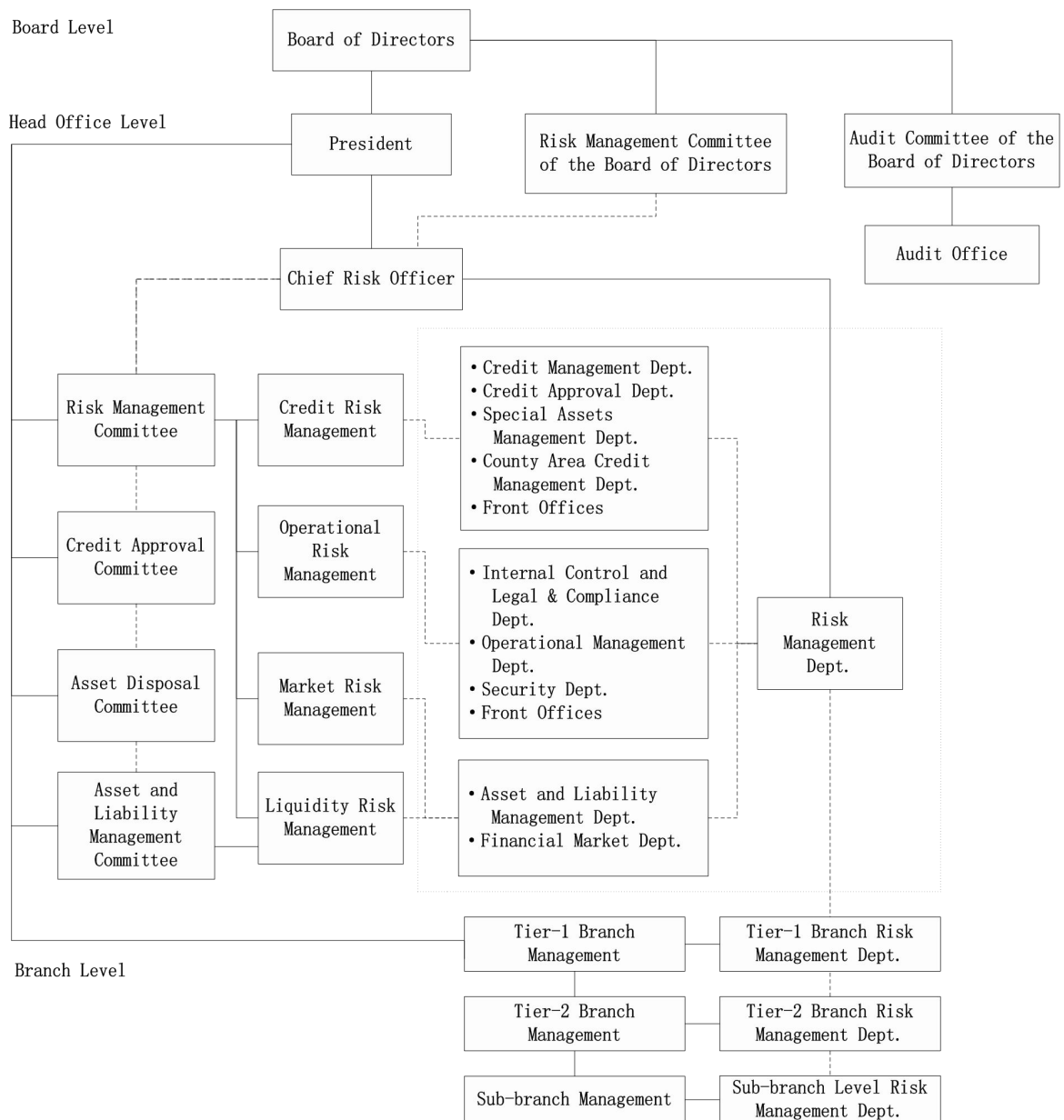
The Senior Management is the organizer and executor of risk management of the Bank. Under the Senior Management, the Bank has various risk management committees, including the Risk Management Committee, Credit Approval Committee, Asset and Liability Management Committee and Asset Disposal Committee, which perform relevant duties under the authorization of the Senior Management. The Risk Management Committee is mainly responsible for reviewing key risk management issues, formulating risk management policies and tools, analyzing and evaluating the overall risk profile, coordinating and directing the risk management of all departments and branches. There are three specialized sub-committees under

the Risk Management Committee, namely the credit risk management committee, market risk management committee and operational risk management committee. The senior management of branches is responsible for the risk management within the respective jurisdictions and assumes the responsibility for risk management, under which a risk management committee is set up to perform relevant functions.

The Bank continues to optimize the organizational structure of its risk management and has built Three Lines of Defense in risk management, formed by the front offices, the risk management departments and internal audit departments in the Bank and its subsidiaries pursuant to the “all-encompassing” principle. In 2013, the Bank developed the *Implementation Plan for Setting Up Risk Management Departments in Tier 1 Sub-branches*, in order to integrate the risk compliance managers and relevant departments and positions of risk management in tier 1 sub-branches for the purpose of centralizing risk management functions. In 2013, the Bank organized and developed a qualification examination for the risk managers and actively carried out risk management training, which further enhanced the capability and performance of risk management managers of the Bank.

Our major subsidiaries have set up boards of directors to assume the organization’s ultimate responsibility for risk management. The senior management is responsible for organizing the daily operations regarding risk management in the organization. The Risk Management Department of the Bank is responsible for the implementation of consolidated risk management for subsidiaries, and the relevant functional departments perform their management duties over subsidiaries accordingly.

Risk Management Organizational Chart



2.4 Risk Management Policies

The Bank established a clear, scientifically applicable and comprehensive system framework with respect to risk policies, which includes basic policies on risk management consisting of risk appetite and risk planning, and general and specialized measures regarding risk management system, instructions and procedures for daily operations related to risk management. The basic policies on risk management establish the general requirements and fundamental principles for comprehensive risk management and serve as the basis of business operations and risk management activities of the Bank. General and specialized measures regarding risk management system cover the main types of risks the Bank is exposed to, namely credit risk,

market risk, operational risk, liquidity risk and reputation risk. The Bank continues to refine the administrative measures for various business operations and implement risk management, internal control and compliance requirements in 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, risk identification, measurement, monitoring, control, and reporting are conducted effectively.

