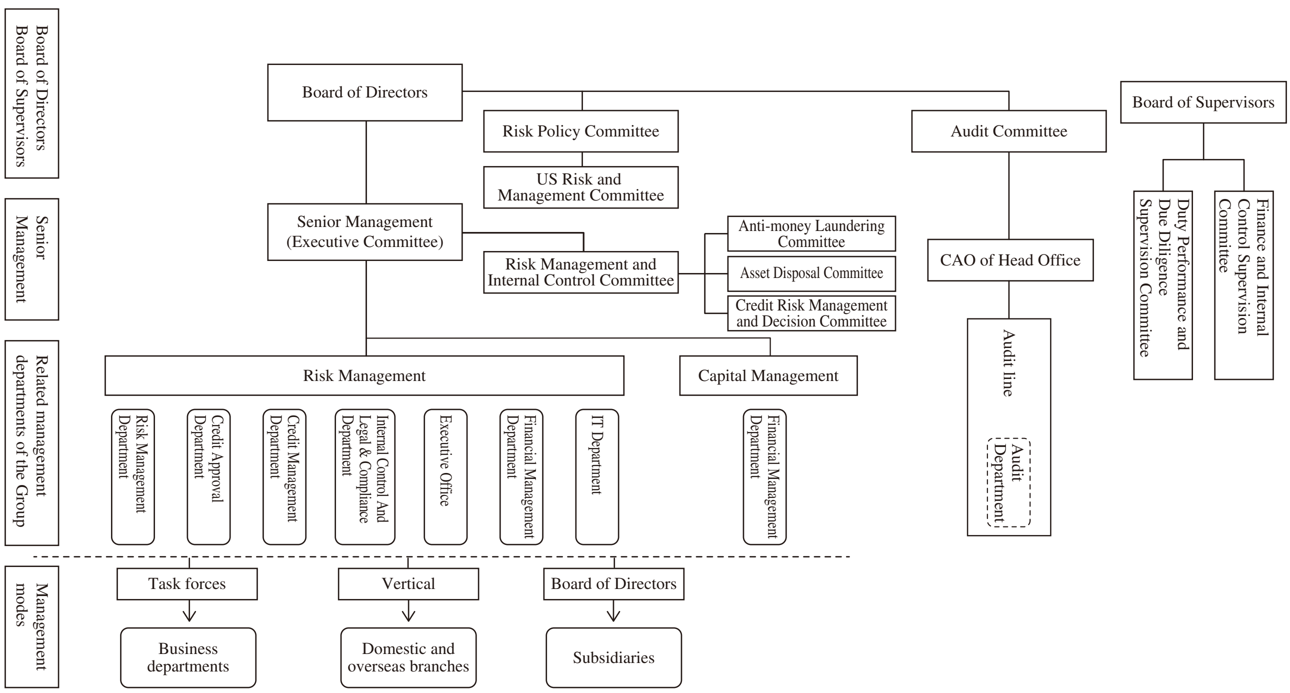
The Bank continued to improve its risk management system in line with the Group's strategies. To ensure compliant operations, it implemented local and overseas regulatory requirements, carried out in-depth rectification and accountability for regulatory initiatives such as the governance of market disruptions, on-site efficiency examination of risk management, as well as internal control and quarterly regulatory notifications. It also pushed forward compliance efforts in effective risk data aggregation and risk reporting. The Bank also optimised its comprehensive risk governance structure, enhanced the Group's consolidated management capabilities and refined the risk assessment process for new products. It promoted the implementation of advanced capital management approaches, accelerated the upgrading and application of its risk measurement model, and improved its risk-weighted asset (RWA) measurement detailed rules. At the same time, the Bank sped up the construction of its risk management information system, with its Global Limit Control System being awarded "First Prize for Banks' Technological Progress" by the PBOC. It strengthened its risk data governance, improved its risk data standards and risk reporting capability, and earnestly promoted the application of big data and other new technologies in risk management.

The risk management framework of the Bank is set forth below:



Credit Risk Management

Closely tracking changes in macroeconomic and financial conditions, the Bank controlled and mitigated credit risks. It adjusted the structure, promoted the development and consolidated the foundations of its credit risk management function. In addition, the Bank strengthened credit asset quality management, pushed forward the optimisation of its credit structure, further improved its credit risk management policies and took a proactive and forward-looking stance on risk management.

