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 pursuant to Rule 13.10B of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

According to the relevant laws and regulations of the People's Republic of China, Agricultural Bank of China Limited (the "**Bank**") published a document related to Agricultural Bank of China Limited's Dilution of Current Returns by the Private Placement of A Shares and Compensatory Measures on the website of the Shanghai Stock Exchange.

The document is set out as below for information purpose only.

* *Unless otherwise defined herein, the capitalized terms used in this document shall have the same meanings as those defined in the Bank's announcement on General Mandate for Issuance of Shares and Proposed Private Placement of A Shares dated 12 March 2018.*

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

Beijing, PRC
12 March 2018

As at the date of this announcement, our executive directors are Mr. ZHOU Mubing, Mr. ZHAO Huan, Mr. WANG Wei and Ms. GUO Ningning; our non-executive directors are Mr. ZHANG Dinglong, Mr. CHEN Jianbo, Mr. HU Xiaohui, Mr. XU Jiandong and Mr. LIAO Luming; and our independent non-executive directors are Mr. WEN Tiejun, Mr. Francis YUEN Tin-fan, Ms. XIAO Xing, Mr. WANG Xinxin and Mr. HUANG Zhenzhong.

Agricultural Bank of China Limited
Dilution of Current Returns by the Private Placement of A Shares and Compensatory Measures

In accordance with the *Opinions of the State Council on Promoting the Healthy Development of the Capital Market* (Guo Fa [2014] No. 17), *Opinions of the General Office of the State Council on Further Strengthening the Protection of Legitimate Rights and Interests of Small and Medium Investors in Capital Market* (Guo Ban Fa [2013] No. 110), and the *Guidelines on the Impacts on Dilution of Current Returns of the Initial Public Offering and Refinancing and Major Asset Reorganization* (CSRC Notice [2015] No.31) issued by the CSRC as well as other requirements, the Bank hereby prepares this analysis on the impacts of the Private Placement on the Bank's current returns, and provides explanations to the relevant compensatory measures based on the Bank's actual situation.

I. Analysis on the Impacts on Dilution of Current Returns of the Private Placement

Proceeds from the Private Placement will be used to support the Bank's business development in the future. All of the proceeds raised will be used to replenish the common equity tier 1 (***CET1***) capital of the Bank in accordance with the relevant regulatory requirements.

(1) Major Assumptions

1. It is assumed that there will be no material and adverse changes in the macro-economic situation, industrial development trends and the Bank's operations.

2. It is assumed that the Private Placement will be completed on 30 June 2018.

3. To quantify the impact on dilution of the Bank's current returns of the Private Placement, it is assumed that 27,472,527,469 shares will be issued through the Private Placement, with total proceeds raised from the Private Placement not exceeding RMB100 billion (issuance expenses have not been taken into account).

4. It is assumed that net profit attributable to equity holders of the Bank (after deducting non-recurring gains and losses) for the year 2017 will be the same as the data disclosed in the announcement on Preliminary Financial Data for the year of 2017, which is RMB192,695 million.

5. The forecasted growth rate of net profit attributable to equity holders of the Bank (after deducting non-recurring gains and losses) for 2018 includes the following three scenarios compared to 2017: (1) 0% growth; (2) 2.5% growth; and (3) 5% growth.

6. Other than the Private Placement, other factors that may cause changes to the ordinary share capital (e.g. profit distribution, conversion of capital reserve into share capital, mandatory conversion of preference shares, exercise of right to convert convertible bonds) have not been taken into account.

7. The Bank respectively issued 400 million preference shares at par value of RMB100 per share in two tranches by private placement on 31 October 2014 (the ***first tranche***) and on 6 March 2015 (the ***second tranche***), respectively. The proceeds from the two tranches of preference shares are RMB40 billion, respectively, and the total proceeds after deducting issuance expenses amounted to RMB79.899 billion. In 2018, the coupon rates for the first tranche and the second tranche of preference shares are 6.0% and 5.5%, respectively. It is assumed that all the dividends will be paid for the year in 2018.

8. The impact of the proceeds from the Private Placement on the Bank's operation and financial situation has not been taken into account.