In 2013, the Bank formulated and amended some risk management policies, which mainly include the *Risk Management Plan for 2013-2015*, *Risk Appraisal Measures*, *Working Rules of Risk Management Committee*, *Administrative Measures for Granting Credit to Corporate Customers*, *Administrative Measures for Credit Operations of Small and Micro Enterprises*, *Administrative Measures for Risk Assessment of Sannong Credit Products*, *Operational Rules for Default Identification*, *Administrative Measures for Stress Testing*, *Measures for Report on Market Risk*, *Measures for Categorization of Risks in Wealth Management Business*, *Measures for Country-specific Risk Management*, *Measures for Risk Management of Wealth Management Business regarding Fixed Income Portfolios*, and *Administrative Measures on Supervision*.

2.5 Risk Management Tools and Systems

The Bank actively pushed forward the implementation of advanced approach for capital management. In respect of credit risk, the Bank implemented the foreign and domestic non-retail internal rating-based (IRB) system in 2007 and 2009 respectively, and implemented the retail IRB system 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. 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. The system operated smoothly and accumulated sufficient data related to value-at-risk models and back-testing results. For operational risk, the Bank completed the development of the advanced measurement approach at the end of 2012 and conducted trial operation of the approach in the economic capital area. The Bank formulated the measures for monitoring, reporting, evaluating and measuring operational risk and business continuity management. It also established standard operational risk management procedures. Tools such as operational risk and control self-assessment (RCSA), key risk indicators, loss database were promoted and applied within the Bank. Meanwhile, the Bank also established an operational risk management information system that is comparatively advanced in the industry.

The Bank is ready for the implementation of advanced approach for capital management. In February 2013, upon the review and approval of the Board of Directors, the Bank applied to the CBRC for the implementation of the non-retail foundation IRB approach for credit risk, retail IRB approach for credit risk and standard approach for operational risk at the Bank and the Group level. At the end of 2013, the Bank applied to the CBRC for carrying out evaluation of the preparatory work regarding the implementation of IMA for market risk at the Bank and the Group level.

The Bank actively promoted the implementation achievements of the advanced approach for capital management, and established an operation and transmission mechanism of risk management that is able to balance capital, risks and revenue by using various risk management tools, such as economic capital, risk limits, customer rating, risk categorization, impairment provision, stress test and risk appraisal. As such, the capability of risk identification, measurement, monitoring, control and reporting has fully enhanced. The scope of economic capital measurement of the Bank includes credit risk, market risk and operational risk, which fully covers the risk exposures of on- and off-balance sheet assets and domestic and foreign branches. The Bank continued to refine the management system of credit risk, market risk and operational risk limits and expand the coverage of industry-specific credit risk limits. It established a multi-level market risk limits which consists of exposure limits, VaR limits, sensitivity limits, stop-loss limits and stress testing limits. The Bank included key operational risk indicators in economic capital measurement, implemented limit control, and provided guidance for branches to enhance operational risk management proactively. Through accurate rating, strict categorization and adequate provision, the Bank established and improved the risk appraisal system, developed risk management incentive and restrictive mechanisms, and facilitated the continuous optimization and adjustment of business structure. The Bank established risk data warehouses regarding credit risk, market risk and operational risk, and set up risk management information systems related to the core business management information systems of the Bank. It also launched various IT information systems for customer rating, risk-weighted asset calculation engine, risk categorization and operational risk management. The risk management tools, data warehouses and information systems established and used by the Bank have laid a solid foundation for the refinement and scientization of risk management and provided effective support to decision making in relation to business operation and management.

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 2013, the Bank had 12 major subsidiaries. Pursuant to *Capital Rules for Commercial Banks (Provisional)*, capital deduction is adopted for investments in ABC Life Insurance Co., Ltd., while the remaining 11 subsidiaries are included in the scope of regulatory consolidation. According to the balance of equity investment, the basic information of invested entities included in the scope of regulatory consolidation is shown in the following table.

Table 3.1A: Basic information of the invested entities within the scope of regulatory consolidation

No.	Name of invested entity	Date of incorporation / establishment	Place of incorporation / establishment	Authorized / paid-in capital	Proportion of voting rights (%)	Principal activities
1	ABC International Holdings Limited	2009	Hong Kong, PRC	HKD 2,913,392,449	100	Investment
2	ABC Financial Leasing Co., Ltd.	2010	Shanghai, PRC	RMB 2,000,000,000	100	Financial leasing
3	China Agricultural Finance Co., Ltd.	1988	Hong Kong, PRC	HKD 588,790,000	100	Investment
4	Agricultural Bank of China (UK) Limited	2011	London, UK	USD 100,000,000	100	Banking
5	ABC Zhejiang Yongkang Rural Bank Limited Liability	2012	Zhejiang, PRC	RMB 210,000,000	51	Banking

	Company					
6	ABC-CA Fund Management Co., Ltd.	2008	Shanghai, PRC	RMB 200,000,001	51.67	Fund management
7	ABC Xiamen Tong'an Rural Bank Limited Liability Company	2012	Fujian, PRC	RMB 100,000,000	51	Banking
8	ABC Jixi Rural Bank Limited Liability Company	2010	Anhui, PRC	RMB 29,400,000	51.02	Banking
9	ABC Ansai Rural Bank Limited Liability Company	2010	Shaanxi, PRC	RMB 20,000,000	51	Banking
10	ABC Hubei Hanchuan Rural Bank Limited Liability Company	2008	Hubei, PRC	RMB 20,000,000	50	Banking
11	ABC Hexigten Rural Bank Limited Liability Company	2008	Inner Mongolia, PRC	RMB 19,600,000	51.02	Banking

Table 3.1B: Basic information about the invested entity subjected to deduction treatment

No.	Name of invested entity	Date of incorporation / establishment	Place of incorporation / establishment	Authorized / paid-in capital	Proportion of voting rights(%)	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 Accounting Consolidation

The Bank prepared the balance sheet of the Group in accordance with regulatory consolidation standards pursuant to 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*. The contrast between the items of regulatory consolidation and accounting consolidation 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 under regulatory consolidation	Code
Assets			
Cash and balances at central banks	2,603,802	2,603,755	A01
Deposits with banks and other financial institutions	397,678	392,027	A02
Placements with banks and other financial institutions	308,655	308,655	A03
Financial assets designated at fair value	322,882	322,515	A04
Derivative financial instruments	8,186	8,186	A05
Financial assets held under resale agreements	737,052	737,017	A06
Interest receivables	75,022	74,647	A07