Taking a customer-centric approach, the Bank further strengthened its unified credit granting management and enhanced full-scope centralised credit risk management. It improved its long-acting credit management mechanism and asset quality monitoring system and further enhanced potential risk identification, control and mitigation mechanisms by intensifying post-lending management and reinforcing customer concentration management and control. The Bank enhanced the supervision of risk analysis and asset quality control in key regions and strengthened window guidance on all business lines. In order to effectively strengthen the management and control of customer concentration risk, the Bank constructed the management policies of large exposures, which specified the management structure, working process and measurement rules, etc.

The Bank continuously adjusted and optimised its credit structure. With the aim of advancing strategic implementation and balancing risk, capital and return, it stepped up the application of the New Basel Capital Accord and improved the management plans of its credit portfolios. In line with the government's macro-control measures and the direction of industrial policy, the Bank enacted guidelines for industrial lending and continued to push forward the building of an industrial policy system so as to optimise its credit structure.

In terms of corporate banking, the Bank further strengthened risk identification and control, proactively reduced and exited credit relationships in key fields, strictly controlled the gross outstanding amount and use of loans through limit management and prevented and mitigated risk from overcapacity industries. It intensified the management of loans to local government financing vehicles (LGFVs) and strictly controlled the outstanding balances. In addition, the Bank implemented the government's macro-control policies and regulatory measures in the real estate sector so as to strengthen the risk management of real estate loans. In terms of personal banking, the Bank improved unified credit granting management for personal customers and revised management policies for unsecured start-up loans, small-amount loans for poverty alleviation, and loans mortgaged against rural contracted land management rights or farmers' housing property rights, thus supporting the development of its inclusive finance business. It kept improving management policies for personal online loans and credit card overdrafts, in order to prevent the risks of excessive credit and cross-infection. The Bank enforced regulatory requirements and continued to strictly implement differentiated policies on residential mortgages. It also strengthened the risk control of key products and regions.

The Bank strengthened country risk management. It performed an annual review of country risk ratings and implemented limit management and control of country risk exposures. It pushed forward the production and launch of the new Country Risk System, realised timely tally of country risk exposure at the Group level and assess, monitor, analyse and report its exposures on a regular basis. The Bank also established a country risk monitoring and reporting system covering "yearly reporting and the timely reporting of material risk events", which made it possible to regularly publish country risk analysis reports within the Group and make timely assessments of the impact of material country risk events. In addition, the Bank adopted differentiated management of potentially high-risk and sensitive countries and regions. By concentrating its net exposures to country risk in countries and regions that are relatively low or low, the Bank contained its overall country risk at a reasonable level.

The Bank further stepped up the collection of NPAs. It re-allocated internal and external collection resources, and continued to adopt centralised and tiered management of NPA projects. It reinforced the supervision of key regions and key projects, in order to improve the quality and efficiency of disposals. The Bank proactively explored the application of "Internet Plus" in NPA collection, and diversified its disposal channels. In addition, it adopted policies based on the actual conditions of individual enterprises and took multiple measures where necessary. It gave full play to the role of creditor committee and enhanced the application of debt-for-equity swaps and restructuring efforts to help enterprises get out of difficulties, with the aim of realising mutual benefit for the Bank and the enterprises, and to support the real economy.

The Bank scientifically measured and managed the quality of credit assets based on the *Guidelines for Loan Credit Risk Classification*, which requires Chinese commercial banks to classify loans into the following five categories: pass, special-mention, substandard, doubtful and loss, among which loans classified as substandard, doubtful and loss are recognised as NPLs. In order to further refine its credit asset risk management, the Bank used a 13-tier risk classification criteria scheme for corporate loans to domestic companies, covering on-balance sheet and off-balance sheet credit assets. In addition, the Bank strengthened risk classification management of key industries, regions and material risk events, and dynamically adjusted classification results. It strengthened the management of loan terms, managed overdue loans by the name list system and made timely adjustments to risk classification results, so as to truly reflect asset quality. The overseas institutions of the Bank operated in line with the *Guidelines for Loan Credit Risk Classification* or the local applicable rules and requirements on credit risk classification, whichever is stricter.

