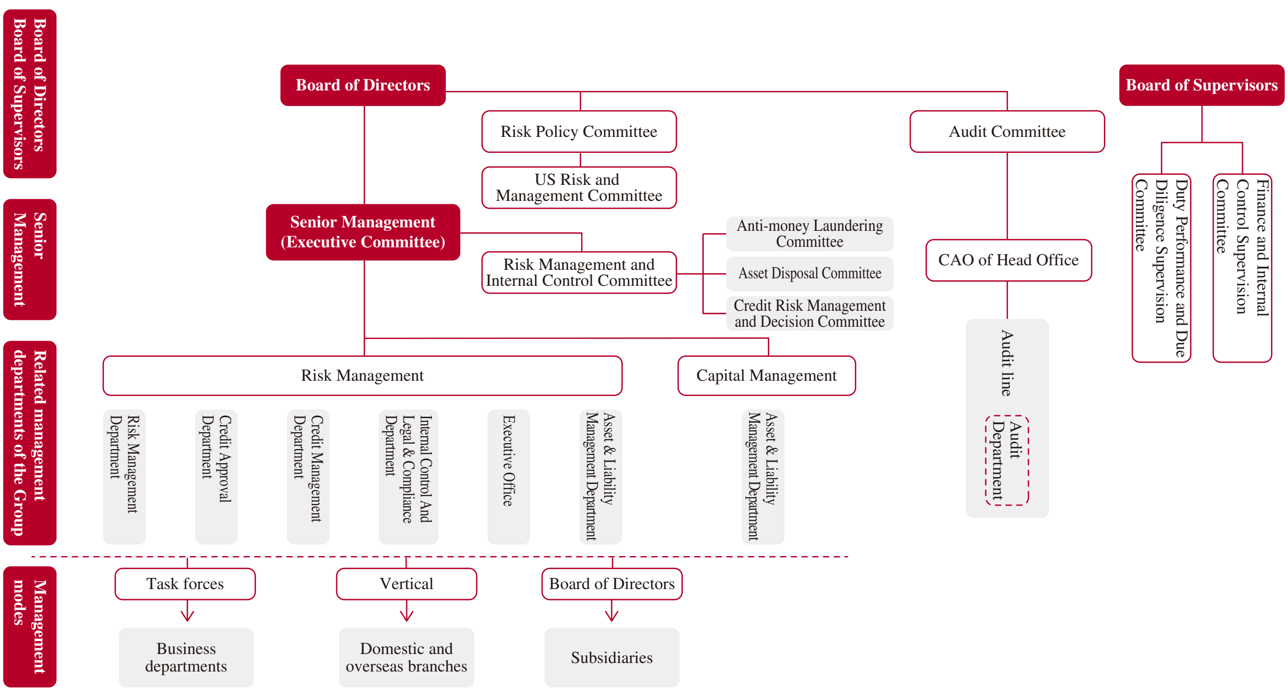
Management Discussion and Analysis

Risk Management

Management Discussion and Analysis — Risk Management

The Bank continued to improve its risk management system in line with the Group's strategies. Amid the global spread of COVID-19 and the economic downturn, the Bank strengthened emergency management, established a pandemic response mechanism at the Group level, focused on potential risks in key areas, and reinforced the risk management and control of its domestic and overseas institutions. It fully implemented regulatory requirements, and carried out rectification and accountability for the CBIRC's initiatives such as "review of market disruption rectification" and quarterly regulatory notifications. The Bank continued to improve the compliance of its effective risk data aggregation and risk reporting, moved ahead with the establishment of an implementation mechanism for new regulations on online loans, and actively responded to reform of the inter-bank offered rate (IBOR), so as to ensure compliant operation. It also refined its risk management system, promoted the building of the "Three Lines of Defence" for risk management, updated the Group's risk appetite, and strengthened the development of business departments as the middle office of risk control. In addition, the Bank established a multi-tiered consolidated risk management system to improve the effectiveness of the Group's consolidated risk management and control. It pushed forward capital-saving transformation, consolidated the foundation for the Basel III implementation, made stress tests more responsive, and enriched its comprehensive risk measurement and monitoring tools. It also consolidated the foundations of the IT system for risk management, continued to expand scenarios for risk data intelligent application, and actively promoted risk data governance.