Loans and advances to customers	6,902,522	6,902,336	A08
Available-for-sale financial assets	781,311	777,259	A09
Hold-to-maturity investments	1,523,815	1,517,998	A10
Debt securities classified as receivables	592,090	585,959	A11
Investments in associates and joint ventures	1	2,853	A12
Fixed assets	150,859	150,484	A13
Land use rights	23,857	23,838	A14
Deferred tax assets	74,075	74,065	A15
Goodwill	1,381	-	A16
Intangible assets	2,627	2,433	A17
Other assets	56,287	46,982	A18
Total assets	14,562,102	14,531,009	A00
Liabilities			
Borrowings from central bank	104	104	L01
Deposits from banks and other financial institutions	729,354	731,640	L02
Placements from banks and other financial institutions	174,363	174,363	L03
Financial liabilities designated at fair value	306,259	306,259	L04
Financial assets sold under repurchase agreements	26,787	25,029	L05
Due to customers	11,811,411	11,811,503	L06
Derivative financial liabilities	7,635	7,635	L07
Bond payables and certificate of deposit issued	266,261	266,261	L08
Employee salary payables	45,573	45,366	L09
Taxes payables	51,755	51,743	L10
Interest payables	163,328	163,353	L11
Deferred tax liabilities	8	8	L12

Provisions	4,723	4,723	L13
Other liabilities	130,004	99,260	L14
Total liabilities	13,717,565	13,687,247	L00
Owner's equity			
Paid-in capital	324,794	324,794	E01
Capital reserve	76,001	76,025	E02
Surplus reserve	60,632	60,630	E03
General risk reserve	139,204	139,204	E04
Undistributed profits	243,482	243,662	E05
Foreign currency translation reserve	(1,005)	(1,005)	E06
Minority interests	1,429	452	E07
Total owner's equity	844,537	843,762	E00

3.5 Composition of Capital

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

In millions of RMB

Table 3.5: Composition of capital

Core Tier 1 capital		Balance at the end of the reporting period	Code
1	Paid-in capital	324,794	E01
2	Retained earnings	443,496	
2a	Surplus reserve	60,630	E03
2b	General reserve	139,204	E04
2c	Undistributed profits	243,662	E05
3	Accumulated other comprehensive income and disclosed reserve	75,020	
3a	Capital reserve	76,025	E02
3b	Others	(1,005)	E06
4	Directly issued capital subject to phase out from Core Tier 1	-	

	capital (only applicable to non-joint stock companies)		
5	Common share capital issued by subsidiaries and held by third parties	188	
6	Core Tier 1 capital before regulatory adjustments	843,498	
Core Tier 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)	2,433	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	-	
12	Shortfall of provisions to expected losses on loans	-	
13	Securitization gain on sale (as set out in paragraph 562 of Basel II framework)	-	
14	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	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	
19	Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold) institutions	-	
20	Mortgage servicing rights	N/A	
21	Deferred tax assets arising from temporary differences		

	(amount above 10% threshold, net of related tax liability)		
22	Amount exceeding the 15% threshold		
23	of which: significant investments in the common stock of financials		
24	of which: mortgage servicing rights	N/A	
25	of which: deferred tax assets arising from temporary differences		
26a	Investment in Core Tier 1 capital of financial institutions outside the scope of regulatory consolidation but in which the Bank has the control	2,592	
26b	Shortfall of Core Tier 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 Core Tier 1 capital	-	
27	Regulatory adjustments applied to Core Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions	-	
28	Total regulatory adjustments to Core Tier 1 capital	5,025	
29	Core Tier 1 capital	838,473	
Additional Tier 1 capital			
30	Directly issued qualifying Additional Tier 1 instruments plus related stock surplus	-	
31	of which: classified as equity	-	
32	of which: classified as liabilities	-	
33	Directly issued capital instruments subjects to phase out from Additional Tier 1	-	
34	Additional Tier 1 instruments issued by subsidiaries and held by third parties (amount allowed in group AT1)	1	
35	of which: instruments issued by subsidiaries subject to phase out	(4)	
36	Additional Tier 1 capital before regulatory adjustments	1	
Additional Tier 1 capital: regulatory adjustments			
37	Investments in own Additional Tier 1 instruments	-	
38	Reciprocal cross-holdings in Additional Tier 1 instruments	-	

39	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)	-	
40	Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-	
41a	Investments in Additional Tier 1 capital of financial institutions outside the scope of regulatory consolidation but in which the Bank has the control	-	
41b	Shortfall of Additional Tier 1 capital of financial institutions outside the scope of regulatory 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	1	
45	Tier 1 capital (Core Tier 1 capital + Additional Tier 1 capital)	838,474	
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	-	
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)	6	
49	of which: instruments issued by subsidiaries subject to phase out	(3)	
50	Provisions	101,487	
51	Tier 2 capital before regulatory adjustments	236,493	
Tier 2 capital: regulatory adjustments			

52	Investments in own Tier 2 instruments	-	
53	Reciprocal cross-holdings in Tier 2 instruments	-	
54	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above the 10% threshold)	-	
55	Significant investments in the capital banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-	
56a	Investments in Tier 2 capital of financial institutions outside the scope of regulatory consolidation but in which the Bank has the control	-	
56b	Shortfall of Tier 2 capital of financial institutions outside the scope of regulatory 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	236,493	
59	Total capital (Tier 1 capital + Tier 2 capital)	1,074,967	
60	Total risk weighed assets	9,065,631	
Capital adequacy ratios and reserve capital requirements			
61	Core Tier 1 capital adequacy ratio	9.25%	
62	Tier 1 capital adequacy ratio	9.25%	
63	Capital adequacy ratio	11.86%	
64	Institution specific capital requirement	2.50%	
65	of which: reserve capital requirement	2.50%	
66	of which: countercyclical capital requirement	0%	
67	of which: additional capital requirement for G-SIB	0%	
68	Core Tier 1 capital available to meet buffers (as a percentage of risk weighted assets)	3.25%	
National minima			

69	Core Tier 1 capital adequacy ratio	5%	
70	Tier 1 capital adequacy ratio	6%	
71	Capital adequacy ratio	8%	
Amounts not deducted from the thresholds for deduction			
72	Non-significant investments in the capital of other unconsolidated financial institutions	-	
73	Significant investments in the common stock of unconsolidated financial institutions	-	
74	Mortgage servicing rights (net of related tax liability)	-	
75	Deferred tax assets arising from temporary differences (net of related tax liability)	74,057	A15-L12
Applicable caps on the inclusion of over-provision for loss on loans in Tier 2 capital			
76	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standard approach	322,191	
77	Cap on inclusion of provisions in Tier 2 under standard approach	101,487	
78	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach	-	
79	Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	-	
Capital instruments subject to phase-out arrangements			
80	Amount included in Core Tier 1 capital due to transitional arrangements	-	

81	Amount excluded from Core Tier 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	135,000	
85	Amount excluded from Tier 2 due to transitional arrangements	15,000	

3.6 Main Features of Eligible Capital Instruments

As of the end of 2013, the eligible capital instruments of the Bank primarily included the ordinary stocks issued by the Bank in the Shanghai Stock Exchange and the Hong Kong Stock Exchange. 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 *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 2013, the aggregate amount that could be included in Tier 2 capital was RMB135 billion. The following table sets forth the main features of eligible capital instruments of the Bank.

