CHINA CONSTRUCTION BANK (ASIA) CORPORATION LIMITED

Regulatory Disclosure Statement

For the year ended

31 December 2019

(Unaudited)

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Introduction

The Information contained in this document is for China Construction Bank (Asia) Limited ("the Bank") and its subsidiaries ("the Group"), and is prepared in accordance with the Banking (Disclosure) Rules ("BDR") and disclosure templates issued by the Hong Kong Monetary Authority ("HKMA").

These banking disclosures are governed by the Group's disclosure policy, which has been approved by the Board. The disclosure policy sets out the governance, control and assurance requirements for publication of the document. While the regulatory disclosure statement is not required to be externally audited, the document has been subject to independent review in accordance with the Group's policies on disclosure and its financial reporting and governance processes.

The numbers in this document are expressed in thousands of Hong Kong Dollars, unless otherwise stated.

Basis of preparation

Except where indicated otherwise, the financial information contained in this Regulatory Disclosure Statement has prepared on a combined basis. The basis of consolidation for regulatory purposes is different from that for accounting purposes. Information regarding subsidiaries that are not included in the consolidation for regulatory purposes is set out in the "Basis of consolidation" section in this document.

The capital adequacy ratios ("CAR") were compiled in accordance with the Banking (Capital) Rules ("BCR") issued by the Hong Kong Monetary Authority ("HKMA"). In calculating the risk weighted assets, the Group adopted the Standardised (Credit Risk) Approach and the Standardised (Market Risk) Approach for credit risk and market risk respectively. For operational risk, the capital requirement is calculated using the Basic Indicator Approach.

Basis of consolidation

The basis of consolidation for regulatory purposes is different from that for accounting purposes. Subsidiaries included in the consolidation for regulatory purposes are specified in a notice from the HKMA in accordance with Section 3C(1) of the BCR.

The CAR as at 31 December 2019 were computed on a consolidated basis, including the Bank and its subsidiaries, CCB Hong Kong Property Management Company Limited and all of its subsidiaries ("CCBP Group") and CCB (Asia) Insurance Broker Limited.

The main difference between the consolidation basis for accounting and regulatory purposes is that the former includes the Bank and all its subsidiaries and a joint venture whereas the latter excludes CCB Securities Limited ("CCBS"), CCB Nominee Limited ("CCBN") and CCB (Asia) Trustee Company Limited ("CCBT") which conduct nonbanking related business. In accordance with the thresholds as determined in Part 3 of the BCR, the Bank's shareholdings in CCBS, CCBN and CCBT were included in the total risk weighted assets of the Group.

The following entities are within the Group's accounting scope of consolidation but are excluded from its regulatory scope of consolidation as at 31 December 2019.

		As of 31 December 2019	
Name of company	**Principal activities**	**Total assets HK$ thousands**	**Total equity HK$ thousands**
CCB Securities Limited	Securities brokerage business	1,075,418	620,706
CCB Nominee Limited	Custodian and nominee services	39,577	39,474
CCB (Asia) Trustee Company Limited	Trustee and custodian business	115,710	54,947

KM1: Key Prudential Ratios

The following table provides an overview of the Bank's key prudential ratios which were calculated in accordance with the Banking (Capital) Rules and Banking (Liquidity) Rules, issued by the HKMA.

		(a)	(b)	(c)	(d)	(e)
	In HK$ thousands	**31 Dec 2019**	**30 Sep 2019**	**30 Jun 2019**	**31 Mar 2019**	**31 Dec 2018**
	Regulatory capital (amount)					
1	Common Equity Tier 1 (CET1)	57,152,934	56,496,340	55,430,792	54,758,877	53,465,029
2	Tier 1	68,865,774	64,308,072	63,242,524	62,570,609	61,276,761
3	Total capital	72,003,976	67,275,804	71,952,991	71,126,508	69,796,041
	RWA (amount)					
4	Total RWA	393,410,290	380,713,496	368,331,065	354,070,162	353,506,502
	Risk-based regulatory capital ratios (as a percentage of RWA)					
5	CET1 ratio (%)	14.53%	14.84%	15.05%	15.47%	15.12%
6	Tier 1 ratio (%)	17.50%	16.89%	17.17%	17.67%	17.33%
7	Total capital ratio (%)	18.30%	17.67%	19.53%	20.09%	19.74%
	Additional CET1 buffer requirements (as a percentage of RWA)					
8	Capital conservation buffer requirement (%)	2.50%	2.50%	2.50%	2.50%	1.88%
9	Countercyclical capital buffer requirement (%)	1.62%	2.05%	2.05%	2.01%	1.48%
10	Higher loss absorbency requirements (%) (applicable only to G-SIBs or D-SIBs)	0.00%	0.00%	0.00%	0.00%	0.00%
11	Total AI-specific CET1 buffer requirements (%)	4.12%	4.55%	4.55%	4.51%	3.35%
12	CET1 available after meeting the AI's minimum capital requirements (%)	10.03%	9.67%	10.55%	10.97%	10.62%
	Basel III leverage ratio					
13	Total leverage ratio (LR) exposure measure	513,835,939	499,895,825	504,505,990	487,183,239	508,292,231
14	LR (%)	13.40%	12.86%	12.54%	12.84%	12.06%
	Liquidity Coverage Ratio (LCR) / Liquidity Maintenance Ratio (LMR)					
	Applicable to category 1 institution only:					
15	Total high quality liquid assets (HQLA)	56,545,013	57,051,355	51,223,991	57,458,273	56,073,903
16	Total net cash outflows	25,224,795	24,982,553	22,860,574	19,913,020	20,764,442
17	LCR (%)	231.93%	232.36%	228.56%	289.62%	276.50%
	Applicable to category 2 institution only:					
17a	LMR (%)	N/A	N/A	N/A	N/A	N/A
	Net Stable Funding Ratio (NSFR) / Core Funding Ratio (CFR)					
	Applicable to category 1 institution only:					
18	Total available stable funding	344,929,412	328,853,754	334,802,692	325,064,763	328,991,557
19	Total required stable funding	264,995,159	243,927,277	254,915,939	232,013,984	235,626,132
20	NSFR (%)	130.16%	134.82%	131.34%	140.11%	139.62%
	Applicable to category 2A institution only:					
20a	CFR (%)	N/A	N/A	N/A	N/A	N/A

OVA: Overview of risk management

China Construction Bank (Asia) Corporation Limited ("the Bank") and its subsidiaries (together referred to as "the Group") have effective risk governance and management framework in placed to comply with the requirements set out by the HKMA and other regulators. This framework is built around a structure that enables the Board and senior management to discharge their risk management-related responsibilities with appropriate delegation and controls. These risk management-related responsibilities are discharged by means of properly defined risk appetite in accordance with the Group's business strategies and objectives, formulated risk policies that govern the execution of those strategies, and established procedures and limits for the approval, control, monitoring, and remedy of risks.

The Board has primary responsibility for risk governance of the Group. For effective management, the Board has delegated authority to several Board-level committees to carry out risk management tasks. The Board-level committees include Audit Committee, Nomination and Remuneration Committee, Executive Committee, Risk Committee, Compliance Sub-Committee, and Strategy and Corporate Governance Committee. The Risk Committee, which is chaired by an independent non-executive director, is responsible for examining the Group's key risk management policies according to the overall strategy of the Group, and supervising and evaluating implementation and effect of these policies. It also reviews and recommends the risk appetite framework and statement to the Board of Directors.

Senior management has established several functional committees including Asset and Liability Committee, Information Technology Committee, Product Innovation and Approval Committee, Credit Committee, Risk Management Committee, and Internal Control, Compliance and Operations Committee. The functional committees and senior management are delegated with authority by the Board to oversee the Group's corporate governance in their respective specific risk areas.

The Group adopts HKMA's Eight Types of Inherent Risk approach in managing risk, with principal risks include credit risk, market risk, interest rate risk, liquidity risk, operational risk, reputation risk, legal risk and strategic risk.

The Group has maintained effective risk management tools to ensure our business and operations are conducted under a sound and well-controlled environment. Such tools refer to relevant policies, procedures, and limits to identify, measure, monitor and control the various types of risk. The functional committees approve policies and procedures formulated by various working committees and functional management to identify, analyze, manage and control the risks through the use of reliable and up-to-date management and information systems. The Group has adopted a "Three Lines of Defense" risk management concept to ensure that roles within the organization are clearly defined in regard to risk management. The internal auditors perform risk-based audits to ensure the soundness of the governance and compliance with the relevant policies and procedures. The internal control of the Group is supervised and evaluated by Board-level Audit Committee through the assessment report from internal auditor and external auditor.

The Group is committed to fostering strong risk culture embedded with risk ownership, accountability and awareness of all staff. The risk policies and procedures are accessible by all staff through the Group's internal electronic platform. On the other hand, all staff is required to adhere to risk policies, procedures and limits, and to avoid excessive risk-taking. This is monitored by regular information reporting on different risk areas to the functional committees, Board-level Committees and the Board.

OVA: Overview of Risk Management (Continued)

The Group maintains risk management systems to measure and monitor exposures, identify areas of high risk, and ensure that the magnitude of risk is within the tolerance level. In particular, the credit, market and operational risk management systems are also used for assessing the capital adequacy. Their features are as follows:

(a) Credit risk measurement system

The Group has established policies, procedures, and rating systems to identify, measure, monitor, control, and report on credit risk. In this connection, guidelines for management of credit risk have been laid down in the Group's respective credit policies and procedures. These policies and procedures stipulate delegated lending authorities, credit underwriting criteria, credit control and monitoring process, internal rating structure, credit recovery procedures and provisioning practices. They are reviewed and enhanced on an ongoing basis to cater for market changes, statutory requirements, and best practices in risk management processes.

The Group's credit risk management for the major types of credit risk is further elaborated in the latter section about credit risk.

(b) Market risk measurement system

The Group's market risk framework comprises market risk management policies and control procedures with appropriate delegation of market risk limits.

Market risk is the risk of loss arising from adverse changes in market rates and prices such as foreign exchange rates and interest rates and prices of debt securities. Market risk arises from the trading business. A trading book consists of positions in financial instruments held either with trading intent or in order to hedge other elements of the trading book.

The trading activities are primarily related to foreign exchange transactions. The market risk exposure is managed through the establishment of various trading limits. Trading book position is monitored by both end-of-day and intraday reports. Any excess will be promptly investigated and communicated with Treasury and then reported to RMC. In addition to the overall limits, documented trading policies and procedures define acceptable boundaries within which traders can execute transactions in their assigned markets. The limits, policies and procedures, and risk measurement methodology are updated and reviewed at least annually and seek for RMC's approval to make sure the controls are sound and valid.

(c) Operational risk measurement system

The Group implements a centralized risk management framework and formulates operational risk management policy to provide a bank-wide definition of operational risks and set out the requirements on the identification, assessment, reporting, monitoring and mitigation of operational risk.

The Group implements the "Three Lines of Defence" in its operational risk management framework. Operational Risk under Risk Management Division, Legal and Compliance Division together with certain units involved in management of internal process, people and system are the second line of defence responsible for the design and implementation of the operational risk management policies, mechanism, tools and methodologies in their responsible areas.

Stress testing is an integral part of the Group's risk management. The Group regularly performs stress-tests on the principal risks, where appropriate, covering the Group's major portfolios such as lending and investments. Various stress testing methodologies and techniques including, scenario analyses and reverse stress testing are adopted to assess the potential impact of stressed business conditions on the Group's financial positions, in particular, capital adequacy and liquidity. Whenever necessary, a prompt management response will be executed to mitigate potential impact.

OV1: Overview of RWA

The following table provides an overview of the capital requirements in terms of detailed breakdown of RWAs for credit risk, market risk and operational risk. Minimum capital requirement means the amount of capital required to be held for that risk based on its risk-weighted amount multiplied by 8%.