As at the end of 2018, the Group's NPLs[6] totalled RMB166.941 billion, an increase of RMB8.472 billion compared with the prior year-end. The NPL ratio was 1.42%, down by 0.03 percentage point compared

6 The loans and advances to customers in "Risk Management — Credit Risk Management" section are exclusive of accrued interest.

with the prior year-end. The Group's allowance for impairment losses on loans and advances was RMB303.781 billion, an increase of RMB51.527 billion compared with the prior year-end. The coverage ratio of allowance for loan impairment losses to NPLs was 181.97%, up by 22.79 percentage points from the prior year-end. The NPLs of domestic institutions totalled RMB162.778 billion, an increase of RMB8.570 billion compared with the prior year-end. Domestic institutions' NPL ratio was 1.76%, down by 0.04 percentage point compared with the prior year-end. The Group's outstanding special-mention loans stood at RMB342.363 billion, an increase of RMB25.338 billion compared with the prior year-end, accounting for 2.90% of total loans and advances, down by 0.01 percentage point from the prior year-end.

Five-category Loan Classification

Unit: RMB million, except percentages

Items	As at 31 December 2018		As at 31 December 2017	
	Amount	**% of total**	Amount	% of total
Group				
Pass	**11,278,379**	**95.68%**	10,421,064	95.64%
Special-mention	**342,363**	**2.90%**	317,025	2.91%
Substandard	**49,788**	**0.42%**	59,265	0.54%
Doubtful	**49,341**	**0.42%**	45,404	0.42%
Loss	**67,812**	**0.58%**	53,800	0.49%
Total	**11,787,683**	**100.00%**	10,896,558	100.00%
NPLs	**166,941**	**1.42%**	158,469	1.45%
Domestic				
Pass	**8,818,838**	**95.10%**	8,140,120	94.83%
Special-mention	**291,933**	**3.15%**	288,857	3.37%
Substandard	**48,281**	**0.52%**	57,659	0.67%
Doubtful	**47,536**	**0.51%**	43,370	0.51%
Loss	**66,961**	**0.72%**	53,179	0.62%
Total	**9,273,549**	**100.00%**	8,583,185	100.00%
NPLs	**162,778**	**1.76%**	154,208	1.80%

Migration Ratio

Unit: %

Items	2018	2017	2016
Pass	**2.20**	1.97	3.05
Special-mention	**23.70**	20.37	19.39
Substandard	**51.89**	57.97	36.67
Doubtful	**33.57**	31.98	44.31

In accordance with IFRS 9, the Bank assesses expected credit losses (ECL) with forward-looking information and makes relevant allowances. In particular, it makes allowances for assets classified as stage 1 and assets classified as stage 2 and stage 3 according to ECL of 12 months and ECL of the entire lifetime of the asset, respectively. As at the end of 2018, the Group's stage 1, stage 2 and stage 3 loans totalled RMB11,183.826 billion, RMB433.375 billion and RMB166.952 billion respectively, accounting for 94.90%, 3.68% and 1.42% of total loans.

As at the end of 2018, the Group's credit-impaired loans totalled RMB166.952 billion, an increase of RMB9.070 billion compared with the prior year-end. The credit-impaired loans to total loans ratio was 1.42%, a decrease of 0.03 percentage point compared with the prior year-end. For domestic institutions, credit-impaired loans totalled RMB162.778 billion, an increase of RMB8.570 billion compared with the prior year-end. The credit-impaired loans to total loans ratio of domestic institutions was 1.76%, down by 0.04 percentage point compared with the prior year-end. The Bank's operations in Hong Kong, Macao, Taiwan and other countries and regions reported credit-impaired loans of RMB4.174 billion and a credit-impaired loans to total loans ratio of 0.17%, representing an increase of RMB500 million and an increase of 0.01 percentage point compared with the prior year-end respectively.

Movement of Credit-Impaired Loans

Unit: RMB million

Items	2018	2017	2016
Group			
Balance at the beginning of the year	**157,882**	145,311	130,237
Increase during the year	**83,009**	71,573	72,721
Decrease during the year	**(73,939)**	(59,002)	(57,647)
Balance at the end of the year	**166,952**	157,882	145,311
Domestic			
Balance at the beginning of the year	**154,208**	141,458	127,635
Increase during the year	**80,680**	69,854	70,700
Decrease during the year	**(72,110)**	(57,104)	(56,877)
Balance at the end of the year	**162,778**	154,208	141,458