Table 3.6: Main features of eligible capital instruments

1	Issuer	Agriculture Bank of China Limited	Agriculture Bank of China Limited
2	Unique code	601288	1288
3	Governing laws of the instruments	“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.

	Regulatory treatments		
4	Application of <i>Capital Rules for Commercial Banks (Provisional)</i> transitional rules	Core Tier 1 capital	Core Tier 1 capital
5	Application of <i>Capital Rules for Commercial Banks (Provisional)</i> post-transitional rules	Core Tier 1 capital	Core Tier 1 capital
6	Eligible at the Bank / the Group	the Bank and the Group	the Bank and the Group
7	Instrument type	Ordinary stock	Ordinary stock
8	Recognized in regulatory capital (in million RMB, most recent reporting date)	294,055	30,739
9	Par value	1RMB	1RMB
10	Accounting classification	Equity	Equity
11	Original date of issuance	2010-07-15	2010-07-16
12	Perpetual or dated	Perpetual	Perpetual
13	Original maturity dates	/	/
14	Issuer call subject to prior regulatory approval	No	No
15	Optional call date, contingent call dates and redemption amount	/	/
16	Subsequent call dates, if applicable	/	/
	Dividends		
17	Fixed or floating dividend	Floating	Floating
18	Dividend rate and any related index	Subject to the Board's decision	Subject to the Board's decision
19	Existence of a dividend stopper	No	No
20	Fully discretionary, partially discretionary or mandatory	Full discretionary	Full discretionary
21	Existence of step up or other incentive to redeem	No	No
22	Noncumulative or cumulative	Noncumulative	Noncumulative

23	Convertible or non-convertible	Non-convertible	Non-convertible
24	If convertible, conversion trigger (s)	/	/
25	If convertible, fully or partially	/	/
26	If convertible, conversion rate	/	/
27	If convertible, mandatory or optional conversion	/	/
28	If convertible, specify instrument type convertible into	/	/
29	If convertible, specify issuer of instrument it converts into	/	/
30	Write-down feature	No	No
31	If write-down, write-down trigger(s)	/	/
32	If write-down, full or partial	/	/
33	If write-down, permanent or temporary	/	/
34	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
36	Non-eligible transitioned features	No	No
37	If yes, specify non-eligible features	/	/

3.7 Changes in Capital Instruments

In 2013, the Bank neither conducted external capital financing nor made significant capital investment.

4 Credit Risk

4.1 Credit Risk Management

Credit risk is the risk of loss from the default by an obligor or a counterparty when payments fall due. We are exposed to credit risk primarily from our loan portfolio, investment portfolio, guarantee business and various other on- and off-balance sheet credit risk exposures. 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 obligors or counterparties, or the downgrading of credit rating or the weakening ability to perform contractual obligations.

The Bank authorized presidents of branches to conduct credit approval according to the risk management capability of the branches. The Bank designed and implemented the basic process of credit underwriting, i.e. customer's application and acceptance → business investigation (evaluation) → business examination, review 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 and approval, adopting checks and balance, achieving symmetry between powers and responsibilities, and maintaining clearance and efficiency". Based on the customer's risk level and the Bank's risk exposures, customers were managed by the business departments in the corresponding level from the head office to sub-branch. The Bank implemented industry-specific credit policies and an industry-specific risk limit management system. The industry-specific credit policies cover majority of the industries within our credit business, while the industry-specific risk limit management system imposes management and control on industry-specific risk exposure in respect of high risk industries with high energy consumption, high pollution or overcapacity. Risk management departments and credit management departments at all levels monitor customers' risks and oversee the post-lending management of relevant business departments.

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

As of the end of 2013, the Bank's total on- and off-balance sheet and counterparty credit risk exposure amounted to RMB15,397,488 million and the balance of risk exposure of asset-backed securitization business amounted to RMB2,050 million. Details are set forth in the table below.

In millions of RMB

Table 4.2A: Credit risk exposure		
Subject	Risk exposure	Credit risk exposure after risk mitigation
On-balance sheet credit risk exposure	14,444,810	13,825,908
Cash and cash equivalents	2,604,892	2,604,892
Notes issued by central governments and central banks	1,186,179	1,186,179
Loans to public sector entities	225,411	225,411
Loans to domestic financial institutions	2,758,156	2,368,387
Loans to foreign financial institutions	55,096	55,096
Loans to corporations	5,280,965	5,063,544
Loans to small- and micro-enterprises	47,291	43,083
Loans to individuals	2,015,766	2,008,262
Residual value of leasing assets	-	-
Equity investments	1,976	1,976
Others	267,028	267,028
Risk exposures from the settlement of security, commodity and foreign currency transactions	-	-

Asset securitization items on balance sheet	2,050	2,050
Off-balance sheet credit risk exposure	934,449	736,651
Counterparty credit risk exposure	18,229	13,522
Total	15,397,488	14,576,081

The following table sets forth the risk exposures before and after risk mitigation by risk weights as of the end of 2013.

In millions of RMB

Table 4.2B: Risk exposures by risk weights

Risk weights	Risk exposures	Risk exposures after risk mitigation
0%	5,189,515	5,189,515
20%	888,302	636,775
25%	457,733	425,635
50%	1,255,620	1,255,611
75%	862,623	850,922
100%	6,645,306	6,123,941
150%	649	649
250%	74,656	74,656
400%	-	-
1250%	4,855	4,855
Total	15,379,259	14,562,559

Note: On-balance sheet and off-balance sheet credit risk exposure is 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 estates not for own use, as of the end of 2013.