		(a)	(b)	(c)
		RWA		**Minimum capital requirements**
In HK$ thousands		**As at 31 December 2019**	**As at 30 September 2019**	**As at 31 December 2019**
1	Credit risk for non-securitization exposures	350,655,389	337,719,770	28,052,431
2	Of which STC approach	350,655,389	337,719,770	28,052,431
2a	Of which BSC approach	-	-	-
3	Of which foundation IRB approach	-	-	-
4	Of which supervisory slotting criteria approach	-	-	-
5	Of which advanced IRB approach	-	-	-
6	Counterparty default risk and default fund contributions	1,398,162	1,625,498	111,853
7	Of which SA-CCR	N/A	N/A	N/A
7a	Of which CEM	1,390,350	1,621,893	111,228
8	Of which IMM(CCR) approach	-	-	-
9	Of which others	7,812	3,605	625
10	CVA risk	551,413	698,475	44,113
11	Equity positions in banking book under the simple risk-weight method and internal models method	-	-	-
12	Collective investment scheme (“CIS”) exposures – LTA	N/A	N/A	N/A
13	CIS exposures – MBA	N/A	N/A	N/A
14	CIS exposures – FBA	N/A	N/A	N/A
14a	CIS exposures – combination of approaches	N/A	N/A	N/A
15	Settlement risk	-	-	-
16	Securitization exposures in banking book	-	-	-
17	Of which SEC-IRBA	-	-	-
18	Of which SEC-ERBA	-	-	-
19	Of which SEC-SA	-	-	-
19a	Of which SEC-FBA	-	-	-
20	Market risk	24,684,988	25,074,150	1,974,799
21	Of which STM approach	24,684,988	25,074,150	1,974,799
22	Of which IMM approach	-	-	-
23	Capital charge for switch between exposures in trading book and banking book (not applicable before the revised market risk framework takes effect)	N/A	N/A	N/A
24	Operational risk	14,845,338	14,294,575	1,187,627
24a	Sovereign concentration risk	-	-	-
25	Amounts below the thresholds for deduction (subject to 250% RW)	1,275,000	1,301,028	102,000
26	Capital floor adjustment	-	-	-
26a	Deduction to RWA	-	-	-
26b	Of which portion of regulatory reserve for general banking risks and collective provisions which is not included in Tier 2 Capital	-	-	-
26c	Of which portion of cumulative fair value gains arising from the revaluation of land and buildings which is not included in Tier 2 Capital	-	-	-
27	**Total**	**393,410,290**	**380,713,496**	**31,472,823**

During the quarter ended 31 December 2019, total RWAs increased by HK$12,697 million mainly due to increase in RWA for non-securitization credit exposures.

CHINA CONSTRUCTION BANK (ASIA) CORPORATION LIMITED
Regulatory Disclosures Statement (unaudited)

LI1: Differences between accounting and regulatory scopes of consolidation and mapping of financial statement categories with regulatory risk categories

The following table shows the differences between the carrying values as reported in the Group's financial statements following the scope of accounting consolidation and the carrying values under the scope of regulatory consolidation, with a breakdown into regulatory risk categories of every item of the assets and liabilities reported in financial statements based on the scope of accounting consolidation as at 31 December 2019:

	As at 31 December 2019						
	(a)	(b)	(c)	(d)	(e)	(f)	(g)
			Carrying values of items:				
In HK$ thousands	Carrying values as reported in published financial statements	Carrying values under scope of regulatory consolidation	subject to credit risk framework	subject to counterparty credit risk framework	subject to the securitization framework	subject to market risk framework	not subject to capital requirements or subject to deduction from capital
Assets							
Cash and balances with banks and central banks	39,198,295	39,198,295	39,198,295	-	-	-	-
Placements with banks	38,068,541	38,068,541	38,068,541	-	-	-	-
Advances to banks	1,918,005	1,918,005	1,918,005	-	-	-	-
Advances to customers and trade bills	289,613,916	289,613,916	289,613,916	-	-	-	-
Financial assets held under resale agreements	782,615	782,615	782,615	-	-	-	-
Financial assets measured at fair value through profit or loss	10,826,353	10,546,713	10,051,163	-	-	495,550	-
Financial assets measured at fair value through other comprehensive income	75,715,720	75,715,720	75,715,720	-	-	-	-
Other assets measured at amortized costs	18,072,831	18,072,831	18,072,831	-	-	-	-
Derivative financial instruments	1,830,577	1,830,577	-	1,830,577	-	1,781,142	-
Investment in subsidiaries	-	516,000	516,000	-	-	-	-
Interest in a joint venture	1,913,865	1,913,865	1,913,865	-	-	-	-
Deferred tax assets	548,379	548,379	-	-	-	-	548,379
Fixed assets	2,594,611	2,590,404	2,590,404	-	-	-	-
Right-of-use assets	2,223,150	2,223,150	2,223,150	-	-	-	-
Other assets	5,041,796	5,154,324	5,077,133	77,191	-	45,841	-
Total assets	**488,348,654**	**488,693,335**	**485,741,638**	**1,907,768**	**-**	**2,322,533**	**548,379**

LI1: Differences between accounting and regulatory scopes of consolidation and mapping of financial statement categories with regulatory risk categories (Continued)

	As at 31 December 2019						
	(a)	(b)	(c)	(d)	(e)	(f)	(g)
			Carrying values of items:				
In HK$ thousands	Carrying values as reported in published financial statements	Carrying values under scope of regulatory consolidation	subject to credit risk framework	subject to counterparty credit risk framework	subject to the securitization framework	subject to market risk framework	not subject to capital requirements or subject to deduction from capital
Liabilities							
Deposits and balances of banks	7,876,390	7,876,390	-	-	-	-	7,876,390
Deposits from customers	393,460,941	393,925,078	-	-	-	-	393,925,078
Financial Liabilities designated at fair value through profit or loss	126,699	126,699	-	-	-	-	126,699
Other debt securities issued	6,148,951	6,148,951	-	-	-	-	6,148,951
Derivative financial instruments	965,893	965,893	-	-	-	805,458	-
Lease Liabilities	1,736,851	1,736,851	-	-	-	-	1,736,851
Current tax payable	1,176,516	1,173,299	-	-	-	-	1,173,299
Deferred tax liabilities	19,288	19,288	-	-	-	-	19,288
Other liabilities	6,572,481	6,656,749	-	32,512	-	16,182	6,608,055
Total liabilities	**418,084,010**	**418,629,198**	**-**	**32,512**	**-**	**821,640**	**417,614,611**

LI2: Main sources of differences between regulatory exposure amounts and carrying values in financial statements

The following table shows the main sources of differences between the carrying values in financial statements and the exposure amounts used for the calculation of regulatory capital in respect of the assets and liabilities based on the scope of regulatory consolidation as at 31 December 2019:

		As at 31 December 2019				
		(a)	(b)	(c)	(d)	(e)
			Items subject to:			
	In HK$ thousands	Total	credit risk framework	securitization framework	counterparty credit risk framework	market risk framework
1	**Asset carrying value amount under scope of regulatory consolidation (as per template LI1)**	488,144,956	485,741,638	-	1,907,768	2,322,533
2	Liabilities carrying value amount under regulatory scope of consolidation (as per template LI1)	(1,014,587)	-	-	(32,512)	(821,640)
3	Total net amount under regulatory scope of consolidation	487,130,369	485,741,638	-	1,875,256	1,500,893
4	Off-balance sheet amounts	92,352,143	18,486,888	-	-	-
5	Differences due to consideration of provisions	2,237,045	2,237,045	-	-	-
6	Differences due to specific regulatory adjustments and other differences	(3,971,993)	(3,301,535)	-	(670,458)	-
7	Differences due to potential exposures for counterparty credit risks	2,668,218	-	-	2,668,218	-
8	**Exposure amounts considered for regulatory purposes**	**580,415,782**	**503,164,036**	-	**3,873,016**	**1,500,893**

LIA: Explanations of differences between accounting and regulatory exposure amounts

The following table provides qualitative explanations on the differences observed between accounting carrying values (as defined in template LI1) and amounts considered for regulatory capital purposes (as defined in template LI2) under each risk framework.

(a)	Material differences between the amounts in columns (a) and (b) in template LI1
	The basis of consolidation for regulatory purposes is different from the basis of consolidation for accounting purposes. Subsidiaries included in consolidation for regulatory purposes are specified in a notice from the HKMA in accordance with Section 3C of the Banking (Capital) Rules.
(b)	The main drivers for the differences between accounting values and amounts considered for regulatory purposes shown in template LI2
	The differences are mainly attributable to the following factors: - Off-balance sheet credit exposures for regulatory purposes are derived by multiplying the principal amount of the exposures, after deducting any specific provisions applicable to the exposures, by the CCF; - The carrying values reported in the financial statement are after deduction of collective and individual impairment allowances while the exposure amounts for regulatory purposes are net of individual impairment allowances only; - The exposure amounts for regulatory purposes are after the adjustment for the capital effect of recognized credit risk mitigation on the principal amounts; - Counterparty credit risk exposures for regulatory purposes consist of both the current exposures and the potential future exposures which are derived by applying the credit conversion factor (CCF) to the notional principal of the transactions or contracts.
(c)	Systems and controls applied to valuation estimates
	(i) Financial assets and liabilities measured at fair value Fair value estimates are generally subjective in nature, and are made as of a specific point in time based on the characteristics of the financial instruments and relevant market information. The Group measures fair value using the following hierarchy method: Level 1: fair values measured using quoted market prices (unadjusted) in active markets for identical financial instruments. Level 2: fair values measured using valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes quoted prices in active markets for similar financial instruments, or quoted prices for identical or similar instruments in markets that are considered less than active, or other valuation techniques where all significant inputs are directly or indirectly observable from market data. Level 3: fair values measured using significant unobservable inputs. This category includes inputs to valuation techniques not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments. Where available, the most suitable measure for fair value is the quoted market prices in an active market. In the absence of active markets for most of the unlisted securities and over-the-counter derivatives, direct market prices of these financial instruments may not be available. The fair values of such instruments are therefore calculated based on established valuation techniques (i.e. Market Comparable Approach) by using observable and comparable market parameters or market prices provided by counterparties. Independent price verification or reasonableness check is performed if

LIA: Explanations of differences between accounting and regulatory exposure amounts (Continued)

(c)	Systems and controls applied to valuation estimates (Continued)
	(i) Financial assets and liabilities measured at fair value (Continued) fair values are determined by reference to externally quoted prices. Options and equity swaps traded over the counter are valued using broker quotes price. The fair value of foreign exchange contracts are valued by observable foreign exchange rates and forward points at the reporting date. Other derivative financial instruments, including interest rate swaps and currency swaps, are valued through estimated future cash flows and discounting with appropriate yield curves. For structured deposits, this class of instruments includes certain deposits received from customers that are embedded with derivatives. The valuation of the underlying deposits is derived by using net present value of expected cash flow taking the Group's own credit risk into account. The valuation method of the embedded derivative is the same as other derivatives mentioned as above. (ii) Financial assets and liabilities not measured at fair value Financial assets and liabilities that are not presented at their fair value on the consolidated statement of financial position mainly represent cash and balances with banks and central banks, placements with banks, advances to banks, advances to customers and trade bills, and other assets measured at amortised cost. These financial assets are measured at amortised cost less expected credit losses. Financial liabilities not presented at their fair value on the consolidated statement of financial position mainly represent deposits and balances of banks, deposits from customers, and other debt securities issued at amortised cost. These financial liabilities are measured at amortised cost. i) Cash and balances with banks and central banks, Placements with banks, Advances to banks and Financial assets held under resale agreements These balances are mainly priced at market interest rates and mature within one year. Accordingly, the carrying values approximate the fair values. The differences between fair values and carrying amounts of these financial assets not presented on the Group's consolidated statement of financial position. ii) Advances to customers and trade bills Majority of the advances to customers and trade bills are on floating rate terms, bear interest at prevailing market interest rate. Accordingly, their carrying values approximate the fair values. The differences between fair values and carrying amounts of advances to customers and trade bills not presented on the Group's consolidated statement of financial position. iii) Other financial assets and other debt securities issued which measured at amortised cost The fair value of securities measured at amortised cost is determined using the same approach as those securities measured at fair value. Further details are described in Note 28 and Note 44 of the consolidated financial statements of China Construction Bank (Asia) Corporation Limited.