Loans and Credit-Impaired Loans by Currency

Unit: RMB million

Items	As at 31 December 2018		As at 31 December 2017		As at 31 December 2016	
	Total loans	Impaired loans	Total loans	Impaired loans	Total loans	Impaired loans
Group						
RMB	**9,074,501**	**151,313**	8,325,013	145,605	7,607,730	130,301
Foreign currency	**2,713,182**	**15,639**	2,571,545	12,277	2,365,632	15,010
Total	**11,787,683**	**166,952**	10,896,558	157,882	9,973,362	145,311
Domestic						
RMB	**8,991,494**	**151,292**	8,243,556	145,540	7,480,833	130,277
Foreign currency	**282,055**	**11,486**	339,629	8,668	337,675	11,181
Total	**9,273,549**	**162,778**	8,583,185	154,208	7,818,508	141,458

The Bank makes adequate and timely allowances for loan impairment losses based on the expected credit loss module in accordance with the principles of authenticity and forward looking approach. Please refer to Notes II.4 and VI.3 to the Consolidated Financial Statements for the accounting policy in relation to allowances for impairment losses.

In 2018, the Group's impairment losses on loans and advances stood at RMB107.905 billion, an increase of RMB23.880 billion compared with the prior year. The credit cost was 0.95%, an increase of 0.14 percentage point compared with the prior year. Specifically, domestic institutions registered impairment losses on loans and advances of RMB106.850 billion, an increase of RMB25.481 billion compared with the prior year. The credit cost of domestic institutions was 1.20%, an increase of 0.21 percentage point compared with the prior year.

The Bank continued to focus on controlling borrower concentration risk and was in full compliance with regulatory requirements on borrower concentration.

Unit: %

Indicators	Regulatory Standard	As at 31 December 2018	As at 31 December 2017	As at 31 December 2016
Loan concentration ratio of the largest single borrower	≤10	**3.6**	3.8	2.3
Loan concentration ratio of the ten largest borrowers	≤50	**15.3**	17.4	14.2

Notes:

1 Loan concentration ratio of the largest single borrower = total outstanding loans to the largest single borrower ÷ net regulatory capital.

2 Loan concentration ratio of the ten largest borrowers = total outstanding loans to the top ten borrowers ÷ net regulatory capital.

Please refer to Notes V.17 and VI.3 to the Consolidated Financial Statements for detailed information regarding loan classification, stage determination, credit-impaired loans and allowance for loan impairment losses.

The following table shows the top ten individual borrowers as at the end of 2018.

Unit: RMB million, except percentages

	Industry	Related Parties or not	Outstanding loans	% of total loans
Customer A	Manufacturing	No	68,632	0.58%
Customer B	Transportation, storage and postal services	No	43,176	0.37%
Customer C	Transportation, storage and postal services	No	35,011	0.30%
Customer D	Commerce and services	No	25,312	0.21%
Customer E	Transportation, storage and postal services	No	23,868	0.20%
Customer F	Manufacturing	No	21,519	0.18%
Customer G	Production and supply of electricity, heating, gas and water	No	20,523	0.17%
Customer H	Commerce and services	No	20,185	0.17%
Customer I	Transportation, storage and postal services	No	18,350	0.16%
Customer J	Production and supply of electricity, heating, gas and water	No	16,521	0.14%

Market Risk Management

In response to changes in the market environment, the Bank continued to refine its market risk management system in order to effectively control its market risk.

The Bank actively adapted to changes in its business and the market by improving its market risk appetite transmission mechanism and refining its model for the Group's market risk limit management. It conducted forward-looking research and judgment regarding market risks and cross-financial risks in order to improve its counterparty credit risk management process and mechanism, thus bolstering its risk warning and mitigation capabilities. The Bank enhanced the accuracy of its risk measurement and improved its risk quantification capability by continuously advancing the construction of its market risk data mart and management system, and by studying and applying advanced risk measurement approaches. Please refer to Note VI.4 to the Consolidated Financial Statements for detailed information regarding market risk.

The Bank strengthened risk management of the Group's bond investments by closely tracking market volatility and changes in regulatory policy. Based on the market and business needs, it has shortened its response time to risks and made timely adjustments and refinements to its investment policies. In response to high default rates in the bond market, the Bank has improved the effectiveness of risk inspections and strengthened risk management and control in major areas.