Table 4.2C: Risk exposures for the holdings of capital instruments issued by other commercial banks, equity investments in industrial and commercial enterprises and real estates not for own use

Item	Risk exposures
Core Tier 1 capital instruments issued by other commercial banks	74
Additional Tier 1 capital instruments issued by other commercial banks	-
Tier 2 capital instruments issued by other commercial banks	5,694
Equity investments of corporations	1,376
Real estates not for own use	3,959
Total	11,103

4.3 Credit Risk Mitigation

The Bank has attached great importance to the credit risk mitigation management and mainly uses collateral, pledges and guarantees such as financial pledges, real estate and receivables for credit risk mitigation. In specific business operations, qualified collateral, pledges and guarantees recognized by regulatory authorities are preferred, and connected guarantees among customers are strictly controlled. The overall profile of credit risk mitigation tools is good and such tools have a sufficient capacity in risk mitigation. In 2013, the Bank further refined its credit risk management system, business processes and relevant management information systems. The Bank implemented the newly amended *Administrative Measures for Collateral Management*, and fully matched with and fulfilled the relevant regulatory requirements of the *Capital Rules for Commercial Banks (Provisional)*. The Bank enhanced the management of value evaluation of qualified collaterals and pledges by setting up positions responsible for collateral evaluation, conducting independent value examination process for collateral and pledges in separate departments and being in strict compliance with the requirements regarding post-lending re-valuation of collateral and pledges. The Bank also applied the collateral management system and established an online operating platform for evaluation of collateral and pledges.

Under the weighting measurement approach, the Bank identified qualified credit risk mitigation tools, and confirmed that the qualified collaterals and pledges or the qualified guarantees provided risk mitigation in accordance with the relevant requirements of the *Capital Rules for Commercial Banks (Provisional)*. Debts pledged by qualified collaterals and pledges have the

same risk weights as the collaterals or have the risk weights of the direct creditor rights against the collaterals' issuers or acceptors. For debts with partial pledges, the portion being protected by collaterals has a relatively lower risk weight. Any loan being fully guaranteed by the main body of qualified guarantees has the risk weight of the direct creditor rights against the guarantor. Loans that are partly guaranteed, the part that is guaranteed obtains a relatively lower risk weight. For loans with partial guarantees, the portion being guaranteed has a relatively lower risk weight.

As of the end of 2013, the Bank's risk exposure covered by netting settlement amounted to RMB4,707 million and risk exposure covered by financial collaterals, pledges and guarantees amounted to RMB816,700 million. The Bank did not have any risk exposure covered by other mitigation tools. Details are set forth in the table below.

In millions of RMB

Table 4.3: Credit risk mitigation

Item	Covered by netting settlements	Covered by financial collaterals, or guarantees	Covered by other eligible mitigations
On-balance sheet credit risk exposure	-	618,902	-
Cash and cash equivalents	-	-	-
Notes issued by central governments and central banks	-	-	-
Loans to public sector entities	-	-	-
Loans to domestic financial institutions	-	389,769	-
Loans to foreign financial institutions	-	-	-
Loans to corporations	-	217,421	-
Loans to small- and micro-enterprises	-	4,208	-
Loans to individuals	-	7,504	-
Residual value of leasing assets	-	-	-
Equity investments	-	-	-
Others	-	-	-

Risk exposures from the settlement of security, commodity and foreign currency transactions	-	-	-
Asset securitization items on balance sheet	-	-	-
Off-balance sheet credit risk exposure	-	197,798	-
Counterparty credit risk exposure	4,707	-	-
Total	4,707	816,700	-

4.4 Loans and Advances to Customers

As of the end of 2013, the gross loans and advances to customers based on our accounting consolidation amounted to RMB7,224,713 million. The relevant data of loans and advances to customers in this section are prepared by the accounting consolidation. The composition of the loans and advances to customers of the Bank is shown in the table below.

In millions of RMB, except for percentages

Table 4.4A: Distribution of loans and advances to customers by geographical area

Item	Amount	Percentage (%)
Corporate loans and advances		
Head Office	115,027	2.2
Yangtze River Delta	1,225,018	23.9
Pearl River Delta	622,736	12.1
Bohai Rim	958,418	18.7
Central China	605,634	11.8
Western China	1,101,790	21.5
Northeastern China	193,057	3.8
Overseas and Others	307,401	6.0
Subtotal	5,129,081	100
Personal loans and advances		
Head Office	110	-
Yangtze River Delta	555,257	26.5

Pearl River Delta	390,258	18.6
Bohai Rim	292,778	14.0
Central China	288,221	13.8
Western China	482,475	23.0
Northeastern China	84,206	4.0
Overseas and Others	2,327	0.1
Subtotal	2,095,632	100
Total loans and advances to customers	7,224,713	-

In millions of RMB, except for percentages

Table 4.4B: Distribution of loans and advances to customers by industry

Item	Amount	Percentage (%)
Corporate loans and advances		
Manufacturing	1,429,765	27.9
Transportation, logistics and postal services	618,900	12.1
Wholesale and retail	593,434	11.6
Real estate	549,592	10.7
Production and supply of power, thermal power, gas and water	492,082	9.6
Leasing and commercial services	330,123	6.4
Mining	223,518	4.4
Water, environment and public utilities	205,931	4.0
Construction	204,281	4.0
Information transmission, software and information technology services	28,156	0.5
Others	453,299	8.8
Subtotal	5,129,081	100
Personal loans and advances		
Residential mortgage	1,292,038	61.6
Personal business	256,245	12.2
Personal consumption	204,448	9.8

Credit card overdraft	194,330	9.3
Others	148,571	7.1
Subtotal	2,095,632	100
Total loans and advances to customers	7,224,713	-

In millions of RMB

Table 4.4C: Distribution of loans and advances to customers by contractual maturity and security type

Item	Less than 1 year	1 to 5 years	Over 5 years	Total
Unsecured loans	763,479	301,703	556,910	1,622,092
Guaranteed loans	769,611	231,430	295,572	1,296,613
Loans secured by mortgage	1,131,696	661,376	1,719,816	3,512,888
Pledged loans	366,943	41,668	384,509	793,120
Total	3,031,729	1,236,177	2,956,807	7,224,713

As of the end of 2013, the total overdue loans of the Bank amounted to RMB100,424 million, and the details are set forth in the table below.

In millions of RMB

Table 4.4D: 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
Unsecured loans	5,211	4,379	1,282	442	11,314
Guaranteed loans	8,075	6,078	7,005	6,913	28,071
Loans secured by mortgage	20,067	10,324	14,201	10,174	54,766
Pledged loans	1,540	1,129	1,326	2,278	6,273
Total	34,893	21,910	23,814	19,807	100,424

The table below sets forth the five-category classification of loans and advances to customers of the Bank as of the end of 2013.

In millions of RMB, except for percentages

Table 4.4E: Five-category classification of loans and advances

Item	Amount	Percentage (%)
Normal	6,860,589	94.96
Special mention	276,343	3.82
Non-performing loans	87,781	1.22
Substandard	25,388	0.36
Doubtful	52,162	0.72
Loss	10,231	0.14
Total	7,224,713	100.00

As of the end of 2013, the total non-performing loans of the Bank were RMB87,781 million. The details are as follows.