PV1: Prudent valuation adjustments

The following table provides a detailed breakdown of the constituent elements of valuation adjustment.

		As at 31 December 2019							
		(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
In HK$ thousands		Equity	Interest rates	FX	Credit	Commodities	Total	Of which: In the trading book	Of which: In the banking book
1	Close-out uncertainty, of which:	-	-	-	-	-	-	-	-
2	*Mid-market value*	-	-	-	-	-	-	-	-
3	*Close-out costs*	-	-	-	-	-	-	-	-
4	*Concentration*	-	-	-	-	-	-	-	-
5	Early termination	-	-	-	-	-	-	-	-
6	Model risk	-	-	-	-	-	-	-	-
7	Operational risks	-	-	-	-	-	-	-	-
8	Investing and funding costs						-	-	-
9	Unearned credit spreads						-	-	-
10	Future administrative costs	-	-	-	-	-	-	-	-
11	Other adjustments	-	-	-	-	-	-	-	-
12	**Total adjustments**	-	-	-	-	-	-	-	-

Valuation adjustments are made for assets measured at fair value, including non-derivative and derivative instruments. In the evaluation process of the valuation adjustment, the Bank would assess the market data input and model risk. Other elements are not taken into consideration as the impact is considered to be insignificant. There is no valuation adjustment as at 31 December 2019.

CC1: Composition of regulatory capital

The following table sets out the detailed composition of the regulatory capital as at 31 December 2019:

As at 31 December 2019		(a)	(b)
In HK$ thousands		**Amount**	**Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation**
	CET1 capital: instruments and reserves		
1	Directly issued qualifying CET1 capital instruments plus any related share premium	28,827,843	6
2	Retained earnings	27,647,735	8
3	Disclosed reserves	1,875,719	9+10+11+12+13
4	*Directly issued capital subject to phase-out arrangements from CET1 (only applicable to non-joint stock companies)*	Not applicable	Not applicable
5	Minority interests arising from CET1 capital instruments issued by consolidated bank subsidiaries and held by third parties (amount allowed in CET1 capital of the consolidation group)		
6	**CET1 capital before regulatory adjustments**	58,351,297	
	CET1 capital: regulatory deductions		
7	Valuation adjustments	-	
8	Goodwill (net of associated deferred tax liabilities)	-	
9	Other intangible assets (net of associated deferred tax liabilities)	-	
10	Deferred tax assets (net of associated deferred tax liabilities)	548,379	4
11	Cash flow hedge reserve	-	
12	Excess of total EL amount over total eligible provisions under the IRB approach	-	
13	Credit-enhancing interest-only strip, and any gain-on-sale and other increase in the CET1 capital arising from securitization transactions	-	
14	Gains and losses due to changes in own credit risk on fair valued liabilities	-	
15	Defined benefit pension fund net assets (net of associated deferred tax liabilities)	-	
16	Investments in own CET1 capital instruments (if not already netted off paid-in capital on reported balance sheet)	-	
17	Reciprocal cross-holdings in CET1 capital instruments	-	
18	Insignificant LAC investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-	
19	Significant LAC investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-	
20	Mortgage servicing rights (net of associated deferred tax liabilities)	Not applicable	Not applicable
21	Deferred tax assets arising from temporary differences (net of associated deferred tax liabilities)	Not applicable	Not applicable
22	Amount exceeding the 15% threshold	Not applicable	Not applicable
23	of which: significant investments in the ordinary share of financial sector entities	Not applicable	Not applicable
24	of which: mortgage servicing rights	Not applicable	Not applicable
25	of which: deferred tax assets arising from temporary differences	Not applicable	Not applicable

CC1: Composition of regulatory capital (Continued)

As at 31 December 2019		(a)	(b)
In HK$ thousands		**Amount**	**Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation**
26	National specific regulatory adjustments applied to CET1 capital	649,984	
26a	Cumulative fair value gains arising from the revaluation of land and buildings (own-use and investment properties)	-	
26b	Regulatory reserve for general banking risks	649,984	10
26c	Securitization exposures specified in a notice given by the MA	-	
26d	Cumulative losses below depreciated cost arising from the institution's holdings of land and buildings	-	
26e	Capital shortfall of regulated non-bank subsidiaries	-	
26f	Capital investment in a connected company which is a commercial entity (amount above 15% of the reporting institution's capital base)	-	
27	Regulatory deductions applied to CET1 capital due to insufficient AT1 capital and Tier 2 capital to cover deductions	-	
28	**Total regulatory deductions to CET1 capital**	1,198,363	
29	**CET1 capital**	57,152,934	
	AT1 capital: instruments		
30	Qualifying AT1 capital instruments plus any related share premium	11,712,840	7
31	of which: classified as equity under applicable accounting standards	11,712,840	
32	of which: classified as liabilities under applicable accounting standards	-	
33	*Capital instruments subject to phase-out arrangements from AT1 capital*	-	
34	AT1 capital instruments issued by consolidated bank subsidiaries and held by third parties (amount allowed in AT1 capital of the consolidation group)	-	
35	*of which: AT1 capital instruments issued by subsidiaries subject to phase-out arrangements*	-	
36	**AT1 capital before regulatory deductions**	11,712,840	
	AT1 capital: regulatory deductions		
37	Investments in own AT1 capital instruments	-	
38	Reciprocal cross-holdings in AT1 capital instruments	-	
39	Insignificant LAC investments in AT1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-	
40	Significant LAC investments in AT1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	-	
41	National specific regulatory adjustments applied to AT1 capital	-	
42	Regulatory deductions applied to AT1 capital due to insufficient Tier 2 capital to cover deductions	-	
43	**Total regulatory deductions to AT1 capital**	-	
44	**AT1 capital**	11,712,840	
45	**Tier 1 capital (T1 = CET1 + AT1)**	68,865,774	
	Tier 2 capital: instruments and provisions		
46	Qualifying Tier 2 capital instruments plus any related share premium	-	5
47	*Capital instruments subject to phase-out arrangements from Tier 2 capital*	-	
48	Tier 2 capital instruments issued by consolidated bank subsidiaries and held by third parties (amount allowed in Tier 2 capital of the consolidation group)	-	
49	*Of which: capital instruments issued by subsidiaries subject to phase-out arrangements*	-	

CC1: Composition of regulatory capital (Continued)

As at 31 December 2019

In HK$ thousands		(a) Amount	(b) Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
50	Collective provisions and regulatory reserve for general banking risks eligible for inclusion in Tier 2 capital	3,138,202	1+10
51	**Tier 2 capital before regulatory deductions**	3,138,202	
	Tier 2 capital: regulatory deductions		
52	Investments in own Tier 2 capital instruments	-	
53	Reciprocal cross-holdings in Tier 2 capital instruments and non-capital LAC liabilities	-	
54	Insignificant LAC investments in Tier 2 capital instruments issued by, and non-capital LAC liabilities of, financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold and, where applicable, 5% threshold)	-	
54a	Insignificant LAC investments in non-capital LAC liabilities of financial sector entities that are outside the scope of regulatory consolidation (amount formerly designated for the 5% threshold but no longer meets the conditions) (for institutions defined as "section 2 institution" under §2(1) of Schedule 4F to BCR only)	-	
55	Significant LAC investments in Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-	
55a	Significant LAC investments in non-capital LAC liabilities of financial sector entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-	
56	National specific regulatory adjustments applied to Tier 2 capital	-	
56a	Add back of cumulative fair value gains arising from the revaluation of land and buildings (own-use and investment properties) eligible for inclusion in Tier 2 capital	-	
56b	Regulatory deductions applied to Tier 2 capital to cover the required deductions falling within §48(1)(g) of BCR	-	
57	**Total regulatory adjustments to Tier 2 capital**	-	
58	**Tier 2 capital (T2)**	3,138,202	
59	**Total regulatory capital (TC = T1 + T2)**	72,003,976	
60	**Total RWA**	393,410,290	
	Capital ratios (as a percentage of RWA)		
61	**CET1 capital ratio**	14.53%	
62	**Tier 1 capital ratio**	17.50%	
63	**Total capital ratio**	18.30%	
64	**Institution-specific buffer requirement (capital conservation buffer plus countercyclical capital buffer plus higher loss absorbency requirements)**	4.12%	
65	of which: capital conservation buffer requirement	2.50%	
66	of which: bank specific countercyclical capital buffer requirement	1.62%	
67	of which: higher loss absorbency requirement	0.00%	
68	CET1 (as a percentage of RWA) available after meeting minimum capital requirements	10.03%	
	National minima (if different from Basel 3 minimum)		
69	National CET1 minimum ratio	Not applicable	Not applicable

CC1: Composition of regulatory capital (Continued)

As at 31 December 2019 **In HK$ thousands**		(a) **Amount**	(b) **Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation**
70	National Tier 1 minimum ratio	Not applicable	Not applicable
71	National Total capital minimum ratio	Not applicable	Not applicable
	Amounts below the thresholds for deduction (before risk weighting)		
72	Insignificant LAC investments in CET1, AT1 and Tier 2 capital instruments issued by, and non-capital LAC liabilities of, financial sector entities that are outside the scope of regulatory consolidation	-	
73	Significant LAC investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	510,000	2
74	Mortgage servicing rights (net of associated deferred tax liabilities)	Not applicable	Not applicable
75	Deferred tax assets arising from temporary differences (net of associated deferred tax liabilities)	Not applicable	Not applicable
	Applicable caps on the inclusion of provisions in Tier 2 capital		
76	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to the BSC approach, or the STC approach and SEC-ERBA, SEC-SA and SEC-FBA (prior to application of cap)	3,138,202	1+10
77	Cap on inclusion of provisions in Tier 2 under the BSC approach, or the STC approach, and SEC-ERBA, SEC-SA and SEC-FBA	4,416,607	
78	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to the IRB approach and SEC-IRBA (prior to application of cap)	-	
79	Cap for inclusion of provisions in Tier 2 under the IRB approach and SEC-IRBA	-	
	Capital instruments subject to phase-out arrangements only applicable between 1 Jan 2018 and 1 Jan 2022)		
80	*Current cap on CET1 capital instruments subject to phase-out arrangements*	Not applicable	Not applicable
81	*Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)*	Not applicable	Not applicable
82	*Current cap on AT1 capital instruments subject to phase-out arrangements*	-	
83	*Amount excluded from AT1 capital due to cap (excess over cap after redemptions and maturities)*	-	
84	*Current cap on Tier 2 capital instruments subject to phase-out arrangements*	-	
85	*Amount excluded from Tier 2 capital due to cap (excess over cap after redemptions and maturities)*	-	

CC1: Composition of regulatory capital (Continued)