The Bank assessed the interest rate risk in its banking book mainly through analysis of interest rate re-pricing gaps, made timely adjustments to the structure of its assets and liabilities based on changes in the market situation, and controlled the fluctuation of net interest income within an acceptable level. Assuming that the yield curves of all currencies were to shift up or down by 25 basis points in parallel, the Group's sensitivity analysis of net interest income on all currencies is as follows[7]:

Unit: RMB million

	As at 31 December 2018				As at 31 December 2017			
Items	**RMB**	**USD**	**HKD**	**Other**	RMB	USD	HKD	Other
Up 25 bps	**(3,520)**	**(670)**	**328**	**(274)**	(3,503)	(563)	360	(487)
Down 25 bps	**3,520**	**670**	**(328)**	**274**	3,503	563	(360)	487

In terms of exchange rate risk management, the Bank sought to achieve currency matching between fund source and application and managed exchange rate risk through timely settlement and hedging, thus effectively controlling its foreign exchange exposure.

7 This analysis is based on the approach prescribed by the CBIRC, which includes all off-balance sheet positions.

Liquidity Risk Management

The Bank endeavoured to develop a sound liquidity risk management system with the aim of effectively identifying, measuring, monitoring and controlling liquidity risk at the institution and Group level, including that of branches, subsidiaries and business lines, thus ensuring that liquidity demand is met in a timely manner and at a reasonable cost.

Adhering to an appropriate balance of safety, liquidity and profitability, and following regulatory requirements, the Bank improved its liquidity risk management in a forward-looking and scientific manner. The Bank enhanced liquidity risk management at the institution and Group level, including that of branches, subsidiaries and business lines. It formulated sound liquidity risk management policies and contingency plans, periodically re-examined liquidity risk limits, upgraded the early warning system for liquidity risk and strengthened the management of high-quality liquid assets, in order to strike an appropriate balance between risk and return. In addition, the Bank regularly improved its liquidity stress-testing scheme and performed stress tests on a quarterly basis. The stress tests showed that the Bank had adequate payment ability to cope with distressed scenarios.

As at the end of 2018, the Group's liquidity risk indicator met regulatory requirements. The Group's liquidity ratio is shown in the table below (in accordance with relevant provisions of domestic regulatory authorities):

Unit: %

Ratio		Regulatory standard	**As at 31 December 2018**	As at 31 December 2017	As at 31 December 2016
Liquidity ratio	RMB	≥25	**58.7**	47.1	45.6
	Foreign currency	≥25	**54.8**	56.9	52.7

Liquidity gap analysis is one of the methods used by the Bank to assess liquidity risk. Liquidity gap results are periodically calculated, monitored and used for sensitivity analysis and stress testing. As at the end of 2018, the Bank's liquidity gap was as follows (please refer to Note VI.5 to the Consolidated Financial Statements):

Unit: RMB million

Items	**As at 31 December 2018**	As at 31 December 2017
Overdue/undated	**2,071,988**	2,213,972
On demand	**(7,669,897)**	(6,879,942)
Up to 1 month	**(651,459)**	(1,429,232)
1–3 months (inclusive)	**(591,520)**	(312,210)
3–12 months (inclusive)	**(54,305)**	163,908
1–5 years (inclusive)	**3,238,374**	3,050,952
Over 5 years	**5,382,216**	4,769,231
Total	**1,725,397**	1,576,679

Note: Liquidity gap = assets that mature in a certain period – liabilities that mature in the same period.

Reputational Risk Management

The Bank earnestly implemented regulatory requirements on reputational risk management, continued to enhance its reputational risk management system and mechanism and strengthened the consolidated management of reputational risk, so as to enhance the overall reputational risk management level of the Group. It attached great importance to the investigation and pre-warning of potential reputational risk factors, further improved its routine public opinion monitoring capability, conducted reputational risk identification, assessment and reporting, established a coordination mechanism between reputational risk management departments and liable departments and dealt appropriately with reputational risk events, thus effectively maintaining the brand reputation of the Group. In addition, the Bank continued to roll out reputational risk training so as to enhance employees' awareness and foster a culture of reputational risk management across the Group.

Internal Control and Operational Risk Management

Internal Control

The Board of Directors, senior management and their special committees earnestly performed their duties regarding internal control and supervision, emphasising early risk warning and prevention, so as to improve the Group's level of compliance operation.