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



Credit Risk Management

Closely tracking changes in macroeconomic and financial conditions, the Bank further improved its credit risk management policies, strengthened credit asset quality management, and took a more proactive and forward-looking stance on risk management.

The Bank continuously adjusted and optimised its credit structure. With the aim of advancing strategic implementation and balancing risk, capital and return, it improved the management plans for its credit portfolios. In line with national industrial policy orientation, the Bank intensified its support to the real economy, bolstered the improvement of weak links

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in infrastructure, scaled up support for such areas as new infrastructure and new urbanisation initiatives and major transportation and water conservancy projects, and boosted the high-quality development of the manufacturing industry. It also enacted guidelines for industrial lending and continued to push forward the building of an industrial policy system, so as to optimise its credit structure.

Taking a customer-centric approach, the Bank further strengthened its unified credit granting management and enhanced full-scope centralised credit risk management. It continuously improved its long-acting credit management mechanism and asset quality monitoring system, strengthened the control of customer concentration, and further raised the effectiveness of potential risk identification, control and mitigation. The Bank enhanced the supervision of risk analysis and asset quality control in key regions under attention, and strengthened the window guidance, inspection and post-assessment of its business lines. In addition, it constantly identified, measured and monitored large exposures in line with related management requirements.

In terms of corporate banking, the Bank further strengthened risk identification and control in key fields and proactively reduced and exited credit relationships in such fields. It strictly controlled the outstanding amount and use of loans through limit management, and prevented and mitigated risk from overcapacity industries. 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 reinforced the management of credit granting approval, set strict access standards, intensified process monitoring, and prevented the risks of excessive credit and cross-infection while supporting the development of its personal credit business.

The Bank stepped up efforts in the mitigation of NPAs, and continued to adopt the centralised and tiered management of NPA projects. It reinforced the supervision of key regions and key projects, and improved the quality and efficiency of disposal. The Bank proactively explored the application of "Internet Plus" in NPA collection, and diversified its disposal channels. In addition, it enhanced the application of write-off and debt-for-equity swaps to consolidate asset quality and prevent and resolve financial risks.

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 companies in the Chinese mainland, 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 was stricter.

As at the end of 2020, the Group's NPLs[5] totalled RMB207.273 billion, an increase of RMB29.038 billion compared with the prior year-end. The NPL ratio was 1.46%, an increase of 0.09 percentage point compared with the prior year-end. The Group's allowance for impairment losses on loans and advances was RMB368.619 billion, an increase of RMB42.696 billion compared with the prior year-end. The coverage ratio of allowance for loan impairment losses to NPLs was 177.84%, a decrease of 5.02 percentage points compared with the prior year-end. The NPLs of the Bank's institutions in the Chinese mainland totalled RMB189.985 billion, an increase

5 Total loans and advances to customers in "Risk Management — Credit risk management" section are exclusive of accrued interest.

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of RMB20.034 billion compared with the prior year-end. The NPL ratio of the Bank's institutions in the Chinese mainland was 1.65%, maintaining a similar level as compared with the prior year-end. The Group's outstanding special-mention loans stood at RMB264.594 billion, a decrease of RMB24.720 billion compared with the prior year-end, accounting for 1.87% of total loans and advances, down by 0.35 percentage point from the prior year-end.