Notes to the Template

In HK$ thousands

	Description	Hong Kong basis	Basel III basis
9	**Other intangible assets (net of associated deferred tax liabilities)**	-	-
	Explanation As set out in paragraph 87 of the Basel III text issued by the Basel Committee (December 2010), mortgage servicing rights ("MSRs") may be given limited recognition in CET1 capital (and hence be excluded from deduction from CET1 capital up to the specified threshold). In Hong Kong, an AI is required to follow the accounting treatment of including MSRs as part of intangible assets reported in the AI's financial statements and to deduct MSRs in full from CET1 capital. Therefore, the amount to be deducted as reported in row 9 may be greater than that required under Basel III. The amount reported under the column "Basel III basis" in this box represents the amount reported in row 9 (i.e. the amount reported under the "Hong Kong basis") adjusted by reducing the amount of MSRs to be deducted to the extent not in excess of the 10% threshold set for MSRs and the aggregate 15% threshold set for MSRs, DTAs arising from temporary differences and significant investments in CET1 capital instruments issued by financial sector entities (excluding those that are loans, facilities or other credit exposures to connected companies) under Basel III.		
10	**Deferred tax assets (net of associated deferred tax liabilities)**	548,379	-
	Explanation As set out in paragraphs 69 and 87 of the Basel III text issued by the Basel Committee (December 2010), DTAs of the bank to be realized are to be deducted, whereas DTAs which relate to temporary differences may be given limited recognition in CET1 capital (and hence be excluded from deduction from CET1 capital up to the specified threshold). In Hong Kong, an AI is required to deduct all DTAs in full, irrespective of their origin, from CET1 capital. Therefore, the amount to be deducted as reported in row 10 may be greater than that required under Basel III. The amount reported under the column "Basel III basis" in this box represents the amount reported in row 10 (i.e. the amount reported under the "Hong Kong basis") adjusted by reducing the amount of DTAs to be deducted which relate to temporary differences to the extent not in excess of the 10% threshold set for DTAs arising from temporary differences and the aggregate 15% threshold set for MSRs, DTAs arising from temporary differences and significant investments in CET1 capital instruments issued by financial sector entities (excluding those that are loans, facilities or other credit exposures to connected companies) under Basel III.		
18	**Insignificant LAC investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)**	-	-
	Explanation For the purpose of determining the total amount of insignificant LAC investments in CET1 capital instruments issued by financial sector entities, an AI is required to aggregate any amount of loans, facilities or other credit exposures provided by it to any of its connected companies, where the connected company is a financial sector entity, as if such loans, facilities or other credit exposures were direct holdings, indirect holdings or synthetic holdings of the AI in the capital instruments of the financial sector entity, except where the AI demonstrates to the satisfaction of the MA that any such loan was made, any such facility was granted, or any such other credit exposure was incurred, in the ordinary course of the AI's business. Therefore, the amount to be deducted as reported in row 18 may be greater than that required under Basel III. The amount reported under the column "Basel III basis" in this box represents the amount reported in row 18 (i.e. the amount reported under the "Hong Kong basis") adjusted by excluding the aggregate amount of loans, facilities or other credit exposures to the AI's connected companies which were subject to deduction under the Hong Kong approach.		

CC1: Composition of regulatory capital (Continued)

Notes to the Template (Continued)

In HK$ thousands

	Description	Hong Kong basis	Basel III basis
19	**Significant LAC investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)**	-	-
	Explanation For the purpose of determining the total amount of significant LAC investments in CET1 capital instruments issued by financial sector entities, an AI is required to aggregate any amount of loans, facilities or other credit exposures provided by it to any of its connected companies, where the connected company is a financial sector entity, as if such loans, facilities or other credit exposures were direct holdings, indirect holdings or synthetic holdings of the AI in the capital instruments of the financial sector entity, except where the AI demonstrates to the satisfaction of the MA that any such loan was made, any such facility was granted, or any such other credit exposure was incurred, in the ordinary course of the AI's business. Therefore, the amount to be deducted as reported in row 19 may be greater than that required under Basel III. The amount reported under the column "Basel III basis" in this box represents the amount reported in row 19 (i.e. the amount reported under the "Hong Kong basis") adjusted by excluding the aggregate amount of loans, facilities or other credit exposures to the AI's connected companies which were subject to deduction under the Hong Kong approach.		
39	**Insignificant LAC investments in AT1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)**	-	-
	Explanation The effect of treating loans, facilities or other credit exposures to connected companies which are financial sector entities as CET1 capital instruments for the purpose of considering deductions to be made in calculating the capital base (see note re row 18 to the template above) will mean the headroom within the threshold available for the exemption from capital deduction of other insignificant LAC investments in AT1 capital instruments may be smaller. Therefore, the amount to be deducted as reported in row 39 may be greater than that required under Basel III. The amount reported under the column "Basel III basis" in this box represents the amount reported in row 39 (i.e. the amount reported under the "Hong Kong basis") adjusted by excluding the aggregate amount of loans, facilities or other credit exposures to the AI's connected companies which were subject to deduction under the Hong Kong approach.		
54	**Insignificant LAC investments in Tier 2 capital instruments issued by, and non-capital LAC liabilities of, financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold and, where applicable, 5% threshold)**	-	-
	Explanation The effect of treating loans, facilities or other credit exposures to connected companies which are financial sector entities as CET1 capital instruments for the purpose of considering deductions to be made in calculating the capital base (see note re row 18 to the template above) will mean the headroom within the threshold available for the exemption from capital deduction of other insignificant LAC investments in Tier 2 capital instruments and noncapital LAC liabilities may be smaller. Therefore, the amount to be deducted as reported in row 54 may be greater than that required under Basel III. The amount reported under the column "Basel III basis" in this box represents the amount reported in row 54 (i.e. the amount reported under the "Hong Kong basis") adjusted by excluding the aggregate amount of loans, facilities or other credit exposures to the AI's connected companies which were subject to deduction under the Hong Kong approach.		
Remarks: The amount of the 10% threshold and 5% threshold mentioned above is calculated based on the amount of CET1 capital determined in accordance with the deduction methods set out in BCR Schedule 4F. The 15% threshold is referring to paragraph 88 of the Basel III text issued by the Basel Committee (December 2010) and has no effect to the Hong Kong regime.			

Abbreviations:

CET1: Common Equity Tier 1

AT1: Additional Tier 1

CC2: Reconciliation of regulatory capital to balance sheet

The table below identifies the differences between the scope of accounting consolidation and the scope of regulatory consolidation, and to show the link between the balance sheet in its published financial statements and the numbers that are used in the composition of regulatory capital disclosure template set out in Template CC1.

In HK$ thousands	As at 31 December 2019 (a) Balance sheet as in published financial statements	As at 31 December 2019 (b) Under regulatory scope of consolidation	(c) Reference
ASSETS			
Cash and balances with bank and central banks	39,198,295	39,198,295	
Gross cash and balances with banks and central banks	39,198,881	39,198,881	
Collective provision	(586)	(586)	1
Placements with banks	38,068,541	38,068,541	
Gross placements with banks	38,074,193	38,074,193	
Collective provision	(5,652)	(5,652)	1
Advances to banks	1,918,005	1,918,005	
Advances to customers and trade bills	289,613,916	289,613,916	
Gross advances to customers and trade bills	292,313,982	292,313,982	
Collective provision	(2,198,115)	(2,198,115)	1
Specific provision	(501,951)	(501,951)	
Financial assets held under resale agreements	782,615	782,615	
Financial assets measured at fair value through profit or loss	10,826,353	10,546,713	
Financial assets measured at fair value through other comprehensive income	75,715,720	75,715,720	
Other assets measured at amortized costs	18,072,831	18,072,831	
Gross other assets measured at amortized costs	18,097,696	18,097,696	
Collective provision	(24,865)	(24,865)	1
Derivative financial instruments	1,830,577	1,830,577	
Investment in subsidiaries	-	516,000	
Financial sector entities	-	510,000	2
Commercial entities	-	6,000	
Interest in a joint venture	1,913,865	1,913,865	
Deferred tax assets	548,379	548,379	4
Fixed assets	2,594,611	2,590,404	
Right-of-use assets	2,223,150	2,223,150	
Other assets	5,041,796	5,154,324	
Gross other assets	5,050,151	5,162,680	
Collective provision	(7,826)	(7,827)	1
Specific provision	(529)	(529)	
TOTAL ASSETS	**488,348,654**	**488,693,335**	

CC2: Reconciliation of regulatory capital to balance sheet (Continue)

In HK$ thousands	As at 31 December 2019 (a) Balance sheet as in published financial statements	As at 31 December 2019 (b) Under regulatory scope of consolidation	(c) Reference
LIABILITIES			
Deposits and balances of banks	7,876,390	7,876,390	
Deposits from customers	393,460,941	393,925,078	
Financial liabilities designated at fair value through profit or loss	126,699	126,699	
Other debt securities issued	6,148,951	6,148,951	
Derivative financial instruments	965,893	965,893	
Lease Liabilities	1,736,851	1,736,851	
Current tax payable	1,176,516	1,173,299	
Deferred tax liabilities	19,288	19,288	
Other liabilities	6,572,481	6,656,749	
Other liabilities	6,321,308	6,405,576	
Collective provision	251,173	251,173	1
Subordinated debts	-	-	5
TOTAL LIABILITIES	418,084,010	418,629,198	
EQUITY			
Share capital	28,827,843	28,827,843	6
Other equity instruments	11,712,840	11,712,840	7
Reserves	29,723,961	29,523,454	
Retained earnings		27,647,735	8
General reserve		750,956	9
Regulatory reserve		649,984	10
Other reserve		15,913	11
Investment revaluation reserve		396,604	12
Merger reserve		62,262	13
TOTAL EQUITY	70,264,644	70,064,137	
TOTAL EQUITY & LIABILITIES	**488,348,654**	**488,693,335**	

Notes:

Collective provisions are equivalent to the amount of expected credit loss ("ECL") provided under *Stage 1: 12 month ECL* and *Stage 2: Lifetime ECL but not credit impaired* for financial accounting purposes.

Specific provisions are equivalent to the amount of ECL provided under *Stage 3: lifetime ECL and credit impaired* for financial accounting purposes.

CCA: Main features of regulatory capital instruments

		CET1 capital HKD ordinary shares	CET1 capital RMB ordinary shares	AT1 Perpetual capital instruments	AT1 Perpetual capital instruments
1	Issuer	China Construction Bank (Asia) Corporation Limited	China Construction Bank (Asia) Corporation Limited	China Construction Bank (Asia) Corporation Limited	China Construction Bank (Asia) Corporation Limited
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	Not applicable	Not applicable	XS1743529767	XS2092236434
3	Governing law(s) of the instrument	Hong Kong	Hong Kong	English Law (subordination governed by Hong Kong Law)	English Law (subordination governed by Hong Kong Law)
	Regulatory treatment				
4	Transitional Basel III rules#	Common Equity Tier 1	Common Equity Tier 1	Not applicable	Not applicable
5	Post-transitional Basel III rules+	Common Equity Tier 1	Common Equity Tier 1	Additional Tier 1	Additional Tier 1
6	Eligible at solo*/group/ group & solo	Solo and Group	Solo and Group	Solo and Group	Solo and Group
7	Instrument type (types to be specified by each jurisdiction)	Ordinary shares	Ordinary shares	Additional Tier 1 capital instruments	Additional Tier 1 capital instruments
8	Amount recognised in regulatory capital (Currency in million, as of most recent reporting date)	HKD6,511 million	HKD22,317 million	HKD7,812 million	HKD3,901 million
9	Par value of instrument	HKD40 each	RMB40 each	USD1 billion	USD500 million
10	Accounting classification	Shareholders' equity	Shareholders' equity	Shareholders' equity	Shareholders' equity
11	Original date of issuance	Since incorporation	15-Aug-2013	29-Dec-2017	13-Dec-2019
12	Perpetual or dated	Perpetual	Perpetual	Perpetual	Perpetual
13	Original maturity date	No maturity	No maturity	No maturity	No maturity
14	Issuer call subject to prior supervisory approval	Not applicable	Not applicable	Yes	Yes
15	Optional call date, contingent call dates and redemption amount	Not applicable	Not applicable	29-Dec-2022. Redemption in whole at 100%	13-Dec-2024. Redemption in whole at 100%
16	Subsequent call dates, if applicable	Not applicable	Not applicable	Any distribution payment date after first call date	Any distribution payment date after first call date
	Coupons / dividends				
17	Fixed or floating dividend/coupon	Not applicable	Not applicable	Fixed	Fixed
18	Coupon rate and any related index	Not applicable	Not applicable	Year 1-5: 4.70% per annum payable semiannually in arrear; Year 5 onwards: resettable on year 5 and every 5 years thereafter at then prevailing 5-year US Treasury yield plus a fixed initial spread	Year 1-5: 4.31% per annum payable semiannually in arrear; Year 5 onwards: resettable on year 5 and every 5 years thereafter at then prevailing 5-year US Treasury yield plus a fixed initial spread
19	Existence of a dividend stopper	Not applicable	Not applicable	Yes	Yes
20	Fully discretionary, partially discretionary or mandatory	Not applicable	Not applicable	Fully discretionary	Fully discretionary
21	Existence of step up or other incentive to redeem	Not applicable	Not applicable	No	No