In millions of RMB, except for percentages

Table 4.4F: Non-performing loans by product type

Item	Amount	Percentage (%)	Non-performing loan ratio (%)
Corporate loans	71,462	81.4	1.51
Of which: Short-term corporate loans	48,368	55.1	2.26
Medium- and long-term corporate loans	23,094	26.3	0.89
Discounted bills	24	-	0.03
Retail loans	15,425	17.6	0.74
Residential mortgage loans	3,787	4.4	0.29
Credit card overdraft	2,258	2.6	1.16
Personal consumption loans	1,418	1.6	0.70
Loans to private business	3,251	3.7	1.27
Loans to rural households	4,502	5.1	3.07
Others	209	0.2	13.94
Overseas and other loans	870	1.0	0.28

Total	87,781	100.0	1.22
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In millions of RMB, except for percentages

Table 4.4G: Non-performing loans by geographical area

Item	Amount	Percentage(%)	Non-performing loan ratio (%)
Head Office	3	-	-
Yangtze River Delta	19,373	22.1	1.09
Pearl River Delta	12,407	14.1	1.22
Bohai Rim	16,603	19.0	1.33
Central China	14,075	16.0	1.57
Northeastern China	4,927	5.6	1.78
Western China	19,523	22.2	1.23
Overseas and others	870	1.0	0.28
Total	87,781	100.0	1.22

In millions of RMB, except for percentages

Table 4.4H: Non-performing loans by industry to domestic enterprises

Item	Amount	Percentage (%)	Non-performing loan ratio (%)
Manufacturing	39,316	55.0	2.86
Production and supply of power, thermal power, gas and water	4,548	6.4	0.94
Real estate	3,521	4.9	0.66
Transportation, logistics and postal services	3,586	5.0	0.59
Wholesale and retail	12,305	17.2	2.36
Water, environment and public utilities	836	1.2	0.41
Construction	1,055	1.5	0.53
Mining	267	0.4	0.13

Leasing and commercial services	1,370	1.9	0.42
Information transmission, software and information technology services	194	0.3	0.79
Others	4,464	6.2	1.87
Total	71,462	100.0	1.51

As of the end of 2013, the balance of allowance for impairment losses of loans made by the Bank amounted to RMB322,191 million in aggregate. The details are as follows.

In millions of RMB

Table4.4I: Balance and changes to the allowance for impaired losses

Item	Individually assessed	Collectively assessed	Total
At 1 January 2013	52,242	227,746	279,988
Charge during the reporting period	5,605	46,521	52,126
-Additions	16,390	73,442	89,832
-Reversals	(10,785)	(26,921)	(37,706)
Write-offs	(7,842)	(1,942)	(9,784)
Transfer-in/out	122	(261)	(139)
-Recoveries of loans written-off in previous years	600	220	820
-Unwinding of discount on allowance	(454)	(239)	(693)
-Exchange difference	(24)	(242)	(266)
At 31 December 2013	50,127	272,064	322,191

As of the end of 2013, details of the Bank's loans and advances to customers past due and impaired are shown in the table below.

In millions of RMB

Table 4.4J: Credit quality of loans and advances

Item	Amount
Neither past due nor impaired	7,112,117
Past due but not impaired	24,815
Impaired	87,781
Subtotal	7,224,713
Less: Allowance for impairment losses of loans and advances to customers	(322,191)
Book value of loans and advances to customers	6,902,522

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 market risks that the Bank is exposed to are interest rate risk and exchange rate risk. The Bank's objectives of market risk management are to adhere to the sound and innovative risk appetite, identify, measure, monitor and control market risk of all trading and non-trading business activities, in order to ensure that the level of market risk is controlled within a reasonable range. The Bank continues to improve its market risk system by embedding the management requirements in the daily process of treasury transaction business and adopting approaches such as risk limit management, monitoring and reporting, capital measurement and product approval to control its market risk. Meanwhile, the Bank facilitates the development of market risk data warehouse and management information system in an effort to gradually promote electronic management regarding domestic and foreign currency transactions and treasury transaction business inside and outside China, monitor and report Value-at-Risk (VaR) of the Bank on a daily basis, as well as to carry out regular stress testing for market risk.

5.2 Market Risk Exposure

The Bank's market risk capital requirements measured by standard approach are shown in the table below.

In millions of RMB

Table 5.2A: Market risk capital requirements measured by standard approach	
Item	Capital requirement
Interest rate risk	967
Equity risk	-
Foreign exchange risk	3,528
Commodity risk	72
Option risk	2
Total	4,570

6 Operational Risk

6.1 Operational Risk Management

Operational risk refers to the risk or loss resulting from inadequate or problematic internal control procedures, human or information system related factors, or external affairs, including legal risk, but not including strategy risk or reputation risk. The Bank's objectives of operational risk management are to adhere to its sound and innovative risk appetite and incessantly improve the capacity of operational risk management, so as to limit the operational risk within the tolerable range and as well as maintain a balance among risk, cost and return. The Bank specified the operational risk tolerance, based on which the strategy and strength of operational risk management were determined. The Bank developed the process of operational risk management covering identification, assessment, monitoring, reporting, control / mitigation and measurement, and integrated such process to operational and management activities at all levels. Through proactive risk identification, the Bank carried out self-evaluation and specific assessment of risk, developed and continuously monitored the key risk indicator system. We also established a "dual reporting" mechanism to ensure the timely collection of risk information, pursuant to which the unit causing the operational risk event shall report to both business line of upper levels and risk management departments at the same level. Basic control principles for regulating risk control activities were developed, and the capability to prevent operational risk in advance was enhanced. In addition, the Bank established a business continuity management mechanism and constructed a disaster recovery center, so that the tail risk could be managed and controlled in a proactive manner.

6.2 Operational Risk Exposure

The Bank adopted basic indicator approach to measure the regulatory capital for operational risk, in which the regulatory capital requirement for the Group was RMB63,046 million, and that for the Bank was RMB62,819 million.

7 Other risks

7.1 Asset Securitization

The development of credit asset securitization business is significant for the Bank to improve the asset liquidity management, adapt to the demand for market development and facilitate the transformation of corporate business. In 2013, the Bank formulated the *Administrative Measures for Credit Asset-backed Securitization Business of Agricultural Bank of China*, under which the roles of the Bank in asset securitization business may include the loan service provider, transaction arranger, issuance arranger, lead underwriter, bookrunner and investor of subordinated asset-backed securities. The Bank had not issued credit asset-backed securitization projects as of the end of 2013.