(2) Impact on major financial indicators (including earnings per share) of the Bank

Based on the above-mentioned assumptions, the impact of the completion of the Private Placement on the major financial indicators (including earnings per share) of the Bank is estimated as follows:

Item	For the year 2017/ at 31 December 2017	For the Year 2018/ at 31 December 2018	
		Before the Issuance	After the Issuance
Ordinary shares (in billion shares)	324.794	324.794	352.267
Weighted average ordinary shares (in billion shares)	324.794	324.794	338.530
Scenario 1: Net profit attributable to equity holders of the Bank (after deducting non-recurring gains and losses) in 2018 shows 0% growth as compared to 2017			
Net profit attributable to equity holders of the Bank (after deducting non-recurring gains and losses) (in RMB billion)	192.695	192.695	192.695
Net profit attributable to ordinary equity holders of the Bank (after deducting non-recurring gains and losses) (in RMB billion)	188.095	188.095	188.095
Basic earnings per share attributable to ordinary equity holders of the Bank (after deducting non-recurring gains and losses) (RMB per share)	0.579	0.579	0.556
Diluted earnings per share attributable to ordinary equity holders of the Bank (after deducting non-recurring gains and losses) (RMB per share)	0.579	0.579	0.556
Scenario 2: Net profit attributable to equity holders of the Bank (after deducting non-recurring gains and losses) in 2018 grows by 2.5% as compared to 2017			
Net profit attributable to equity holders of the Bank (after deducting non-recurring gains and losses) (in RMB billion)	192.695	197.512	197.512
Net profit attributable to ordinary equity holders of the Bank (after	188.095	192.912	192.912

Item	For the year 2017/ at 31 December 2017	For the Year 2018/ at 31 December 2018	
		Before the Issuance	After the Issuance
deducting non-recurring gains and losses) (in RMB billion)			
Basic earnings per share attributable to ordinary equity holders of the Bank (after deducting non-recurring gains and losses) (RMB per share)	0.579	0.594	0.570
Diluted earnings per share attributable to ordinary equity of the Bank (after deducting non-recurring gains and losses) (RMB per share)	0.579	0.594	0.570
Scenario 3: Net profit attributable to equity holders of the Bank (after deducting non-recurring gains and losses) in 2018 grows by 5% as compared to 2017			
Net profit attributable to equity holders of the Bank (after deducting non-recurring gains and losses) (in RMB billion)	192.695	202.330	202.330
Net profit attributable to ordinary equity holders of the Bank (after deducting non-recurring gains and losses) (in RMB billion)	188.095	197.730	197.730
Basic earnings per share attributable to ordinary equity holders of the Bank (after deducting non-recurring gains and losses) (RMB per share)	0.579	0.609	0.584
Diluted earnings per share attributable to ordinary equity holders of the Bank (after deducting non-recurring gains and losses) (RMB per share)	0.579	0.609	0.584

Notes:

1. Net profit attributable to ordinary equity holders of the Bank (after deducting non-recurring gains and losses) = Net profit attributable to equity holders of the Bank (after deducting non-recurring gains and losses) – dividends declared in respect of preference shares for the same period;

2. Basic and diluted earnings per share were calculated in accordance with the *Rules for the Compilation and Submission of Information Disclosure by Companies that Offer Securities to the Public No. 9 – Computation and Disclosure of Return on Net Assets and Earnings per share* .

Taking into account the particularity of the business model of commercial banks, the proceeds from the Private Placement will be used in conjunction with the existing capital. As a result, the proceeds' contributions to the Bank's income cannot be ascertained. Based on the calculations above, it is anticipated that after completion of the Private Placement, due to the increase in the share capital of the Bank, the basic earnings per share of the Bank in 2018 may decrease as compared with that of 2017.

(3) Notes on the calculations

1. The assumptions and calculations in this analysis do not constitute the Bank's profit forecast and investors should not make investment decisions in reliance of them. The Bank will not be liable for any losses of investors incurred as a result of investment decisions made based on such analysis;

2. The number of shares to be issued, size of issuance and completion time of the Private Placement as outlined in this analysis are estimates and the final results will depend on a number of factors including approvals by relevant regulatory authorities and actual circumstances regarding the issuance and subscription of shares.

