Credit Opinion

19 January 2026

Ratings	
Category	Financial Institution
Domicile	China
Rating Type	Unsolicited Rating
Long-Term Credit Rating	AA_g+
Outlook	Stable

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Agricultural Bank of China Limited

Initial credit rating report

CCXAP assigns first-time long-term credit rating of AA_g+ to Agricultural Bank of China Limited, with stable outlook.

Summary

The AA_g+ long-term credit rating of Agricultural Bank of China Limited ("ABC" or the "Bank") is underpinned by the Bank's (1) leading market position as the second-largest state-owned bank in China; (2) solid asset quality with high-quality client base and extensive business network; and (3) good funding structure and sufficient liquidity resources.

However, the rating is constrained by the Bank's (1) profitability strained by a decline in net interest margin ("NIM"); and (2) pressure on asset quality and capitalization.

The rating also incorporates our expectation that the Bank has a high likelihood of receiving extraordinary support from the Chinese government given its (1) significant market position in China's financial system; (2) majority stake owned by the government; and (3) important policy role in agriculture and rural areas.

The stable outlook on ABC's rating reflects our expectation that the willingness and ability of the Chinese government to provide support is unlikely to change, and that the Bank will sustain its leading market position and solid financial profile in the next 12 to 18 months.

Rating Drivers

- Leading market position as the second-largest state-owned bank in China
- Solid asset quality with high-quality client base and extensive business network
- Good funding structure and sufficient liquidity resources
- Profitability strained by a decline in NIM
- Modest capitalization to be supported by the planned capital injection

Rating Sensitivities

What could upgrade the rating?

The rating could be upgraded if (1) the likelihood of receiving government support increases; (2) the Bank's macro profile strengthens, such as higher sovereign rating for China, significant improvement in corporate debt leverage, or better credit condition in China; and (3) the Bank's finance profile improves, such as increase in profitability and stability, and better coverage in both problem loans and special-mention loans.

What could downgrade the rating?

The rating could be downgraded if (1) the likelihood of receiving government support decreases; (2) the Bank's macro profile weakens, such as lower sovereign rating for China, heightened corporate debt level, or worsened credit condition in China; or (3) the Bank's finance profile deteriorates, such as hindered profitability, material deterioration in asset quality, and unexpected decline in liquidity.

Key Indicators

	2022FY	2023FY	2024FY	2025Q3
Total Assets (RMB billion)	33,925.5	39,873.0	43,238.1	48,135.4
Total Equity (RMB billion)	2,673.8	2,896.9	3,097.3	3,175.2
Operating Income (RMB billion)	694.7	694.8	710.6	550.9
Net Profit (RMB billion)	258.9	269.8	282.7	222.3
Pre-provision Operating Profit/Average Risk-weighted Assets (%)	2.4	2.1	2.0	-
Problem Loans/Total Loans (%)	1.4	1.3	1.3	1.3
Capital Adequacy Ratio (%)	17.2	17.1	18.2	17.8
High Liquid Assets/Total Assets (%)	40.0	41.9	40.8	-
Market Funding/Total Assets (%)	16.5	19.0	21.2	25.5

All ratios and figures are calculated using CCXAP's adjustments. Indicators marked with "-" are not applicable or not comparable.

Source: Bank data, CCXAP research

Corporate Profile

Headquartered in Beijing, ABC is the second-largest bank in China by total assets. The Bank was listed dually in the Shanghai Stock Exchange ("SSE") and the Hong Kong Exchanges and Clearing ("HKEX") in 2010 (Stock code: 601288.SH & 1288.HK). As of 30 September 2025, ABC had a very strong market position in the domestic banking sector, with a loan market share of around 9.8% and a deposit market share of around 9.6%. It has strong banking franchise and serves more than half of China's population through a vast network of around 22,800 outlets. The Bank is recognized as a global systemically important bank ("G-SIB") by the Financial Stability Board ("FSB"); a domestic systemically important bank ("D-SIB") by the People's Bank of China ("PBoC") and the National Financial Regulatory Administration ("NGRA").

As of 30 September 2025, ABC was 40.14% owned by Central Huijin Investment Limited (“Huijin”) and 35.29% owned by the Ministry of Finance of the People's Republic of China (“MOF”).

Corporate Profile

Macro Profile

ABC has substantial footprint in China. Its macro profile is underpinned by China’s (1) robust economy and fiscal strength; (2) high but stabilizing systematic financial leverage; and (3) stable and reliable financial system. China has strong economic fundamentals and institutional strength. It is the second-largest economy in the world, with a gross domestic product (“GDP”) of USD18.7 trillion in 2024. China has demonstrated long-term stability in its political environment and high efficiency of government.