CCA: Main features of regulatory capital instruments (Continued)

		CET1 capital HKD ordinary shares	CET1 capital RMB ordinary shares	AT1 Perpetual capital instruments	AT1 Perpetual capital instruments
22	Noncumulative or cumulative	Not applicable	Not applicable	Noncumulative	Noncumulative
23	Convertible or non-convertible	Not applicable	Not applicable	Non-convertible	Non-convertible
24	If convertible, conversion trigger (s)	Not applicable	Not applicable	Not applicable	Not applicable
25	If convertible, fully or partially	Not applicable	Not applicable	Not applicable	Not applicable
26	If convertible, conversion rate	Not applicable	Not applicable	Not applicable	Not applicable
27	If convertible, mandatory or optional conversion	Not applicable	Not applicable	Not applicable	Not applicable
28	If convertible, specify instrument type convertible into	Not applicable	Not applicable	Not applicable	Not applicable
29	If convertible, specify issuer of instrument it converts into	Not applicable	Not applicable	Not applicable	Not applicable
30	Write-down feature	Not applicable	Not applicable	Yes	Yes
31	If write-down, write-down trigger(s)	Not applicable	Not applicable	Upon the occurrence of a Non-Viability Event	Upon the occurrence of a Non-Viability Event
32	If write-down, full or partial	Not applicable	Not applicable	Partial	Partial
33	If write-down, permanent or temporary	Not applicable	Not applicable	Permanent	Permanent
34	If temporary write-down, description of write-up mechanism	Not applicable	Not applicable	Not applicable	Not applicable
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Not applicable	Not applicable	Subordinated to depositors, general creditors, creditors in respect of Tier 2 capital securities of the Issuer and all other subordinated creditors; pari passu with Additional Tier 1 capital securities; and senior to holders of ordinary shares or other instruments expressed to rank junior to the capital securities by operation of law or contract.	Subordinated to depositors, general creditors, creditors in respect of Tier 2 capital securities of the Issuer and all other subordinated creditors; pari passu with Additional Tier 1 capital securities; and senior to holders of ordinary shares or other instruments expressed to rank junior to the capital securities by operation of law or contract.
36	Non-compliant transitioned features	Not applicable	Not applicable	No	No
37	If yes, specify non-compliant features	Not applicable	Not applicable	Not applicable	Not applicable

Footnote:

\# Regulatory treatment of capital instruments subject to transitional arrangements provided for in Schedule 4H of the Banking (Capital) Rules

\+ Regulatory treatment of capital instruments not subject to transitional arrangements provided for in Schedule 4H of the Banking (Capital) Rules

* Include solo-consolidated

CCyB1: Geographical distribution of credit exposures used in countercyclical capital buffer

The CCyB is calculated as the weighted average of the applicable CCyB ratios in effect in the jurisdictions in which banks have private sector credit exposures. The Group's CCyB ratio as at 31 December 2019 was 1.62% as the majority of its private sector credit exposures are attributed to Hong Kong which applicable JCCyB has been updated to 2.0% effective from 14 October 2019.

The table below provides an overview of the geographical distribution of private sector credit exposures relevant for the calculation of the Group's CCyB ratio:

In HK$ thousands		As at 31 December 2019			
		(a)	(c)	(d)	(e)
	Geographical breakdown by Jurisdiction (J)	**Applicable JCCyB ratio in effect (%)**	**RWA used in computation of CCyB ratio**	**AI-specific CCyB ratio (%)**	**CCyB amount**
1	Hong Kong SAR	2.000%	238,324,903		
2	France	0.250%	2,140,093		
3	United Kingdom	1.000%	500,612		
4	Sum of above		240,965,608		
5	Total (including those exposures in jurisdictions with zero JCCyB ratio)		294,241,696	1.62%	6,386,802

Notes:

1. The geographical allocation of private sector credit exposure is determined with reference to the principle set out in the HKMA Return of International Banking Statistics, on the "Ultimate Risk" basis.

2. With effect from 1 July 2019, the applicable JCCyB ratio in effect in France increased from 0% to 0.25%. With effective from 14 October 2019, the applicable JCCyB ratio in effect in Hong Kong SAR decreased from 2.5% to 2.0%.

3. The private sector credit exposures increased comparing with 30 June 2019, mainly driven by the loan increase.

LR1: Summary comparison of accounting assets against leverage ratio exposure measure

Below shows the reconciliation from the total assets in the published financial statements to the LR exposure measure.

In HK$ thousands

	Item	**Value under the LR framework as at 31 December 2019**
1	Total consolidated assets as per published financial statements	488,348,654
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	516,000
3	Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting standard but excluded from the LR exposure measure	-
4	Adjustments for derivative contracts	2,515,110
5	Adjustment for SFTs (i.e. repos and similar secured lending)	-
6	Adjustment for off-balance sheet ("OBS") items (i.e. conversion to credit equivalent amounts of OBS exposures)	23,850,158
6a	Adjustment for specific and collective provisions that are allowed to be excluded from exposure measure	(251,173)
7	Other adjustments	(1,142,810)
8	**Leverage ratio exposure measure**	**513,835,939**

LR2: Leverage ratio

In HK$ thousands		As at 31 December 2019	As at 30 September 2019
On-balance sheet exposures			
1	On-balance sheet exposures (excluding those arising from derivative contracts and SFTs, but including collateral)	488,061,764	470,040,535
2	Less: Asset amounts deducted in determining Tier 1 capital	(548,379)	(331,537)
3	Total on-balance sheet exposures (excluding derivative contracts and SFTs)	487,513,385	469,708,998
Exposures arising from derivative contracts			
4	Replacement cost associated with all derivative contracts (where applicable net of eligible cash variation margin and/or with bilateral netting)	1,754,660	2,595,388
5	Add-on amounts for PFE associated with all derivative contracts	2,668,218	2,632,825
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework	-	-
7	Less: Deductions of receivables assets for cash variation margin provided under derivative contracts	(76,388)	(204,798)
8	Less: Exempted CCP leg of client-cleared trade exposures	-	-
9	Adjusted effective notional amount of written credit derivative contracts	-	-
10	Less: Adjusted effective notional offsets and add-on deductions for written credit derivative contracts	-	-
11	Total exposures arising from derivative contracts	4,346,490	5,023,415
Exposures arising from SFTs			
12	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	1,116,604	4,025,960
13	Less: Netted amounts of cash payables and cash receivables of gross SFT assets	-	-
14	CCR exposure for SFT assets	-	3,631
15	Agent transaction exposures	-	-
16	Total exposures arising from SFTs	1,116,604	4,029,591
Other off-balance sheet exposures			
17	Off-balance sheet exposure at gross notional amount	92,697,381	93,242,980
18	Less: Adjustments for conversion to credit equivalent amounts	(68,847,223)	(69,700,380)
19	Off-balance sheet items	23,850,158	23,542,600
Capital and total exposures			
20	Tier 1 capital	68,865,774	64,308,072
20a	Total exposures before adjustments for specific and collective provisions	516,826,637	502,304,604
20b	Adjustments for specific and collective provisions	(2,990,698)	(2,408,779)
21	Total exposures after adjustments for specific and collective provisions	513,835,939	499,895,825
Leverage ratio			
22	**Leverage ratio**	13.40%	12.86%

LIQA: Liquidity risk management

Liquidity risk is the risk that the Group may not be able to fund the increase in assets or meet obligations as they fall due without incurring unacceptable losses. This may be caused by market disruption or liquidity squeeze whereby the Group may only unwind specific exposures at significantly discounted values.

The purpose of liquidity management is to ensure sufficient cash flows to meet all financial commitments and to capitalise on opportunities for business expansion. This includes the Group's ability to meet deposit withdrawals either on demand or at contractual maturity, to repay borrowings as they mature, to comply with the statutory liquidity ratio, and to make new loans and investments as opportunities arise.

To achieve this purpose, the Bank adopts a prudent risk appetite in setting liquidity risk tolerance. Risk appetite is set in the form of liquidity risk limits and metric framework.

The Bank has established a set of liquidity risk management policies which set out the liquidity risk management framework of the Bank according to the requirements of HKMA's Supervisory Policy Manuals "Regulatory Framework for Supervision of Liquidity Risk (LM1)" and 'sound Systems and Controls for Liquidity Risk Management (LM2)".

Liquidity risk management framework

The Board of Directors is ultimately responsible for having an effective liquidity risk management framework in place. Risk Committee ("RC") is one of the committees set up under the Board. The duties of RC are to approve a risk management framework that is sound and in line with the Group's business objectives and risk profile, to approve key liquidity risk management policies and to ensure that the liquidity management framework and policies are duly implemented and maintained by the Group.

Risk Management Committee ("RMC") is set up under the Risk Committee and the Executive Committee to oversee the Group's overall asset quality as well as resolve all important risk-related or governance issues including those on liquidity risk. The RMC is responsible for providing guidance and overseeing the Group's liquidity risk management strategy and development; review or approve liquidity risk management policies and review the Bank's liquidity risk position.

Asset and Liability Committee ("ALCO") is a functional committee set up under the Executive Committee to oversee the liquidity risk management in light of the business strategy.

Regular meetings of various committees are held to review the compliance status of liquidity measurements and the needs for change in strategy and policy. Daily liquidity management is performed by the Treasury. Risk Management Division is responsible for the daily monitoring of the liquidity limits and measurements, and submits regular reports of the liquidity profile to ALCO and RMC. Internal Audit periodically performs independent reviews to ensure effectiveness of the Group's liquidity risk management framework and implementation of the established policies.

Funding Strategies

The objective of the Bank's funding strategy is to strive for a balance between business growth opportunities and funding stability. The Bank seeks to maintain diversified and stable funding sources with an appropriate mix of liabilities including customer deposits, interbank borrowings, issuance of negotiable certificates of deposit and debt instruments.

The annual budgeted statement of financial position of the Bank, which contains a plan for the composition of various sources of liabilities, is approved by the Board of Directors in each calendar year. Various considerations such as the target business growth, market sentiment, target financial ratios and regulatory requirements would be taken into account in the process of budgeting.

LIQA: Liquidity risk management (Continued)

To manage currency mismatch and avoid over-reliance on the currency swap market, the Bank sets limits on swapped fund ratios of major currency positions which are subject to daily monitoring. The swapped fund ratios limit the extent of one currency's assets being funded by other currencies through the swap market. The extent of diversification in tenors of funding is governed by liquidity metrics such as net stable funding ratio ("NSFR") and medium-funding ratio. A medium-term funding ratio highlights the extent to which medium-term assets are being financed by the roll-over of short-term liabilities. To mitigate the risk of contagion from other CCB group entities when they are under liquidity stress, the Bank sets intragroup liquidity limits.

The funding support provided by China Construction Bank Head Office is one of the key sources of liquidity backstop during times of liquidity stress.

Liquidity cushion

The Bank's liquidity cushion consists of cash, balances at central banks, high quality and other marketable securities issued or guaranteed by sovereigns, central banks, and mainland policy banks. Liquidity cushion being held by the Bank consists of High Quality Liquid Assets for purposes of determining the Bank's liquidity coverage ratio ("LCR") and other marketable debt securities.