II. Risk Warning on the Dilution of Current Returns of Shareholders as a Result of the Private Placement

Upon receipt of proceeds of the Private Placement, the total share capital and net assets of the Bank will increase. If the proceeds fail to meet the current level of capital operating efficiency, indicators of the Bank such as basic earnings per share (after deducting non-recurring gains and losses) and return on weighted-average net assets (after deducting non-recurring gains and losses) may decline.

Investors should note the risk of dilution of the current returns of shareholders as a result of the Private Placement. The Bank will continue to disclose the implementation progress of the compensatory measures for dilution of current returns and the fulfillment of related commitments made by related subject of commitment in regular reports.

III. Necessity and Rationality of the Private Placement

(1) Satisfying regulatory requirements

The *Capital Rules for Commercial Banks (Provisional)* issued by China Banking Regulatory Commission came into effect on 1 January 2013, which set up new regulatory requirements on capital adequacy ratio. According to the *Capital Rules for Commercial Banks (Provisional),* the CET1 capital adequacy ratio, tier 1 capital adequacy ratio and capital adequacy ratio of commercial banks are required to be no less than 5%, 6% and 8%, respectively, and commercial banks are also required to set aside reserve capital requirements which shall amount to 2.5% of risk-weighted assets above the minimum capital requirements. In addition, as a Global Systemically Important Bank, the Bank is required to comply with a stricter G-SIBs buffer requirement. The People's Bank of China introduced the Macro Prudential Assessment (***MPA***) in 2016, emphasizing that the core assessment under the MPA is the macro prudential capital adequacy ratio, the capital level is an important way for financial institutions to strengthen their loss absorption capabilities, and that asset expansion must continue to be subject to capital constraint. Therefore, it is of high strategic significance to the development of the Bank to establish a capital replenishment mechanism for a long-term and a capital constraint mechanism, so as to continue to comply with the regulatory requirements on capital adequacy ratios.

In recent years, the Bank has been stepping up its capital constraint in its daily operation and management, and replenishing its capital by different ways such as retaining profits and the issuance of capital bonds and preference shares. At 30 September 2017, the group's capital adequacy ratio, tier 1 capital adequacy ratio and the CET1 capital adequacy ratio were 13.40%, 11.23% and 10.58%, respectively. In order to further optimize the capital structure and maintain the high quality and sufficiency of capital, the Bank needs to replenish the CET1 capital through the capital market.

(2) Supporting the steady and healthy development of the Bank's business

In recent years, in response to the complex operating environment and fierce market competition, the Bank has taken the initiative to adapt to the "new normal" of the economy, continuously strengthened support for "Sannong" and the real economy, and accelerated the pace of transformation and innovation, realizing a steady growth in business scale. At the end of 2014, 2015, 2016 and September 2017, the Bank's total assets increased by 9.70%, 11.38%, 10.00% and 6.91%, respectively, compared to the end of the previous year. The transformation and development of the Bank's business will require support of sufficient capital in the coming years.

Given the above, the Private Placement will effectively replenish the Bank's CET1 capital, which will make significance for the Bank to comply with the increasingly stringent regulatory capital requirements and maintain its capability for sustainable development.

IV. The Relationship between this Fund-Raising Investment Project and the Existing Business of the Bank, and the Bank's Preparatory Measures in the Areas of Human Resource, Technology and Market

The proceeds from the Private Placement, after deducting relevant issuance expenses, will be used to replenish the Bank's CET1 capital to support the Bank's business development in the future.

With respect to human resources, the Bank has maintained an adequate talent pool. In recent years, the Bank has continued to promote the "four major projects" of talent development, including cultivation of chief managers, development of professionals, transformation and optimization of foundation-level teams and retaining talents. The Bank has also carried out a series of reforms on the selection, promotion and incentive of talents. In addition, it has taken forward the fostering and development of talents and innovatively introduced a more competitive incentive mechanism, thereby laying a solid foundation for establishing a professional team necessary for modern commercial banking.

With respect to technology, the Bank owns a leading IT platform in the PRC and is committed to the construction of IT-based banking. The Bank has implemented internet financial services to serve "Sannong", thereby advancing the combination the "Jinsui Huinongtong" project with internet financing. The Bank has stepped up the research and application of FinTech, and closely followed the industrial applications of block chain, cloud computing, artificial intelligence and other new technologies, while speeding up the intelligent transformation of self-service channels. Besides, the Bank has expanded and optimized the infrastructure of the big data platform, and enhanced the application of big data analysis in targeted marketing, loan approval and risk management. The construction of the "two cities and three centers" project has been accelerated and the remote dual disaster recovery systems for the mainframes of our core business systems has been put into operation, thereby ensuring the safe and stable operation of the Bank.