The Bank adopted the standard approach to measure the risk-weighted assets in securitization in accordance with the *Capital Rules for Commercial Banks (Provisional)*. As of the end of 2013, the risk exposures of securitized assets held by the Bank (as an investor) were, in aggregate, RMB2,050 million, and the total capital requirements were RMB36 million. Details are set forth in the table below.

In millions of RMB

Table 7.1: Balances of risk exposures of asset securitization

Item	As a promoter			As an institutional investor	
	Traditional	Synthetic	Gains or losses recognized from the sales of securitized assets	Traditional	Synthetic
Loans to corporate customers	-	-	-	1,790	-
Personal residential mortgage loans	-	-	-	132	-
Other personal loans	-	-	-	128	-
Asset re-securitization	-	-	-	-	-
Others	-	-	-	-	-
Total	-	-	-	2,050	-

7.2 Counterparty Credit Risk

Counterparty credit risk is the risk from the possible default of the counterparty to a transaction before the final settlement of the transaction's cash flows. The Bank continuously improved the management of counterparty credit risk, carefully selected counterparties with a view to avoiding credit risk, and accurately measured the counterparty credit risk. The Bank developed relevant management measures, which require clients to conduct risk rating assessment and pay a corresponding proportion of margins before entering into derivative transactions. The clients shall 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. Collaterals were monitored regularly to keep abreast of changes in collaterals. Where the Bank's credit rating is downgraded, the Bank can reduce such impact by providing sufficient amount of additional collaterals and pledges, hedging in the market or adjusting trading strategies. The Bank adopted the current risk exposure approach to measure the counterparty credit risk exposure and took into account the risk mitigation effect of netting.

Details of counterparty credit risk of the Bank as of the end of 2013 are set forth in the tables below.

In millions of RMB

Table 7.2A: Net credit risk exposures of counterparties

Item	Risk exposures
Total positive contractual fair value (without netting)	8,186
Total current credit risk exposures (without netting)	18,229
Total current credit risk exposures (after netting)	13,522
Less: Collaterals and pledges	-
Net credit risk exposure of derivatives	13,522

In millions of RMB

Table 7.2B: Distribution of current credit risk exposures by product type

Item	Risk exposures
Interest rate contracts	2,231
Exchange rate contracts	15,848
Equity contracts	-

Commodity contracts	-
Credit derivatives	150
Total	18,229

In millions of RMB

Table 7.2C: Credit derivatives of the credit risk exposures of counterparties

Item	Buy	Sell	Total
Credit derivatives used in own credit portfolio	-	1,494	1,494
Credit default swaps	-	1,494	1,494
Credit derivatives held under the capacity of intermediary	-	-	-
Total notional amount of credit derivatives	-	1,494	1,494

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)*, the Bank deducted the amount exceeding 10% of its Core Tier 1 net capital in aggregate from the regulatory capital at all tiers respectively for the non-significant minority capital investments in unconsolidated financial institutions; and deducted the amount of investment in Core Tier 1 capital exceeding 10% of its Core Tier 1 net capital in aggregate from its Core Tier 1 capital for the significant minority capital investments in unconsolidated financial institutions, and for investments in additional Tier 1 capital and Tier 2 capital, deducted in full from the corresponding tiers of capital of the Bank. Where the significant minority capital investments in unconsolidated financial institutions and the corresponding net deferred tax assets are not deducted from Core Tier 1 capital of the Bank, the aggregate amount shall not exceed 15% of its Core Tier 1 net capital.

As of the end of 2013, 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, and the details are shown in the table below.

In millions of RMB

Table 7.3: Risk exposures of equity in banking book

Item	Risk exposures of listed equity	Risk exposures of unlisted equity	Unrealized profits (losses)
Financial institutions	263	337	(82)
Corporations	-	1,376	242
Total	263	1,713	160

7.4 Interest Rate Risk of Banking Book

Interest rate risk refers to risk of loss to our income or economic value arising from adverse movements of the statutory or market interest rate. The interest rate risk of the banking book of the Bank mainly arises from a mismatch of the maturity or re-pricing dates of interest rate-sensitive assets and liabilities in the banking book and inconsistencies in the change of the benchmark interest rate on which assets and liabilities are based. In 2013, the Bank persisted in prudent interest rate preference and enforced the research on interest rate risk management strategies. The Bank also measured and analyzed the effect of the liberalization of interest rate and formulated corresponding strategies. The Bank refined the structure and management of all businesses of assets and liabilities, reformed and upgraded the core business system and management tools for decision-making and enhanced the monitoring and analysis of interest rate risk, and further enhance risk control capability.

During the reporting period, the Bank measured and analyzed the interest rate risk on a quarterly basis by carrying out gap analysis, sensitivity analysis, scenario analysis and stress testing to control the interest rate risk exposures within an acceptable scope. The table below sets forth the details of the Bank's interest rate risk for banking book as of the end of 2013. The interest rate sensitivity analysis in the table below indicates the movements in income and equity of the Bank under different interest rates, assuming that there is a parallel shift in the yield curve, and without taking into account the assumption of early payment of loans, movement in demand deposits, and any risk management measures that might be adopted by the management to reduce interest rate risk.

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	(10,777)	(18,089)	10,777	18,089
USD	84	(1,148)	(84)	1,148
Others	(1,286)	(93)	1,286	93
Total	(11,979)	(19,330)	11,979	19,330

7.5 Liquidity Risk

Liquidity risk refers to the risk of being unable to liquidate a position in a timely manner to acquire sufficient funds or failing to acquire sufficient funds at a reasonable cost in response to the growth of asset or to fulfill payment obligations. Our liquidity risk mainly derives from concentrated cash withdrawals, massive deferred payments by borrowers, serious mismatches of assets and liabilities and the difficulties in liquidating large-value assets. The objective of liquidity risk management is to identify, measure, monitor and report the liquidity risk effectively by establishing a sound liquidity risk management mechanism in order to ensure that the liquidity requirement and the obligation to pay can be satisfied in different situations and to balance the profitability and security of our funds.

