

Agricultural Bank of China Financial Leasing Co., Ltd.'s 2019 Green Financial Bond

Ratings

Long-term credit rating of the issuer: AAA
Financial bond credit rating: AAA
Rating outlook: Stable

Date of rating

May 23, 2019

Key data:

Unit: CNY 100 mn, %

| Item | End of 2018 | End of 2017 | End of 2016 |
|--|-------------|-------------|-------------|
| Total assets | 460.29 | 418.37 | 430.75 |
| Net finance lease receivables | 328.22 | 315.33 | 320.14 |
| Total liabilities | 365.61 | 371.10 | 384.26 |
| Shareholders' equity | 94.68 | 47.27 | 46.49 |
| Non-performing financial leasing asset ratio | 1.90 | 3.09 | 2.58 |
| Provision coverage for non-performing financial leasing assets | 222.79 | 145.48 | 135.02 |
| Provision coverage for financial leasing assets | 4.22 | 4.50 | 3.48 |
| Liquidity ratio | 149.83 | 17.59 | 580.55 |
| Shareholders' equity/total assets | 20.57 | 11.30 | 10.79 |
| Capital adequacy ratio | 22.04 | 12.01 | 11.41 |
| Tier-1 capital adequacy ratio | 20.84 | 10.94 | 10.70 |
| Core tier-1 capital adequacy ratio | 20.84 | 10.94 | 10.70 |
| Item | 2018 | 2017 | 2016 |
| Operating income | 4.62 | 6.10 | 7.01 |
| Net profit | 1.57 | 0.75 | 3.47 |
| Cost/income ratio | 23.78 | 17.14 | 15.43 |
| Average rate of return on assets | 0.36 | 0.18 | 0.87 |
| Average rate of return on net assets | 2.22 | 1.59 | 7.72 |

Note: The non-performing financial leasing asset ratio, provision coverage for non-performing financial leasing assets, provision coverage for financial leasing assets, liquidity ratio, capital adequacy ratio, tier-1 capital adequacy ratio and core tier-1 capital adequacy ratio are calculated based on the data of regulatory statistical statements

Source: The Company's audit reports and information it provided, which have been compiled by China Lianhe Credit Rating Co., Ltd.

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Rationale

Founded in September 2010, Agricultural Bank of China Financial Leasing Co., Ltd. (hereinafter referred to as the "Company") is a wholly-owned subsidiary of Agricultural Bank of China Limited ("ABC"). Since its inception, the Company has established a relatively standardized corporate governance structure, with its internal control and risk management systems gradually improved over the years. Leveraging ABC's brand, client, network and technology resources, it has set up a relatively complete financial leasing product and service system, and developed a leasing business system with its own characteristics. The Company is expected to maintain a good development trend in the coming years. However, with expansion of its business scale and ever more specialized operations, it has set higher requirements on the Company's capability to manage risk as well as on the amount of capital needed. Since it is a wholly-owned subsidiary and an important part of the integrated business platform of ABC, the parent bank has the strong capability and the will to provide support to the Company's business development. The Company's financial capacity increased further following the ABC's CNY 6.5 billion capital injection in 2018. According to the "Administrative Measures for Financial Leasing Companies" and the relevant provisions of the Company's articles of association, shareholders will provide liquidity support, if the Company encounters difficulties in payment; and will promptly replenish capital in case the Company comes into an operating loss that leads to a capital erosion.

China Lianhe Credit Rating Co., Ltd. assigns a long-term issuer credit rating of AAA to Agricultural Bank of China Financial Leasing Co., Ltd. and the issue credit rating of AAA to its 2019 green financial bond (CNY 3 billion), with a

stable outlook. The ratings reflect that the default risk associated with the current issuance of the green financial bond is extremely low.

Strengths

1. As a wholly-owned subsidiary and an important component of the integrated business platform of ABC, the Company has received strong support from its shareholders in terms of client resources, marketing channels, risk management, capital replenishment and funding sources. With exceptionally strong overall financial strengths, the parent bank has the substantial capability and the will to provide support to the Company's business operations.
2. Through steady development of leasing business since its inception, the Company has formed four major business segments - aviation, agriculture, infrastructure and new energy leasing services with its own characteristics and established a relatively complete financial leasing product and

service system, with a sound client base.

3. The Company's financial capacity increased further following ABC's CNY 6.5 billion capital injection in 2018, with its capital adequacy remained at a decent level.

Concerns

1. The Company's financial leasing business faces certain sector and customer concentration risks, and business development and increasing specialization will put the Company's risk management capability to the test.
2. The Company's source of funding mainly comes from loans with a maturity within one year, indicating its heavy reliance on bank loans and a certain degree of maturity mismatch between its assets and liabilities.
3. A spike in interest expenses has led to a decline in the Company's operating income. Its overall profitability needs to be improved.