Five-category Loan Classification

Unit: RMB million, except percentages

	As at 31 December 2020		As at 31 December 2019	
Items	Amount	% of total	Amount	% of total
Group				
Pass	**13,711,518**	**96.67%**	12,566,640	96.41%
Special-mention	**264,594**	**1.87%**	289,314	2.22%
Substandard	**125,118**	**0.88%**	77,459	0.59%
Doubtful	**33,823**	**0.24%**	51,804	0.40%
Loss	**48,332**	**0.34%**	48,972	0.38%
Total	**14,183,385**	**100.00%**	13,034,189	100.00%
NPLs	**207,273**	**1.46%**	178,235	1.37%
Chinese mainland				
Pass	**11,089,055**	**96.41%**	9,885,045	95.95%
Special-mention	**222,751**	**1.94%**	247,412	2.40%
Substandard	**115,873**	**1.01%**	72,611	0.70%
Doubtful	**31,078**	**0.27%**	50,334	0.49%
Loss	**43,034**	**0.37%**	47,006	0.46%
Total	**11,501,791**	**100.00%**	10,302,408	100.00%
NPLs	**189,985**	**1.65%**	169,951	1.65%

Migration Ratio

Unit: %

Items	2020	2019	2018
Pass	**1.21**	1.40	2.20
Special-mention	**32.66**	21.45	23.70
Substandard	**24.68**	40.86	51.89
Doubtful	**28.62**	18.76	33.57

In accordance with IFRS 9, the Bank assesses expected credit losses 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 the expected credit losses over 12 months and the expected credit losses over the entire lifetime of the asset, respectively. As at the end of 2020, the Group's stage 1 loans totalled RMB13,642.318 billion, accounting for 96.21% total loans; stage 2 loans totalled RMB330.133 billion, accounting for 2.33% total loans; and stage 3 loans totalled RMB207.273 billion, accounting for 1.46% total loans.

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As at the end of 2020, the Group's credit-impaired loans totalled RMB207.273 billion, an increase of RMB29.038 billion compared with the prior year-end. The credit-impaired loans to total loans ratio was 1.46%, an increase of 0.09 percentage point compared with the prior year-end. Credit-impaired loans of the Bank's institutions in the Chinese mainland totalled RMB189.985 billion, an increase of RMB20.034 billion compared with the prior year-end. The credit-impaired loans to total loans ratio of the Bank's institutions in the Chinese mainland was 1.65%, keeping the same level 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 RMB17.288 billion and a credit-impaired loans to total loans ratio of 0.64%, an increase of RMB9.004 billion and an increase of 0.34 percentage point compared with the prior year-end respectively.

Movement of Credit-Impaired Loans

Unit: RMB million

Items	2020	2019	2018
Group			
Balance at the beginning of the year	**178,235**	166,952	157,882
Increase during the year	**100,392**	94,870	83,009
Decrease during the year	**(71,354)**	(83,587)	(73,939)
Balance at the end of the year	**207,273**	178,235	166,952
Chinese mainland			
Balance at the beginning of the year	**169,951**	162,778	154,208
Increase during the year	**86,209**	88,658	80,680
Decrease during the year	**(66,175)**	(81,485)	(72,110)
Balance at the end of the year	**189,985**	169,951	162,778

Loans and Credit-Impaired Loans by Currency

Unit: RMB million

	As at 31 December 2020		As at 31 December 2019		As at 31 December 2018	
Items	Total loans	Impaired loans	Total loans	Impaired loans	Total loans	Impaired loans
Group						
RMB	**11,313,067**	**164,072**	10,125,083	150,532	9,074,501	151,313
Foreign currency	**2,870,318**	**43,201**	2,909,106	27,703	2,713,182	15,639
Total	**14,183,385**	**207,273**	13,034,189	178,235	11,787,683	166,952
Chinese mainland						
RMB	**11,245,545**	**161,651**	10,041,692	149,808	8,991,494	151,292
Foreign currency	**256,246**	**28,334**	260,716	20,143	282,055	11,486
Total	**11,501,791**	**189,985**	10,302,408	169,951	9,273,549	162,778

The Bank makes adequate and timely allowances for loan impairment losses based on the expected credit loss (ECL) module in accordance with the principles of authenticity and forward-lookingness. 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.