With respect to the market, the Bank has a large and diversified corporate and retail customer base. By utilizing its vast, multi-channel distribution network, the Bank provides customers with comprehensive financial services. In recent years, the Bank has continued to promote operation transformation and innovation. While consolidating and improving its traditional businesses, the Bank puts great effort on expanding emerging businesses, and will continue to promote the simultaneous and coordinated development of both emerging and traditional businesses. Through increased efforts on development of low capital consumption and high value-added emerging businesses such as investment banking, financial market business, asset management, inter-bank business, custody service, pension business and private banking, the Bank continues its expansion and development.

V. The Bank's Compensatory Measures for the Dilution of Current Returns Caused by the Private Placement

The Bank will take effective measures to improve the management and utilization efficiency of the proceeds，further enhance profitability and maintain a stable dividend distribution policy, in order to minimize the impact on returns of ordinary shareholders caused by the Private Placement and provide adequate protection to the legitimate rights and interests of shareholders, particularly the small and medium shareholders. The Bank plans to implement the following compensatory measures:

1. Strengthening capital management and improving efficiency of capital utilization

The Bank will further refine its long-term capital management mechanism, improve its capital internal accumulation capabilities and establish robust financing channels, in order to ensure that the Bank has sufficient capital to continuously cover risk exposures, create value and comply with regulatory requirements. The Bank will also improve its capital constraint mechanism. The Bank will continue to focus on capital saving and return on value in its asset allocation, strictly control the total amount of risk assets, further optimize the structure of on- and off-balance sheet assets and utilize fund reasonably and effectively, so as to improve the efficiency of capital utilization and increase the level of marginal output.

2. Accelerating transformation and innovation to improve diversified profitability

The Bank will actively and steadily promote integrated operations, through fully leveraging advantages across the Group and strengthening the synergies to improve its capabilities of cross-border, cross-market, and cross-business comprehensive financial services. While reinforcing the advantages in "Sannong", the Bank will boost the development of emerging businesses such as asset management and green finance, to develop new operation features. Through advanced integration with new technologies and new business formats, the Bank will refine its customer service system and innovate business models and marketing approaches, to consolidate and improve its customer base. Through accelerating the transition towards an asset-light, capital-light, structure-light business model, the Bank will transfer its profit model towards an intensive one and further improve its capacity of value creation.

3. Strictly adhering to risk limitation and reducing capital consumption.

The Bank will be more focused on risk control to ensure that cases of violations and risks are under control through enhancing risk mitigation and management, addressing both the effects and root causes of issues, and creating tailored solutions for different problems. Moreover, we will enhance risk management in key areas by adopting specific measures to manage, control and mitigate risks, and allocate clear responsibilities, so as to maintain

good control of risks and adhere to risk limitation. The Bank will strengthen internal control and the prevention and control of cases of violations, and continuously reinforce management basics in, among other things, credit, operations, information technology, safe production and employee behavior. The Bank will enhance rectification of problems and ensure continuous improvements, to address root causes of the problems in a systematic manner.

VI. Commitments of the Bank's Directors and Senior Management on the Implementation of Compensatory Measures on the Dilution of Current Returns

In order to ensure the effective implementation of the compensatory measures on the dilution of returns of the Bank, each of the directors and senior management of the Bank signed letters of commitments and made the following commitments:

1. I personally undertake not to convey any benefit to other entities or individuals without pay or under unfair conditions, or damage the interests of the Bank otherwise;
2. I personally undertake to exercise control over job-related consumptions;
3. I personally undertake not to use the Bank's assets for investments or consumption activities irrelevant to my duties;
4. I personally undertake to link the remuneration system formulated by the Board or the Nomination and Remuneration Committee of the Board with the implementation of the Bank's compensatory measures;
5. In the case that any equity incentive policy is introduced afterwards, I personally undertake to link the Bank's proposed vesting condition of equity incentive with the implementation of the Bank's compensatory measures.

The Board of
Agricultural Bank of China Limited

12 March 2018