The Bank continued to adopt the "three lines of defence" mechanism for internal control. The first line of defence consists of business departments and all banking outlets. They are the owners of, and are accountable for, local risks and controls. They undertake self-directed risk control and management functions in the course of their business operations, including formulating and implementing policies, conducting business examination, reporting control deficiencies and organising rectifications.

The internal control and risk management departments of the Bank's institutions at all levels form the second line of defence. They are responsible for the overall planning, implementing, examining and assessing of risk management and internal control, as well as for identifying, measuring, monitoring and controlling risks. They led the first line of defence to enhance its use of the Group's operational risk monitoring and analysis platform. Through regular monitoring of material risks, the Bank identified and mitigated risks in a timely manner and promoted the optimisation of business processes and systems.

The third line of defence rests in the audit and inspection departments of the Bank. The audit department is responsible for performing internal audit of the Bank's internal control and risk management in respect of its adequacy and effectiveness. The inspection department is responsible for staff non-compliance sanctions, investigation of cases and management accountability. The Bank continuously strengthened education and raised employees' awareness of moral hazards. It reinforced employee behaviour management, seriously investigated internal fraud cases and strictly pursued accountability according to the basic principles of "inquiry of four accountable subjects into one case", "both institutional and business-line management accountability" and "management two levels higher than the branch-outlet accountable where serious fraud occurs". The Bank also continued to push forward the reform of its human resource management system for the audit line, and further intensified the vertical management of its audit function. It enhanced audit team-building, accelerated the implementation of the three-year plan for IT applications in audit, reinforced the use of IT-based audit approaches and further advanced circulatory monitoring. Taking an issue-oriented approach, the Bank focused on comprehensive audits of its institutions and special audits of its businesses. It strengthened audits and inspections of high-risk institutions and businesses, as well as fields prioritised by the Group and of special concern to regulators. Focused on systemic, trend, emergence and importance issues, it brought the audit function forward in its business process, so as to practically perform its internal audit function. It re-examined and optimised rectification procedures in order to improve rectification quality and efficiency, urged the effective rectification of audit findings, and thereby continually improved the Bank's internal governance and control mechanism.

Rigorously implementing the requirements of the CBIRC regarding further rectification of market disruption in the banking sector, the Bank organised bank-wide risk inspections to actively identify and mitigate risks. It launched a staff compliance file system to reinforce behaviour management and foster a compliance culture. In addition, the Bank developed an internal control and compliance management evaluation system so as to enhance the routine management and control of its branches.

The Bank continued to implement the *Basic Standard for Enterprise Internal Control* and its supporting guidelines, adhering to the primary goal of ensuring the effectiveness of its internal control over financial reporting and the accuracy of its financial information. It also constantly improved non-financial internal control. The Bank earnestly implemented the *Guidelines for Internal Control of Commercial Banks* by following the basic principles of "complete coverage, checks and balances, prudence and correspondence", so as to promote internal control governance and an organisational structure characterised by a reasonable delegation of work, well-defined responsibilities and clear reporting relationships.

The Bank established and implemented a systematic financial accounting policy framework in accordance with relevant accounting laws and regulations. Accordingly, its accounting basis was solidified and the level of standardisation and refinement of its financial accounting management was further improved. The Bank has endeavoured to further the qualification of accounting groundwork and establish the long-term accounting management mechanism since 2018. It continuously strengthened the quality management of its accounting information, so as to ensure the internal control effectiveness over financial reporting. The financial statements of the Bank were prepared in accordance with the applicable accounting standards and related accounting regulations, and the financial position, operational performance and cash flows of the Bank were fairly presented in all material respects.

The Bank paid close attention to fraud risk prevention and control, proactively identifying, assessing, controlling and mitigating risks. In 2018, the Bank succeeded in preventing 229 external cases involving RMB180 million.

Operational Risk Management

The Bank continuously improved its operational risk management system. It promoted the application of operational risk management tools, including Risk and Control Assessment (RACA), Key Risk Indicators (KRI) and Loss Data Collection (LDC), etc., to identify, assess and monitor operational risks, thus continuously improving its risk management measures. The Bank enhanced its system support capability by optimising its operational risk management information system. It strengthened its business continuity management system, optimised its operating mechanism to enhance its business operating sustainability, carried out disaster recovery drills and improved the Group's capacity for continuous business operation.