The extent of the Bank's maturity mismatch and the sufficiency of liquidity cushion are governed by various liquidity metrics and measurement tools such as maturity mismatch limits and liquidity stress test.

The marketability of the Bank's liquidity cushion is periodically reviewed in keeping with market conditions. The size of the liquidity cushion being maintained must be sufficient to meet intraday payments and settlement obligations on a timely basis under both normal and stressed conditions.

Stress scenario analysis

Liquidity Stress Testing is regularly conducted to project the Bank's cash flows under stress scenarios for evaluation of the sufficiency of the liquidity cushion. The stress scenarios cover institution-specific crisis scenario, general market crisis scenario and combined crisis scenario. The cash flows under each stress scenario are determined by applying a set of prescribed stress assumptions to the Bank's cash flow projection. Customer behavioural patterns of some products including customer deposits are applied in the stress test. The stress test results are regularly reported to the RMC and ALCO. The definition of liquidity cushion being held by the Bank is consistent with the definition of High Quality Liquid Assets and other marketable debt securities for purposes of determining the Bank's Liquidity Coverage Ratio. The liquidity cushion should be able to cover projected cash outflows under various prescribed stress scenarios.

LIQA: Liquidity risk management (Continued)

Contingency Funding Plan (CFP)

The Bank has a CFP that sets out the Bank's strategies for identifying the occurrence of a liquidity event and the operational procedures for addressing such emergency situation if it really takes place. The CFP contains a set of early warning indicators that helps to identify any emerging liquidity risks at an early stage. The CFP also includes detailed action steps and properly assigned responsibilities within the liquidity risk management framework. The list of potential funding sources, with due consideration of their reliability, priority and the expected available time during liquidity crisis, is included.

The extent of liquidity shortfalls estimated from stress testing under various scenarios beyond the level of liquidity cushion is a factor in determining severity levels and strategies to be adopted under the CFP. The Bank developed Business Continuity Plan ("BCP") to handle bank-wide disaster and major crisis including bank run situations. The CFP constitutes an integral part of the BCP as bank run event may lead to liquidity drain.

The Bank has not entered into any agreement or arrangement under which the Bank has to fulfil contingent funding obligations.

Liquidity measurements

Maturity analysis

The maturity analysis lists out the assets and liabilities by their remaining maturities into different time buckets. The gap amount for each time bucket represents the liquidity exposure after netting the assets and liabilities maturing in the same bucket. The Bank maintains daily gap limits for each time bucket to manage liquidity risk. For some liabilities without prescribed maturity date such as demand deposits from customers, the liabilities are listed in the bucket of "Repayable on Demand", resulting in a larger negative gap in this time bucket. The Bank considers this is an inherent risk to a consumer and commercial bank that offers demand deposit products to customers. By experience demand deposits have stable outstanding and the negative gap does not materialise into an immediate outflow of liquidity. However, to mitigate the liquidity risk, inter-bank and other borrowing facilities, as well as contingency funding plan are in place to cover withdrawals at unexpected levels of demand. Apart from customer deposits, the Bank has other sources to fund the earning assets, such as inter-bank borrowings, certificates of deposit issued, funding support from the parent bank and CCBA's share capital.

LIQA: Liquidity risk management (Continued)

Liquidity measurements (Continued)

Maturity analysis (Continued)

Below table sets out the on- and off-balance sheet items, broken down into maturity buckets and the resultant liquidity gaps.

	As at 31 December 2019											
In HK$ thousands	Total amount	Next day	2 to 7 days	8 days to 1 month	> 1 month up to 3 months	> 3 months up to 6 months	> 6 months up to 1 year	> 1 year up to 2 years	> 2 years up to 3 years	> 3 years up to 5 years	Over 5 years	Balancing amount
Currency notes and coins	438,079	438,079	-	-	-	-	-	-	-	-	-	
Amount receivable arising from derivative contracts	1,831,417	21,434,663	60,620,206	31,113,882	50,453,190	29,184,438	37,534,296	555,594	791,612	509,855	24,071	-
Due from MA for a/c of Exchange Fund	2,878,266	2,878,266	-	-	-	-	-	-	-	-	-	-
Due from banks	76,226,682	10,779,730	15,587,914	11,525,175	10,407,474	5,151,197	856,956	5,732,936	14,674,043	1,511,257	-	-
Debt securities, prescribed instruments and structured financial instruments held	95,001,623	63,958,797	-	391,037	6,784,631	2,244,464	4,005,199	8,777,090	6,079,288	1,895,968	865,149	-
Acceptances and bills of exchange held	12,690	-	12,690	-	-	-	-	-	-	-	-	-
Loans and advances to non-bank customers	303,403,546	4,274,164	16,009,331	55,936,065	23,302,142	23,801,826	31,195,871	46,568,285	29,634,739	35,214,828	36,576,748	889,547
Other assets	6,079,946	1,986,044	42,942	137,651	364,629	1,678,303	18,656	1,944	1,331	1,856	-	1,846,590
Total on-balance sheet assets	**485,872,249**	**105,749,743**	**92,273,083**	**99,103,810**	**91,312,066**	**62,060,228**	**73,610,978**	**61,635,849**	**51,181,013**	**39,133,764**	**37,465,968**	**2,736,137**
Total off-balance sheet claims	**60,782,615**	**-**	**-**	**782,615**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**60,000,000**

LIQA: Liquidity risk management (Continued)

Liquidity measurements (Continued)

Maturity analysis (Continued)

In HK$ thousands	As at 31 December 2019											
	Total amount	Next day	2 to 7 days	8 days to 1 month	> 1 month up to 3 months	> 3 months up to 6 months	> 6 months up to 1 year	> 1 year up to 2 years	> 2 years up to 3 years	> 3 years up to 5 years	Over 5 years	Balancing amount
Deposits from non-bank customers	394,968,238	96,708,894	28,044,864	66,466,935	151,796,997	37,674,894	14,118,914	156,740	-	-	-	
Amount payable arising from derivative contracts	965,977	21,191,916	60,612,916	30,960,274	49,830,522	29,164,865	37,459,567	466,972	778,428	497,797	15,088	
Due to banks	7,909,480	4,378,855	-	1,675,183	1,855,442	-	-	-	-	-	-	
Debt securities, prescribed instruments and structured financial instruments issued and outstanding	6,276,804	2,485	41,542	63,226	4,374,014	8,260	2,000	1,116,864	-	668,413	-	-
Other liabilities	5,747,904	344,128	41,929	65,746	221,654	3,337,596	-	-	-	-	-	1,736,851
Capital and reserves	69,979,076	-	-	-	-	-	-	-	-	-	-	69,979,076
Total on-balance sheet liabilities	**485,847,479**	**122,626,278**	**88,741,251**	**99,231,364**	**208,078,629**	**70,185,615**	**51,580,481**	**1,740,576**	**778,428**	**1,166,210**	**15,088**	**71,715,927**
Total off-balance sheet obligations	**40,192,525**	**264,321**	**455,999**	**1,451,052**	**1,515,266**	**870,301**	**4,741,615**	**11,025,518**	**3,760,255**	**9,960,865**	**6,147,333**	-

Contractual Maturity Mismatch		(17,140,856)	3,075,833	(795,991)	(118,281,829)	(8,995,688)	17,288,882	48,869,755	46,642,330	28,006,689	31,303,547	
Cumulative Contractual Maturity Mismatch		(17,140,856)	(14,065,023)	(14,861,014)	(133,142,843)	(142,138,531)	(124,849,649)	(75,979,894)	(29,337,564)	(1,330,875)	29,972,672	

LIQ1: Liquidity coverage ratio- for category 1 institution

The average LCR for each quarter is based on the arithmetic mean of its LCR as at the end of each working day for each quarter for the Bank as required by the HKMA for its regulatory purposes. LCR measures the extent of liquid assets covering total net cash outflow due within 30 days arising from on-balance sheet and off-balance sheet exposures including contingent funding obligations.

The average LCR of the Bank was maintained at a healthy level in 2019.

The Bank's High Quality Liquidity Assets ("HQLA") consists of cash, balances at central banks and high quality marketable securities issued or guaranteed by sovereigns, central banks, mainland policy banks and non-financial corporate debt securities. The Bank's primary sources of funds were retail and corporate customer deposits. The funding base was also supplemented by wholesale funding such as issuance of certificates of deposit, term debts and short-term interbank money market borrowing.

The Bank's customer deposits are mainly denominated in HKD. To meet customers' loan demand, the Bank swaps surplus HKD funding into USD and other foreign currencies. This results in some currency mismatch in the LCR.

The currency mismatch between the HQLA and the net cash outflow in the calculation of LCR is controlled and monitored via individual currency LCR limits. The HQLA mix is further governed by concentration caps and limits in accordance with statutory requirements and internal policy requirements for risk management purposes.

The Bank closely monitors all its exchange traded and over-the-counter derivative exposures arising from customer transactions and their corresponding hedging activities. Collateral may be required to be posted to counterparties depending on the marked-to-market position of the derivative contracts. Nonetheless, such exposures are not material and hence the impact of the relevant cash outflows was minimal to the LCR levels.

The Bank manages its liquidity independently of other members of the CCB Group and has not granted any liquidity facility to any group member. However, CCB Head Office provides strong liquidity support to the Bank which forms an important part of the Bank's funding sources.

The composition of the Bank's HQLA was:

	Weighted amount (average value) at quarter ended	
	December 31, 2019	September 30, 2019
Level 1 assets	**51,025,800**	51,828,171
Level 2A assets	**61,769**	89,499
Level 2B assets	**5,457,444**	5,133,685
Total weighted amount of HQLA	**56,545,013**	57,051,355

LIQ1: Liquidity coverage ratio- for category 1 institution (Continued)

The below template presents the details of LCR, high quality liquid assets ("HQLA"), and a breakdown of cash outflows and inflows.

		Quarter ended 31 Dec 2019 (75 data points)		Quarter ended 30 Sep 2019 (76 data points)	
In HK$ thousands		**(a)**	**(b)**	**(a)**	**(b)**
Basis of disclosure: Hong Kong office		**Unweighted value** (average)	**Weighted value** (average)	**Unweighted value** (average)	**Weighted value** (average)
A.	**HQLA**				
1	Total HQLA		**56,545,013**		57,051,355
B.	**CASH OUTFLOWS**				
2	Retail deposits and small business funding, of which:	**228,912,025**	**15,573,185**	231,203,964	15,807,640
3	Stable retail deposits and stable small business funding	3,291,098	98,733	3,382,702	101,482
4	Less stable retail deposits and less stable small business funding	83,868,107	8,386,811	86,301,935	8,630,192
4a	Retail term deposits and small business term funding	141,752,820	7,087,641	141,519,327	7,075,966
5	Unsecured wholesale funding (other than small business funding), and debt securities and prescribed instruments issued by the AI, of which:	**90,183,624**	**51,704,047**	93,581,936	56,659,136
6	Operational deposits	-	-	-	-
7	Unsecured wholesale funding (other than small business funding) not covered in row 6	89,793,757	51,314,180	89,298,972	52,376,172
8	Debt securities and prescribed instruments issued by the AI and redeemable within the LCR period	389,867	389,867	4,282,964	4,282,964
9	Secured funding transactions (including securities swap transactions)		-		-
10	Additional requirements, of which:	**36,827,308**	**7,781,792**	34,133,134	7,647,781
11	Cash outflows arising from derivative contracts and other transactions, and additional liquidity needs arising from related collateral requirements	2,164,630	2,164,630	2,405,208	2,405,209
12	Cash outflows arising from obligations under structured financing transactions and repayment of funding obtained from such transactions	-	-	-	-
13	Potential drawdown of undrawn committed facilities (including committed credit facilities and committed liquidity facilities)	34,662,678	5,617,162	31,727,926	5,242,572
14	Contractual lending obligations (not otherwise covered in Section B) and other contractual cash outflows	4,064,395	4,064,395	3,439,105	3,439,105
15	Other contingent funding obligations (whether contractual or non-contractual)	147,311,011	481,748	149,448,798	662,106
16	Total Cash Outflows		**79,605,167**		84,215,768
C.	**CASH INFLOWS**				
17	Secured lending transactions (including securities swap transactions)	732,629	-	879,282	-
18	Secured and unsecured loans (other than secured lending transactions covered in row 17) and operational deposits placed at other financial institutions	113,191,098	51,442,719	110,212,167	52,666,417
19	Other cash inflows	63,415,618	3,408,757	70,501,996	7,943,607
20	Total Cash Inflows	**177,339,345**	**54,851,476**	181,593,445	60,610,024
D.	**LIQUIDITY COVERAGE RATIO (ADJUSTED VALUE)**				
21	Total HQLA		56,545,013		57,051,355
22	Total Net Cash Outflows		25,224,795		24,982,553
23	LCR (%)		**231.93%**		232.36%