ABC’s macro profile also incorporates China’s high but stabilizing systematic financial leverage, as measured by the domestic credit to private sector to GDP ratio of approximately 194.2% in 2024, representing an increase from 189.6% in 2023. China has a stable and effective financial system, with no material failure in the banking sector over the past 10 years. The Chinese authorities have a good track record in monitoring and regulating the banking sector. In 2022, China proposed the new Financial Stability Law （《金融稳定法》）, aiming to mitigate systemic shocks from the failure of smaller banks and curb contagion risk. In 2023, the regulator introduced the new rule on banks’ asset risk classification, namely the Measures for the Classification of Financial Asset Risks of Commercial Banks （《商业银行金融资产风险分类办法》）, which is expected to strengthen banks’ reporting standards and gradually reduce inconsistency in financial asset classification. Since 2024, financial regulation has intensified efforts to strengthen the banking sector's capital adequacy, regulate market competition, and address risks in key industries such as real estate and local government debt, with enhanced policy guidance and support.

Funding conditions for Chinese banks remain favorable and have benefited from a stable deposit base and ample interbank liquidity conditions. Chinese banking assets and liabilities grew continuously in 2024, with a YoY increase of 6.5% for both. However, market competition has intensified as banks are adjusting against financial reform and innovation. The lowering interest rate environment in China also pressures banks’ profitability, especially for small and medium banks like city commercial banks and rural commercial banks in China. The weighted average interest rate of newly issued corporate loans was around 3.1% in December 2025, which recorded the lowest level in history.

Financial Profile

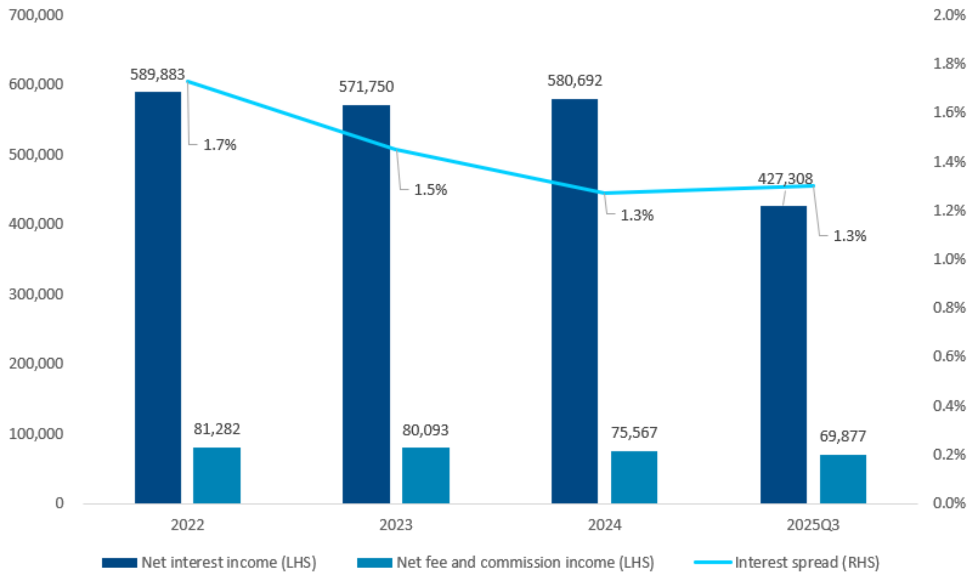
Profitability strained by a decline in NIM

ABC’s profitability benefits from its strong network in the county areas, where the interest spread is higher than its average level. As of the end of September 2025, loans in the county areas accounted for 40.4% of ABC’s gross loans.

However, the Bank’s profitability is strained by the decline in its NIM. Its reported ROA declined to 0.7% in the first nine months of 2025 from 0.8% in 2022, mainly because of the NIM contraction amid the declining interest rates in China. Meanwhile, ABC’s reported annualized NIM fell to 1.3% in the first nine months of 2025 from 1.9% in 2022, owing to a decline in its average loan yield in response to the government guidance to lower loan pricing to support the economy, while the average deposit costs decreased at a slower pace. Its profitability was also constrained by the high credit cost (measured by impairment loss on loans to average total loans) of 0.6% in 2024. As a result, its pre-provision operating profit/average risk-weighted asset ratio dropped to 2.0% in 2024 from 2.1% in 2023 and 2.4% in 2022.