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In 2020, the Group's impairment losses on loans and advances stood at RMB103.630 billion, an increase of RMB4.859 billion compared with the prior year. The credit cost was 0.76%, down 0.04 percentage point compared with the prior year. Specifically, the Bank's institutions in the Chinese mainland registered impairment losses on loans and advances of RMB93.585 billion, a decrease of RMB3.871 billion compared with the prior year. The credit cost of the Bank's institutions in the Chinese mainland was 0.86%, down 0.14 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 2020	As at 31 December 2019	As at 31 December 2018
Loan concentration ratio of the largest single borrower	≤10	**2.8**	3.2	3.6
Loan concentration ratio of the ten largest borrowers	≤50	**13.9**	14.5	15.3

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 2020.

Unit: RMB million, except percentages

	Industry	Related Parties or not	Outstanding loans	% of total loans
Customer A	Transportation, storage and postal services	No	68,501	0.48%
Customer B	Manufacturing	No	42,423	0.30%
Customer C	Transportation, storage and postal services	No	37,372	0.26%
Customer D	Production and supply of electricity, heating, gas and water	No	34,940	0.25%
Customer E	Commerce and services	No	34,483	0.24%
Customer F	Transportation, storage and postal services	No	32,380	0.23%
Customer G	Transportation, storage and postal services	No	23,953	0.17%
Customer H	Manufacturing	No	22,843	0.16%
Customer I	Real estate	No	22,000	0.16%
Customer J	Transportation, storage and postal services	No	21,351	0.15%

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 enhanced the quality and efficiency of its market risk management by improving its market risk appetite transmission mechanism and optimising the Group's market risk limit management model. It strengthened market judgment and analysis, and made risk management more flexible, proactive and forward-looking. It effectively implemented regulatory requirements, intensified and coordinated derivative risk management and control, conducted more forward-looking management and control of counterparty credit risk, and enhanced risk warning and mitigation capacity. It continuously promoted the building of the market risk system, optimised risk measurement models and refined risk management. Please refer to Note VI.4 to the Consolidated Financial Statements for detailed information regarding market risk.

The Bank continued to strengthen risk control of securities investment, strengthened the early-warning and tracking of domestic bond market defaults, enhanced its post-investment monitoring and early-warning capability, and consolidated the quality control of its bond investment business. The Bank also further strengthened the Group's coordinated management of the risks arising in the securities and asset management businesses.

In terms of exchange rate risk management, the Bank sought to achieve currency matching between fund source and application. The Bank controlled its foreign exchange exposure through currency conversion and hedging, thus maintained its exchange rate risk at a reasonable level.

Management of Interest Rate Risk in the Banking Book

Based on the principles of "matching, comprehensiveness and prudence", the Bank strengthened the management of interest rate risk in the banking book (IRRBB). The Bank's IRRBB management strategy is to control risks within an acceptable level by considering factors such as the Bank's risk appetite and risk profile, as well as macroeconomic and market conditions, so as to achieve a reasonable balance between risk and return, and thus maximise shareholder value.

The Bank assessed the interest rate risk in the banking book mainly through the analysis of interest rate repricing gaps, and made timely adjustments to the structure of its assets and liabilities, optimised the internal and external pricing strategy or implemented risk hedging based on changes in the market situation. 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[6].

Unit: RMB million

	As at 31 December 2020				As at 31 December 2019			
Items	**RMB**	**USD**	**HKD**	**Other**	RMB	USD	HKD	Other
Up 25 bps	**(3,405)**	**(921)**	**16**	**203**	(3,962)	(1,077)	534	(29)
Down 25 bps	**3,405**	**921**	**(16)**	**(203)**	3,962	1,077	(534)	29

6 This analysis includes interest-sensitive off-balance sheet positions.

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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. It 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 test results indicated that the Bank had adequate payment ability to cope with distressed scenarios.