LIQ2: Net stable funding ratio – for category 1 institution

For the quarter ended 31 December 2019:

In HK$ thousands		Quarter ended 31 December 2019				
		(a)	(b)	(c)	(d)	(e)
		Unweighted value by residual maturity				
Basis of disclosure: Hong Kong office		No specified term to maturity	<6 months or repayable on demand	6 months to < 12 months	12 months or more	**Weighted amount**
A.	**Available stable funding ("ASF") item**					
1	Capital:	72,467,284	-	-	-	72,467,284
2	*Regulatory capital*	72,467,284	-	-	-	72,467,284
2a	*Minority interests not covered by row 2*	-	-	-	-	-
3	*Other capital instruments*	-	-	-	-	-
4	Retail deposits and small business funding:	-	221,991,575	7,477,479	73,286	206,757,492
5	*Stable deposits*		3,241,141	-	-	3,079,084
6	*Less stable deposits*		218,750,434	7,477,479	73,286	203,678,408
7	Wholesale funding:	-	165,722,457	7,555,717	169,201	63,918,859
8	*Operational deposits*		-	-	-	-
9	*Other wholesale funding*	-	165,722,457	7,555,717	169,201	63,918,859
10	Liabilities with matching interdependent assets	-	-	-	-	-
11	Other liabilities:	-	9,991,099	1,000	1,785,277	1,785,777
12	*Net derivative liabilities*	-				
13	*All other funding and liabilities not included in the above categories*	-	9,991,099	1,000	1,785,277	1,785,777
14	**Total ASF**					344,929,412
B.	**Required stable funding ("RSF") item**					
15	Total HQLA for NSFR purposes				66,440,256	7,322,536
16	Deposits held at other financial institutions for operational purposes	-	-	-	-	-
17	Performing loans and securities:	4,137,637	182,880,949	36,282,176	187,634,364	247,744,336
18	*Performing loans to financial institutions secured by Level 1 HQLA*	-	783,381	-	-	78,338
19	*Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions*	-	71,617,986	4,921,962	30,997,876	44,201,555
20	*Performing loans, other than performing residential mortgage, to non-financial corporate clients, retail and small business customers, sovereigns, the Monetary Authority for the account of the Exchange Fund, central banks and PSEs, of which:*	4,137,637	100,235,472	26,713,377	118,451,686	167,675,349
21	*With a risk-weight of less than or equal to 35% under the STC approach*	-	-	-	-	-
22	*Performing residential mortgages, of which:*	-	886,414	579,202	20,567,306	14,101,557

LIQ2: Net stable funding ratio – for category 1 institution (Continued)

For the quarter ended 31 December 2019 (Continued):

In HK$ thousands		Quarter ended 31 December 2019				
		(a)	(b)	(c)	(d)	(e)
		Unweighted value by residual maturity				
Basis of disclosure: Hong Kong office		No specified term to maturity	<6 months or repayable on demand	6 months to < 12 months	12 months or more	**Weighted amount**
23	*With a risk-weight of less than or equal to 35% under the STC approach*	-	886,414	579,202	20,567,306	14,101,557
24	*Securities that are not in default and do not qualify as HQLA, including exchange-traded equities*	-	9,357,696	4,067,635	17,617,496	21,687,537
25	Assets with matching interdependent liabilities	-	-	-	-	-
26	Other assets:	7,734,332	3,112,784	10,343	-	8,246,015
27	*Physical traded commodities, including gold*	-				-
28	*Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs*	342,731				291,321
29	*Net derivative assets*	851,179				851,179
30	*Total derivative liabilities before deduction of variation margin posted*	998,471				N/A
31	*All other assets not included in the above categories*	5,541,951	3,112,784	10,343	-	7,103,515
32	Off-balance sheet items				186,417,447	1,682,272
33	**Total RSF**					264,995,159
34	**Net Stable Funding Ratio (%)**					**130.16%**

LIQ2: Net stable funding ratio – for category 1 institution (Continued)

For the quarter ended 30 September 2019:

In HK$ thousands		Quarter ended 30 September 2019				
		(a)	(b)	(c)	(d)	(e)
		Unweighted value by residual maturity				
Basis of disclosure: Hong Kong office		No specified term to maturity	<6 months or repayable on demand	6 months to < 12 months	12 months or more	**Weighted amount**
A.	**Available stable funding ("ASF") item**					
1	Capital:	67,437,014	-	-	-	67,437,014
2	*Regulatory capital*	67,437,014	-	-	-	67,437,014
2a	*Minority interests not covered by row 2*	-	-	-	-	-
3	*Other capital instruments*	-	-	-	-	-
4	Retail deposits and small business funding:	-	216,778,262	13,214,861	59,169	207,220,665
5	*Stable deposits*		3,353,688	-	-	3,186,004
6	*Less stable deposits*		213,424,574	13,214,861	59,169	204,034,861
7	Wholesale funding:	-	148,972,858	9,528,182	429,679	52,442,497
8	*Operational deposits*		-	-	-	-
9	*Other wholesale funding*	-	148,972,858	9,528,182	429,679	52,442,497
10	Liabilities with matching interdependent assets	-	-	-	-	-
11	Other liabilities:	-	13,785,746	-	1,753,578	1,753,578
12	*Net derivative liabilities*	-				
13	*All other funding and liabilities not included in the above categories*	-	13,785,746	-	1,753,578	1,753,578
14	**Total ASF**					328,853,754
B.	**Required stable funding ("RSF") item**					
15	Total HQLA for NSFR purposes				61,643,274	6,992,662
16	Deposits held at other financial institutions for operational purposes	-	-	-	-	-
17	Performing loans and securities:	4,292,902	187,380,293	41,703,084	164,851,362	226,763,512
18	*Performing loans to financial institutions secured by Level 1 HQLA*	-	2,734,325	-	-	273,433
19	*Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions*	-	85,649,468	3,022,269	21,636,825	35,995,380
20	*Performing loans, other than performing residential mortgage, to non-financial corporate clients, retail and small business customers, sovereigns, the Monetary Authority for the account of the Exchange Fund, central banks and PSEs, of which:*	4,292,902	91,683,385	32,712,040	105,778,991	155,758,822
21	*With a risk-weight of less than or equal to 35% under the STC approach*	-	-	-	-	-
22	*Performing residential mortgages, of which:*	-	554,488	541,525	18,877,312	12,818,259

LIQ2: Net stable funding ratio – for category 1 institution (Continued)

For the quarter ended 30 September 2019 (Continued):

In HK$ thousands		Quarter ended 30 September 2019				
		(a)	(b)	(c)	(d)	(e)
		Unweighted value by residual maturity				
Basis of disclosure: Hong Kong office		No specified term to maturity	<6 months or repayable on demand	6 months to < 12 months	12 months or more	**Weighted amount**
23	*With a risk-weight of less than or equal to 35% under the STC approach*	-	554,488	541,525	18,877,312	12,818,259
24	*Securities that are not in default and do not qualify as HQLA, including exchange-traded equities*	-	7,762,258	5,427,250	18,558,234	21,917,619
25	Assets with matching interdependent liabilities	-	-	-	-	-
26	Other assets:	8,384,765	4,903,720	11,083	-	8,524,380
27	*Physical traded commodities, including gold*	-				-
28	*Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs*	147,439				125,323
29	*Net derivative assets*	832,784				832,784
30	*Total derivative liabilities before deduction of variation margin posted*	2,214,765				N/A
31	*All other assets not included in the above categories*	5,189,777	4,903,720	11,083	-	7,566,273
32	Off-balance sheet items				179,723,203	1,646,723
33	**Total RSF**					243,927,277
34	**Net Stable Funding Ratio (%)**					134.82%

The NSFR of the Bank was maintained at a healthy level in 2019. Net stable funding ratio means the ratio of the amount of the Bank's available stable funding ("ASF") to the amount of the Bank's required stable funding ("RSF").

ASF is the sum of weighted amounts of the Bank's capital and on-balance sheet liabilities. The Bank's liabilities include customer deposits, certificates of deposit and medium term debts issued and interbank money market borrowing.

RSF is the sum of weighted amounts of the Bank's on-balance sheet assets and off-balance sheet obligations. The Bank's assets include loans to customers, interbank money market lending and debt securities held. The Bank's off-balance sheet obligations mainly involve potential drawdown of undrawn committed facilities.

CRA: General information about credit risk

Credit risk is the risk of loss arising from a borrower's or counterparty's inability to meet its obligations. Credit risk exists in the Group's loans, leases, credit cards, trade finance and treasury transactions. There is also credit risk in off-balance sheet financial arrangements such as loan commitments, trade-related contingencies and transaction-related contingencies.

The Group has appointed the intermediate holding company, China Construction Bank Corporation, as its credit adviser. Risk Management Division is responsible for providing centralized management and control of different types of risks including credit risk. Whereas credit approval matters are handled by the Credit Division, both divisions are independent of the business units, and supervised by the Deputy Chief Executive overseeing Risk Management. In addition, functional committees, namely Risk Management Committee and Credit Committee are set up under the Executive Committee and the Risk Committee to provide guidance in the respective risk areas. The Risk Management Committee is a central forum for overseeing the Group's overall asset quality as well as resolving all the important risk or governance issues on credit risk. It is co-chaired by the Deputy Chief Executive overseeing Risk Management or the CRO and Head of Risk Management, and the other Regular Members are the Head of Finance, the Head of Legal & Compliance and Deputy Head of Risk Management supervising Operational Risk. The Credit Committee is responsible for loan quality maintenance, authority delegation, credit related policymaking and maintenance, credit approval and credit risk management issues. It is chaired by the Deputy Chief Executive overseeing Risk Management, and the other Members are the Head of Risk Management, the Head of Credit, Senior Approvers of Credit and the Deputy Head of Risk Management.

Overall, credit risks of the Group are managed through the following processes:

- Ensuring the Group's risk profile is in line with the risk appetite and strategies set by the Bank.

- Establishing credit policies and procedures of the Group and issuing lending and monitoring guidelines to credit officers and business units. Credit policies and procedures are constantly revisited and updated whenever warranted to accommodate portfolio development, market changes and regulatory requirements.

- Making appropriate lending authority delegation via the Credit Committee according to the risk, size and nature of the transactions.

- Maintaining the internal risk rating system for measurement of credit risk exposures. The Group adopts a two dimensional risk rating methodology for the corporate portfolio, for which risk ratings are assigned to the obligor and facility separately. This system provides granularity in the rating scale and hence more refined risk differentiation for better risk and reward analysis and enhanced risk quantification. For a certain part of the consumer portfolio, in-house scoring models are also adopted to measure the credit risk involved.

- Monitoring and controlling large exposures, connected lending, product and industry concentration based on established policies and internal risk limits to ensure prudent credit decisions are made and that the Group complies with statutory requirements and supervisory guidelines.