We expect that the Bank's efforts to optimize its asset-liability structure, and reduce its funding costs to mitigate the pressure on its NIM over the next 12-18 months. Large banks like ABC have been lowering their deposit rates since 2022. The gradual repricing of deposits at lower costs could partially offset the decline in asset yield. In addition, the diversification in non-interest businesses such as settlement, personal banking, asset management, and trust services, helps mitigate such adverse impacts. In 2024, the Bank's net fee and commission income accounted for around 10.6% of its total operating income, which has largely stabilized its profitability.

Exhibit 1. ABC's revenue structure (RMB million) and NIM from 2022 to 2025Q3



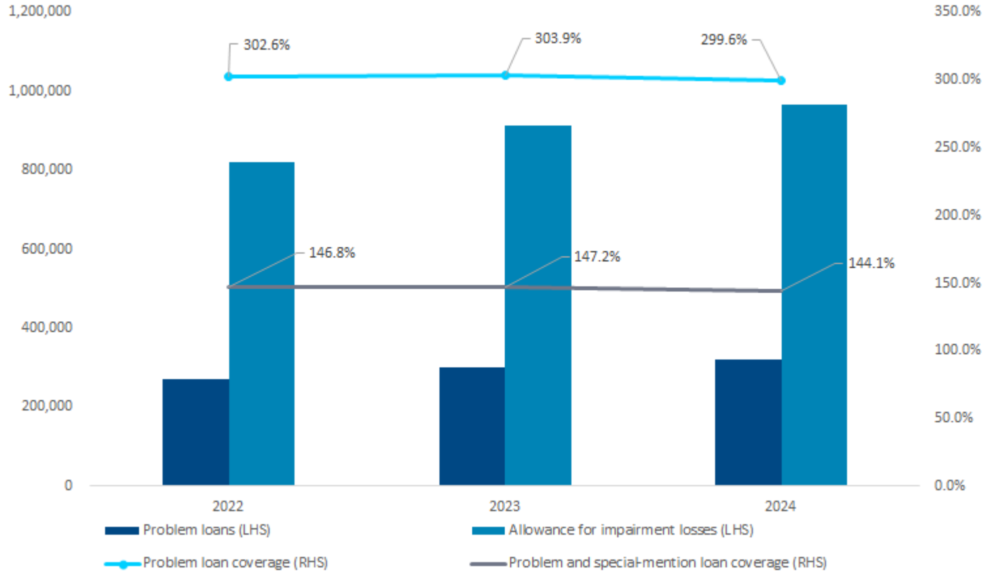
Source: Bank information, CCXAP research

Solid asset quality with high-quality client base and extensive business network

ABC's asset quality is solid as underpinned by its well-established national network and diversified operations. As of 30 September 2025, the Banks has more than 13 million corporate clients and 893 million personal clients worldwide, keeping the bank away from single client risk. In fact, the loan exposure of the single largest client only accounted for 2.6% of ABC's net assets as of 31 December 2024. Moreover, the Bank has high-quality client base, especially strong relationships with large state-owned enterprises ("SOEs"). These SOEs are relatively less vulnerable to the economic cycles and are more likely to receive government support in stressed scenarios, thereby reducing asset risk for ABC even during a weakened economic environment. Nevertheless, ABC's asset quality is still challenged by the decelerating economic recovery in China, with slower recovery in the service sector.

ABC reported a non-performing loan ratio of 1.27% as of 30 September 2025, compared with 1.30% at end-2024, 1.33% at end-2023, and 1.37% at end-2022. Most non-performing loans came from corporate loans including loans from sectors such in real estate, leasing, manufacturing, water conservancy, environment and public facilities management. As of 30 September 2025, corporate loans accounted for 57.6% of ABC's total loans while retail loans accounted for 34.6% of its total loans. Formation of new problem loans remains a risk to ABC's asset quality driven by the slowdown in China's economic growth. However, we do not expect a significant deterioration in ABC's asset quality over the next 12-18 months as supported by its prudent client selection and effective risk-control measures.

Exhibit 2. ABC's problem loans (RMB million) and coverage from 2022 to 2024



Source: Bank information, CCXAP research

The Bank had moderate problem loan coverage (measured by allowance for impairment losses/problem loans) of 299.6% as of end-2024, while special-mention and problem-loan coverage (measured by allowance for impairment losses/problem and special mention loans) was at 144.1%, as of the same date. The loan-loss reserve could mitigate the strain on the Bank's asset quality.

Modest capitalization to be supported by the planned capital injection

ABC's CET1 capital ratio is lower than that of other large state-owned banks. The Bank reported capital adequacy ratio (measured by CET1 capital/risk-weighted assets) of 11.2% as of 30 September 2025, a slight decrease from 11.4% at end-2024, because of dividend payment and growth in risk weighted assets.