The Bank closely monitors the changes in monetary policies and market conditions so as to strengthen its analysis and judgment on the macroeconomic and financial situation and the factors affecting liquidity. It also sticks to the bottom line of liquidity safety to achieve a balance among safety, liquidity and effectiveness so as to ensure its liquidity safety. The Bank adjusts and optimizes the structure of assets and liabilities, stabilizes sources of deposits, ensures smooth operation of financing channels in the market and the ratio of quality liquidity risk reserves to meet customers' payment requirements. By enhancing the real-time monitoring of capital positions, achieving flexible adjustment and re-allocation, ensuring a sufficient level of reserves and increasing the return of fund operation, the Bank effectively responded to the tense situation concerning market liquidity since the second half of the year of 2013. Through reinforcing liquidity monitoring, alerting and reporting, the Bank ensures that liquidity risk can be addressed in a timely manner and effectively. The Bank conducted contingency response drills and stress testing for liquidity to make sure liquidity risk is addressed quickly and effectively under stressed circumstances. The Bank also developed liquidity management tools to guarantee the regulation and management of real-time monitoring of capital flows and matured cash flows. As a result of the development of an inter-bank financing business management system, the Bank carries out whole-processed management on the cash flows of

inter-bank financing business and is able to make arrangements in advance for matured cash flows. A liquidity contingency response mechanism was also developed among domestic and foreign institutions in an effort to enhance their capability in preventing liquidity risk.

In 2013, as affected by multiple factors, the macroeconomic environment was complex and ever-changing. Since middle 2013, the inter-bank market liquidity has tightened in general and the interest rate in monetary market has experienced significant fluctuation. The Bank continued to monitor the changes in monetary policies and 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 capital efficiency and the ability to response to 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. The table below sets out our net position of liquidity as of the end of 2013 on a consolidated basis.

In millions of RMB

Table 7.5: Liquidity Gap Analysis

Past due	On demand	Within 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Not Dated	Total
18,629	(7,089,235)	355,050	(193,973)	631,324	1,333,003	3,210,614	2,405,782	671,194

8 Internal Capital Adequacy Assessment

8.1 Internal Capital Adequacy Assessment

The Bank coordinated and facilitated the construction of the Second Pillar, consolidated the foundation of capital governance, and primarily established an internal capital adequacy assessment process with the features of the Bank. Based on the corporate governance principles of modern commercial bank, the Bank optimized the management system of internal capital adequacy assessment, 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. The internal capital adequacy assessment for 2013 was conducted and brought to the Board of Directors for review and approval. The Bank developed and promoted an application platform for optimizing economic capital allocation, designed and developed the Second Pillar information management systems to quantify and aggregate the capital needs of major risks. Based on the match between the capital and risk, which was quantitatively assessed by the stress test of internal capital adequacy ratio, the Bank established the capital constraints and achieved the organic integration of risks, capital and business, which ensured the sound business operation of the Bank. The Bank preliminarily established three lines of defense of “routine monitoring – self-discipline regulation – audit and supervision” for capital management, enhanced the evaluation of economic capital monitoring and organized the self-discipline regulatory inspection for capital management. In addition, the Bank also implemented special audit for the Basel New Capital Accord and strengthened the communication with external auditors to ensure the compliance, effectiveness and sustainability of capital management.

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. Under these plans, by complying with the requirements of the *Capital Rules for Commercial Banks (Provisional)* and the *Notice of the China Banking Regulatory Commission on Transition Arrangements for the Implementation of the Capital Rules for Commercial Banks*, the Bank not only looked for internal ways to replenish capital such as retained profits, but also explored the external channels such as innovative capital instruments, which strengthened its capital constraint and incentive mechanism and continuously optimized its asset structure. Meanwhile, the Bank maintained the level of capital adequacy ratio in line with the speed of business development, subject to the regulatory requirements being satisfied incessantly. In the course of implementation of these plans, through constantly strengthening the economic capital management, optimizing the allocation of economic capital and refining the capital constraint

mechanism, the Bank enhanced the capital efficiency, facilitated the optimization of total number and structure of risk-weighted assets, and gradually established a long-term effect capital management mechanism.

9 Remuneration

The Board of Directors of the Bank has established the Nomination and Remuneration Committee, which consists of 7 directors, including the Vice Chairman Zhang Yun, and the directors Shen Bingxi, Lin Damao, Anthony Wu Ting-yuk, Qiu Dong, Frederick Ma Si-hang and Wen Tiejun. Its primary duties are to review and supervise the implementation of the Bank's remuneration and performance appraisal system, make recommendations to the Board of Directors on the election procedures, qualifications, remuneration system and incentive schemes of the Bank's directors, supervisors and Senior Management, and assess the performance and behavior of directors and Senior Management. In 2013, the Nomination and Remuneration Committee under the Board of Directors of the Bank convened 3 meetings. For the basic information about remuneration of members of the Nomination and Remuneration Committee, the Senior Management and the employees whose professional activities could have a material impact on the Bank's risk profile, please refer to the section headed "Directors, Supervisors and Senior Management" in the 2013 Annual Report of the Bank.

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 compensation system in line with the operational and management needs of modern commercial banks. The wage distribution method of the Head office and branches adopted a democratic procedure in strict accordance with the relevant requirements.

The Bank's overall pay level linked with the growth of its net profit, and was 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 of departments and employees. The performance appraisal of each business unit included the long-term performance, risk indicator and other indicators of sustainable development, and the pay level was determined and adjusted on the basis of comprehensive performance assessment results above.

In compliance with the regulatory requirement and in line with the characteristics of the industry, the Bank appropriated a proportion of the performance-based salary for the current period for its Senior Management or employees whose professional activities could have a material impact on the Bank's risk profile. 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 variable remunerations primarily comprised of performance-based pay (including deferred salary payment and bonuses), all of which were in cash. In determining the actual level of variable remunerations, the current and long-term contribution of employees and risk profile were taken into account in the assessment. In the event of deductible in performance-based pay and deferred salary payment under relevant regulations, the variable remuneration would be adjusted in accordance with the regulations.

10 Outlook

The Bank adheres to the operation philosophy of modern commercial banks, and continuously improves the corporate governance mechanism by maintaining security, liquidity and effectiveness balancing capital, risk and profit. The Bank also proactively facilitates the establishment of the Firm-wide risk management framework and the implementation of advanced approach for capital management. Thus, the basic management capabilities such as risk management and internal control management improves steadily and all risk profile gradually becomes better, while maintaining a stable quality of assets and sufficient risk-resistance capacity. The Bank will further implement the philosophy of “comprehensive risk management”, refine the Firm-wide risk management framework, facilitate the implementation of advanced approach for capital management, carry out the three-year plan for risk management, and reinforce the safeguard of the operation and development of the Bank by risk management. Moreover, the Bank will further enhance the risk control in key fields, increase the research effort on economic conditions and macro policies, so as to improve the ability of risk forecast and judgment, and strengthen the perspective and initiative for risk response, handling and resolving. Finally, the Bank will explore internal and external capital replenishment mechanisms in a proactive manner, further strengthen the capital constraint and management of capital adequacy ratio, continuously optimize the asset structure, facilitate the business transformation and enhance the risk-resistance capacity.