As at the end of 2020, the Group's liquidity risk indicator met regulatory requirements. The Group's liquidity ratio is shown in the table below (in accordance with the relevant provisions of regulatory authorities in the Chinese mainland):

Unit: %

Ratio		Regulatory standard	As at 31 December 2020	As at 31 December 2019	As at 31 December 2018
Liquidity ratio	RMB	≥25	**54.5**	54.6	58.7
	Foreign currency	≥25	**58.6**	60.4	54.8

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 2020, 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 2020	As at 31 December 2019
Overdue/undated	**2,036,554**	2,077,009
On demand	**(8,932,662)**	(8,035,944)
Up to 1 month	**(693,580)**	(1,010,716)
1–3 months (inclusive)	**(143,909)**	(348,821)
3–12 months (inclusive)	**70,657**	269,460
1–5 years (inclusive)	**2,895,333**	2,721,272
Over 5 years	**6,930,444**	6,304,436
Total	**2,162,837**	1,976,696

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

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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 its overall reputational risk management capabilities. It attached great importance to the investigation and pre-warning of potential reputational risk factors, strengthened public opinion monitoring, continued to conduct 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 protecting its brand reputation. 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.

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, emphasised early risk warning and prevention, and thus improved 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, and are responsible for handling employee violations and management accountability. 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 department of the Bank. The audit department is responsible for performing internal audits of the Bank's internal control and risk management in respect of its adequacy and effectiveness. The Bank explored the reform of its management system for the audit line, and further intensified the vertical management of its audit function. 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 those fields of special concern to regulators and prioritised by the Group. The audit department concentrated its attention on systemic, trending, emerging and important issues, so as to promote the implementation of the audit working mechanism for identifying and revealing material risks. The Bank strengthened the rectification of audit findings, and clarified the primary responsible parties for the rectification. Meanwhile, it deepened the application of audit results, and urged timely and effective rectification of issues. The Bank also continued to enhance audit team building, promoted the implementation of the three-year plan for IT applications in audit, and further reinforced the use of IT-based audit approaches in audit.

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The Bank devoted great efforts to internal control and case prevention management, consolidated the liabilities of primary responsible parties and took multiple control measures. It consistently improved its internal control rules, process and system, stepped up efforts in the building of its internal control inspection team and organised bank-wide risk screening, thereby improving the quality and efficiency of internal control and case prevention. The Bank also focused on the rectification of issues or findings, raised employees' compliance awareness and fostered an internal control compliance culture.

The Bank continued to implement the *Basic Standard for Enterprise Internal Control* and its supporting guidelines, and 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 lines.

The Bank established and implemented a systematic financial accounting policy framework in accordance with relevant accounting laws and regulations. As such, 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 implement sound accounting standards and establish a long-term accounting management mechanism since 2019. It continuously strengthened the quality management of its accounting information, so as to ensure 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 2020, the Bank succeeded in preventing 178 external cases involving RMB384 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 risk, and further standardised the operational risk reporting mechanism, thus continuously improving its risk management measures. The Bank enhanced its IT-system support capability by optimising its operational risk management information system. It strengthened its business continuity management system, optimised its operating mechanism to enhance operational sustainability, improved business continuity rules and regulations, conducted business impact analysis, refined contingency plans, carried out business continuity drills, proactively addressed the COVID-19 pandemic and improved the Group's business continuity capacity.

Compliance Management

The Bank continuously improved its compliance risk governance mechanism and management process to ensure the stable development and sustainable operation of the Group. It strengthened its anti-money-laundering (AML) and sanction compliance policies and procedures, optimised AML resource allocation, deepened AML efforts and strengthened sanction compliance monitoring and management. It intensified system and model building and improved system functionality. The Bank continuously strengthened the establishment of a robust management framework for overseas compliance, improved the compliance risk assessment programme, refined relevant management policies, and enhanced the compliance management capabilities of overseas institutions. It improved the AML and sanction compliance training management mechanism and conducted various forms of compliance training, so as to enhance all employees' compliance awareness and abilities.