ABC's growth in CET1 capital mostly matched its growth in risk-weighted assets. Its CET1 capital grew by 7.8% in 2024, 8.1% in 2023 and 8.5% in 2022, while risk-weighted assets grew by 1.2% in 2024, 12.5% in 2023 and 11.3% in 2022. We expect the Bank to maintain its current level of capital adequacy over the next 12 to 18 months, given its stable profitability, good access to fresh capital, and the planned capital injection by the Chinese government.

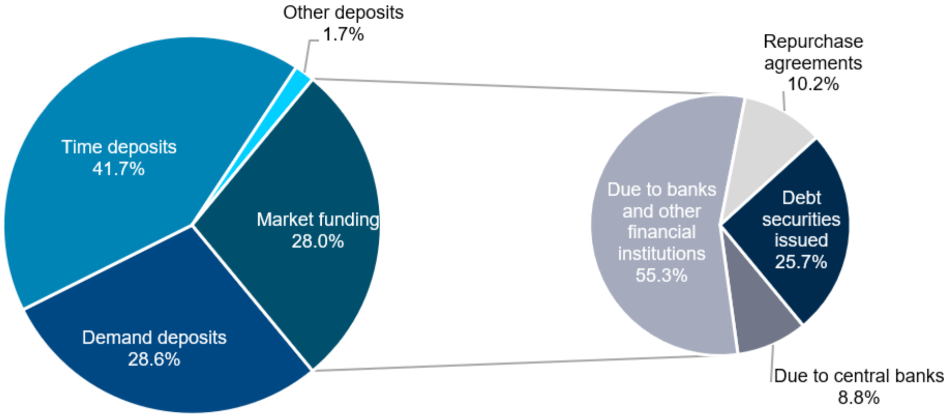
In September 2024, China's regulatory authorities announced a plan to inject equity capital into the six large state-owned banks. On 30 March 2025, four of these six large Chinese banks including China Construction Bank Corporation, Bank of China Limited, Bank of Communications Co., Ltd., and Postal Savings Bank of China Co., Ltd. announced their specific details on financing plans, aiming to raise up to RMB500 billion in equity capital. We expect the two other large banks — Industrial and Commercial Bank of China Ltd and ABC — to also receive capital injection.

Moreover, the Bank has demonstrated robust access to both onshore and offshore capital markets. It issued undated Additional Tier 1 capital bonds of RMB50.0 billion in May 2025 and RMB40.0 billion in October 2025. It issued Tier 2 capital bonds in June, July and September 2025, totaling RMB180.0 billion. The issuance of these capital instruments helps replenish its Tier 1 and total capital adequacy ratio.

Good funding structure with high-quality deposit base

ABC has strong funding structure given its large and high-quality deposit base in China, particular in the county area. As of 30 September 2025, the Bank's total deposits amounted to RMB32.1 trillion, representing approximately 9.6% of China's total deposits. As of the same date, the market funding/total asset ratio remains at a low level of around 25.5%. The large deposit is credit positive to the Bank as it provides a more stable and lower cost source of funds relative to market funding. Deposits represented around 66.6% of the bank's total assets and 63.6% of its deposits were retail deposits, as of the end of September 2025.

Exhibit 3. ABC's funding structure as of 30 September 2025



Source: Bank information, CCXAP research

Sufficient and high-quality liquidity resources

ABC has sufficient liquidity resources. Its liquidity ratio (measured by high liquid assets/total assets) was 40.8% as of end-2024. The Bank's liquidity resources were considered high-quality and reliable because most of them (around 15.9%) were excess fund placed in central banks. Other liquid assets included deposits in banks and other financial institutions, reverse repurchase assets and financial investments. Among the Bank's financial investments, around 78.2% were debts of government and policy banks, with very good liquidity in the market. The Banks also maintained adequate, liquidity coverage ratio of 130.3% as of 30 September 2025.

External Support

Very high likelihood to receive government support in times of need

We expect that ABC is very likely to receive strong government support in times of need. This expectation incorporates the following considerations: (1) ABC's significant market position in China's financial system; (2) the central government's majority stake in the Bank of more than 75.0% as of 30 September 2025; and (3) ABC's public policy role in promoting government policies such as the participation of inclusive finance and rural revitalization. Moreover, we also expect that a significant market impact on China's financial system will be created if the Bank fails to honor its obligations, given its status as the second-largest state-owned bank and one of the D-SIBs in China. Failure of the Bank may raise questions about the creditability of the Chinese government and the stability of China's banking system, which will produce high reputation risk. We believe that the Bank's important position will continue over the medium to long term.

Rating Methodology

The methodology used in this rating is the Rating Methodology for Banks (November 2021).

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