Compliance Management

The Bank continuously improved its compliance risk governance mechanism and management process to ensure the stable and sound development and sustainable operation of the Group. It strengthened the construction of the anti-money-laundering (AML) system, integrated resources for monitoring and analysis, and refined the AML policies and rules system. It pushed forward system and model building and improved the system functions. The Bank reinforced sanction compliance management. It made timely amendments to sanction compliance policies, improved sanction procedures and standardised list maintenance, due diligence, judgment, handling and strengthened sanctions compliance monitoring and management. It drove forward overseas compliance management and improved its cross-border compliance management system by tracking global regulatory trends, regulatory inspection and evaluation as well as other compliance risk information in a timely manner, by implementing the requirements of regulators, and by improving its overseas compliance management capabilities. It delivered the All Employee AML Training Plan by conducting various forms of AML training, so as to enhance all employees' compliance awareness and abilities.

The Bank enhanced the management of its connected transactions and internal transactions. It stepped up efforts in the management of connected parties and consolidated the foundation of its connected transaction management. It strengthened the routine monitoring and examination of connected transactions and strictly controlled their risks. In addition, it continuously implemented internal transaction monitoring and reporting, guided and standardised the operation mechanism for internal transaction verification, and initiated the construction of an internal transaction management system, thereby improving the technological capabilities of its internal transaction management.

Capital Management

Adhering to the principle of value creation, the Bank continuously strengthened its capital management system to ensure bank-wide capital sufficiency and a relatively strong risk mitigation capability, thus further improving its capital efficiencies and value creation capabilities.

The Bank persevered in pursuing the concept of high-quality development and heightened awareness of value creation. It improved its capital budget allocation mechanism, established a remuneration allocation system linked to value creation, and strengthened the management of capital assessment. It optimised its on-balance sheet and off-balance sheet asset structures, developed capital-light businesses, reduced the risk weighting of capital and reasonably controlled increases in off-balance sheet risk assets, so as to enhance value contribution. The Bank replenished its capital via external financing in a proactive and prudent manner. It successfully issued a total of RMB80.0 billion of tier 2 capital bonds in the domestic market, which effectively increased its capital adequacy. As at the end of 2018, the Bank's capital adequacy ratio had significantly increased, further consolidated its capital base. The Bank will continue to optimise its capital management, promote high-quality development of all of its businesses and constantly create value for shareholders.

Capital Adequacy Ratios

As at the end of 2018, the capital adequacy ratios separately calculated in accordance with the *Capital Rules for Commercial Banks (Provisional)* and the *Regulation Governing Capital Adequacy of Commercial Banks* are listed below:

Capital Adequacy Ratios

Unit: RMB million, except percentages

Items	Group		Bank	
	As at 31 December 2018	As at 31 December 2017	**As at 31 December 2018**	As at 31 December 2017
Calculated in accordance with the *Capital Rules for Commercial Banks (Provisional)*				
Net common equity tier 1 capital	**1,465,769**	1,356,088	**1,251,056**	1,180,299
Net tier 1 capital	**1,575,293**	1,461,090	**1,350,770**	1,280,013
Net capital	**1,922,350**	1,725,330	**1,683,893**	1,526,537
Common equity tier 1 capital adequacy ratio	**11.41%**	11.15%	**11.08%**	10.85%
Tier 1 capital adequacy ratio	**12.27%**	12.02%	**11.96%**	11.77%
Capital adequacy ratio	**14.97%**	14.19%	**14.92%**	14.04%
Calculated in accordance with the *Regulation Governing Capital Adequacy of Commercial Banks*				
Core capital adequacy ratio	**11.63%**	11.69%	**10.96%**	11.39%
Capital adequacy ratio	**15.01%**	14.56%	**14.53%**	14.36%

Please refer to Note VI.7 to the Consolidated Financial Statements for detailed information.

Leverage Ratio

As at the end of 2018, the leverage ratio calculated in accordance with the *Administrative Measures for the Leverage Ratio of Commercial Banks (Revised)* and the *Capital Rules for Commercial Banks (Provisional)* is listed below:

Unit: RMB million, except percentages

Items	**As at 31 December 2018**	As at 31 December 2017
Net tier 1 capital	**1,575,293**	1,461,090
Adjusted on- and off-balance sheet assets	**22,700,133**	20,927,313
Leverage ratio	**6.94%**	6.98%

Please refer to Supplementary Information II.5 to the Consolidated Financial Statements for detailed information.