The Bank enhanced the management of its connected transactions and internal transactions. It improved 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, and enhanced the review mechanism for internal transactions. It also improved the connected transaction monitoring system and internal transaction management system, and thereby enhanced the IT application in management.

Country Risk Management

The Group incorporates country risk into its comprehensive risk management system in strict accordance with regulatory requirements. It manages and controls country risk through a series of management tools, including country risk rating, country risk limit, statistics and monitoring of country risk exposures, and provisioning of allowances.

In face of the extremely complicated international situation, the Bank continued to strengthen country risk management in strict accordance with regulatory requirements and based on business development needs. It reviewed the Group's country risk across the board and made timely adjustments to the country risk limit. It actively pushed forward the provisioning of country risk allowances and enhanced its ability to offset country risk. It also reviewed and optimised the methodology for country risk rating and limit approval, and made rating and limit management more reasonable and effective. What's more, the Bank optimised the country risk management system, and strengthened the monitoring and reporting of country risk exposures. The Group's country risk exposures were mainly concentrated in countries and regions with low and relatively low country risk, and the overall country risk was controlled at a reasonable level.

Capital Management

The Bank's capital management objectives are to ensure capital adequacy, promote the Group's business development, resist various risks including credit risk, market risk and operational risk, guarantee that the Group and related institutions always meet capital regulatory requirements, and improve its capital use efficiency and value creation capabilities.

In order to realise these objectives, the Bank has formulated a medium- and long-term plan for capital management and defined the capital management principles and measures. In accordance with regulatory policies, the Bank carried out the internal capital adequacy assessment process. The Bank improved the economic capital budget and assessment mechanism, strengthened the application of value creation indicators in resource allocation, and heightened the Group's awareness of capital saving and value creation. The Bank optimised its on- and off-balance sheet asset structure, actively developed capital-light businesses, reasonably controlled the risk weight of assets, and strived to improve the endogenous capacity of capital. The Bank replenished capital through external financing channels in a prudent manner to consolidate its capital base.

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In 2020, the Bank successfully issued USD2.820 billion of preference shares, RMB90.0 billion of undated capital bonds and RMB75.0 billion of tier 2 capital bonds, further enhancing its capital strength. It strengthened the management of existing capital instruments and redeemed RMB32.0 billion of domestic preference shares, effectively reducing the cost of capital. The Bank continually reinforced internal management, with RWA growing at a slower pace than total assets. As at the end of 2020, the Group's capital adequacy ratio reached 16.22%, an increase of 0.63 percentage point from the end of 2019, remaining at a robust and reasonable level.

Capital Adequacy Ratios

As at the end of 2020, the capital adequacy ratios calculated in accordance with the *Capital Rules for Commercial Banks (Provisional)* are listed below:

Unit: RMB million, except percentages

	Group		Bank	
Items	**As at 31 December 2020**	As at 31 December 2019	**As at 31 December 2020**	As at 31 December 2019
Net common equity tier 1 capital	**1,704,778**	1,596,378	**1,441,977**	1,346,623
Net tier 1 capital	**1,992,621**	1,806,435	**1,719,467**	1,546,517
Net capital	**2,451,055**	2,201,278	**2,162,054**	1,927,188
Common equity tier 1 capital adequacy ratio	**11.28%**	11.30%	**10.99%**	10.99%
Tier 1 capital adequacy ratio	**13.19%**	12.79%	**13.10%**	12.62%
Capital adequacy ratio	**16.22%**	15.59%	**16.47%**	15.72%

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

Leverage Ratio

As at the end of 2020, 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 2020**	As at 31 December 2019
Net tier 1 capital	**1,992,621**	1,806,435
Adjusted on- and off-balance sheet assets	**25,880,515**	24,303,201
Leverage ratio	**7.70%**	7.43%

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