- Monitoring criticized loans and managing recoveries of problem assets. Collection and problem asset management are separately handled by specialized teams with the relevant experience and expert knowledge.

- Assessing collective and individual loan impairment losses and allowances regularly to ensure the adequacy of impairment allowances.

- Managing and monitoring the Group's loan quality.

CRA: General information about credit risk (Continued)

- Supervising the stress-testing programme to provide a forward-looking assessment of the Group's risk exposures under stressed conditions, and enable the Group to project tail risks on a bank-wide basis, to quantify such potential losses and the impact on the Bank in terms of profitability, liquidity and capital adequacy.

- Coordinating and driving credit related initiatives throughout the Group to ensure compliance with regulatory requirements.

(a) Credit risk for advances

In addition to underwriting standards, the Group manages credit risks through an effective and prudent credit approval process. In making credit recommendations and decisions, only officers with appropriate banking experience and product knowledge are delegated credit approval authorities. There is a post-approval review process where applicable to ensure quality of the credit decisions made, to identify negative trends which need attention or actions, and to ensure adherence to existing policies and procedures.

In the approval process, the credit officers assess the purpose and structure of the loan, the ability of a particular borrower or counterparty to service the proposed facilities, as well as the nature of the underlying collateral where applicable. Credit approval guidelines are issued from time to time to enhance the credit acceptance process as appropriate.

The Group categorizes its loans and leases into either consumer or corporate and commercial credits and monitors their risks separately as discussed below:

Consumer credits are grouped by products and their risk attributes for purposes of evaluating credit risk, and on-going monitoring of asset quality. Standard credit underwriting criteria are established and exceptional approvals for deviations from such criteria are required and monitored.

Corporate and commercial credits are evaluated for customers' default risk, taking into consideration the related credit enhancements. To support the credit assessment, internal risk ratings will be assigned to customers. These risk ratings are monitored regularly and updated upon any changes in the borrower's or counterparty's financial position, repayment ability and the related credit enhancements.

(b) Credit risk for treasury transactions

The credit risk of the Group's investment in debt securities and treasury hedging transactions is managed by the use of both internal and external credit ratings and credit limits set on individual counterparties. Internal and external credit ratings, and news on each counterparty are closely tracked and monitored.

(c) Credit-related commitments

The risks involved in credit-related commitments and contingencies are essentially the same as the credit risk involved in extending loan facilities to customers. These transactions are therefore subject to the same credit approval, portfolio maintenance and collateral requirements as for customers applying for loans.

CRA: General information about credit risk (Continued)

(d) Collateral and other credit enhancements

The Group obtains collateral in respect of loans advanced to mitigate the credit risk of the transactions and has established policies and guidelines on the eligibility and valuation of collateral and other credit enhancements. However, the approval of credits will be based on the assessment of debt servicing ability rather than solely dependent on collateral or other credit enhancements. The main collateral types and credit enhancements include charges over properties, standby letters of credit issued by banks, securities, deposits, account receivables, vehicles and guarantees.

(e) Risk concentration

The Group sets various risk limits to control exposure to countries, individual counterparties, industries, intra-group exposures and loan portfolios to avoid excessive risk concentration.

The Group has adopted a “Three Lines of Defense” risk management concept to ensure that roles within the organization are clearly defined in regard to credit risk management. The internal auditors conduct periodic reviews and independent audits of the Group’s credit portfolio and credit risk management process. The purpose is to ensure due compliance with established credit policies and procedures, and to evaluate the effectiveness of the credit management process and control mechanism. The results of these reviews and audits are regularly reported to the Board level Audit Committee for effective oversight and monitoring.

CR1: Credit quality of exposures

The table below provides an overview of the credit quality of on- and off-balance sheet exposures as at 31 December 2019:

		(a)	(b)	(c)	(d)	(e)	(f)	(g)
		Gross carrying amounts of		Allowances / impairments	Of which ECL accounting provisions for credit losses on STC approach exposures		Of which ECL accounting provisions for credit losses on IRB approach exposures	Net values (a+b-c)
	In HK$ thousands	Defaulted exposures	Non-defaulted exposures		Allocated in regulatory category of specific provisions	Allocated in regulatory category of collective provisions		
1	Loans	253,837	385,206,453	(2,714,355)	502,175	2,212,180	-	382,745,935
2	Debt securities	-	94,053,655	(24,865)	-	24,865	-	94,028,790
3	Off-balance sheet exposures	-	39,755,149	(251,173)	-	251,173	-	39,503,976
4	**Total**	**253,837**	**519,015,257**	**(2,990,393)**	**502,175**	**2,488,218**	**-**	**516,278,701**

CR2: Changes in defaulted loans and debt securities

The table below provides information on the changes in defaulted loans and debt securities, including any changes in the amount of defaulted exposures, movements between non-defaulted and defaulted exposures, and reductions in the defaulted exposures due to write-offs as at 31 December 2019 and 30 June 2019 respectively:

		(a)
	In HK$ thousands	**Amount**
1	**Defaulted loans and debt securities at end of the previous reporting period (30 June 2019)**	**275,258**
2	Loans and debt securities that have defaulted since the last reporting period	99,499
3	Returned to non-defaulted status	(110,537)
4	Amounts written off	(10,383)
5	Other changes	-
6	**Defaulted loans and debt securities at end of the current reporting period (31 December 2019)**	**253,837**

CRB: Additional disclosure related to credit quality of exposures

This section provides additional qualitative and quantitative information on the credit quality of exposures to supplement the quantitative information provided under templates CR1 and CR2.

Credit risk exposures by geographical areas:

Geographical areas (In HK$ thousands)	As at 31 December 2019
Hong Kong	326,360,221
China	137,497,751
Others	55,411,122
Total	519,269,094

Credit Risk exposures by residual maturity:

Residual maturity (In HK$ thousands)	As at 31 December 2019
Less than 1 year	273,809,615
Between 1 and 5 years	189,126,846
More than 5 years	54,759,395
Undated	1,573,238
Total	519,269,094

Credit Risk exposures by industry sectors:

Residual maturity (In HK$ thousands)	As at 31 December 2019
Financial concerns	168,702,683
Individual Others	40,770,740
Information technology	16,257,560
Manufacturing	29,295,235
Others	136,192,331
Property development	41,516,368
Property investment	39,039,903
Recreational activities	473,900
Stockbrokers	3,218,035
Transport and transport equipment	28,884,710
Wholesale and retail trade	14,917,629
Total	519,269,094

The credit quality of credit exposures can be analyzed as follows:

Analysis of exposures that are "neither past due nor impaired", "past due but not impaired" and "impaired":

Credit exposures (In HK$ thousands)	As at 31 December 2019
Neither past due nor impaired	517,071,622
Past due but not impaired	1,343,345
Impaired	854,127
Total	519,269,094

CRB: Additional disclosure related to credit quality of exposures (Continued)

The credit quality of credit exposures can be analyzed as follows:

Aging analysis of exposures which were past due:

Exposures that are past due but not impaired (In HK$ thousands)	As at 31 December 2019
Overdue 3 months or less	1,343,345
Overdue more than 3 months	-
Total	1,343,345

Breakdown of restructured exposures between impaired and not impaired exposures:

Restructured exposures (In HK$ thousands)	As at 31 December 2019
Not impaired	-
Impaired	51,427
Total	51,427

Impaired exposures by geographical areas:

In HK$ thousands	As at 31 December 2019	
Impaired exposures	**Gross impaired exposures**	**Impaired provision for Stage 3**
Hong Kong	774,154	422,255
Others	79,973	79,696
Total	854,127	501,951

Impaired exposures by industry sectors:

In HK$ thousands	As at 31 December 2019	
Impaired exposures	**Gross impaired exposures**	**Impaired provision for Stage 3**
Individual Others	146,248	119,504
Information Technology	26,212	6,561
Manufacturing	89,443	78,306
Property Investment	12,325	2,564
Transport and Transport equipment	436,058	233,116
Wholesale and retail trade	132,404	56,245
Others	11,437	5,655
Total	854,127	501,951

The Group has laid down guidelines for determining the impairment loss allowances.

At each of the reporting period end, the carrying amount of the Group's assets are reviewed to determine whether there is objective evidence of impairment. If internal and external sources of information indicate such evidence exists, the carrying amount is reduced to the estimated recoverable amount and an impairment loss is recognized in the income statement.

The approach and treatment of impairment allowance of different types of assets are elaborated in note 8 (a) (x) "Expected credit loss measurement" of the consolidated financial statements of China Construction Bank (Asia) Corporation Limited.

Loans and receivables with renegotiated terms are loans that have been restructured due to deterioration in the borrower's financial position and where the Group has made concessions that it would not otherwise consider.

Renegotiated loans and receivables are subject to ongoing monitoring to determine whether they remain impaired or past due. The original loan that is renegotiated is derecognized and a new financial asset is recognized at fair value if the original loan agreement is cancelled and a new agreement made on substantially different terms.

CRC: Qualitative disclosures related to credit risk mitigation

The Group obtains collateral in respect of loans advanced to mitigate the credit risk of the transactions and has established policies and guidelines on the eligibility and valuation of collateral and other credit enhancements. However, the approval of credits will be based on the assessment of debt servicing ability rather than solely dependent on collateral or other credit enhancements.

For regulatory capital adequacy and management, the Group has established policies in managing and recognizing credit risk mitigation, one of which is the taking of collateral and other credit enhancements. The principal types of collateral taken by the Group are also those of the recognized credit risk mitigation as prescribed in the Banking (Capital) Rules.

For regulatory capital calculation, the Group adheres to the criteria as stipulated in the Banking (Capital) Rules when assessing the eligibility of the credit risk mitigation.

Recognized collateral include both financial and physical collateral. Financial collateral include cash deposit, shares and debt securities and mutual fund, whilst physical collateral include commercial real estate and residential real estate. The exposure amount after mitigation is determined by applying the standard supervisory haircut stipulated in the Banking (Capital) Rules as an adjustment discount to the current collateral value.

Recognized guarantor is any sovereign entities, public sector entities, banks, regulated securities firms and corporates with a lower risk weight than that of the borrower.

The credit and market risk concentrations within the credit risk mitigation (recognised collateral and guarantees for capital calculation) used by the Group are under a low level.

On-balance sheet and off-balance sheet recognized netting is not adopted by the Group.

CR3: Overview of recognized credit risk mitigation

The following table presents the extent of credit risk exposures covered by different types of recognized CRM as at 31 December 2019:

		As at 31 December 2019				
		(a)	(b1)	(b)	(d)	(f)
	In HK$ thousands	Exposures unsecured: carrying amount	Exposures to be secured	Exposures secured by recognized collateral	Exposures secured by recognized guarantees	Exposures secured by recognized credit derivative contracts
1	Loans	346,334,149	36,411,786	2,208,757	34,203,029	-
2	Debt securities	93,794,049	234,741	-	234,741	-
3	**Total**	**440,128,198**	**36,646,527**	**2,208,757**	**34,437,770**	**-**
4	Of which defaulted	39,153	48,217	46,125	2,092	-

CRD: Qualitative disclosures on use of ECAI ratings under STC approach

The Group uses the following external credit assessment institutions ("ECAIs") to calculate its capital adequacy requirements under the Standardised (Credit Risk) Approach prescribed in the Banking (Capital) Rules:

- Moody's Investors Service
- Standard & Poor's Ratings Services

Where exposures have been rated by the above-mentioned ECAIs, they are categorised under the following classes of exposures:
- Sovereign exposures
- Public sector entity exposures
- Bank exposures
- Securities firm exposures and
- Corporate exposures.

The process used to map ECAIs issue specific ratings in the Group's banking book is consistent with those prescribed in the Banking (Capital) Rules.

CR4: Credit risk exposures and effects of recognized credit risk mitigation – for STC approach

The following table illustrates the effect of any recognized CRM (including recognized collateral under both comprehensive and simple approaches) on the calculation of credit risk capital requirements under STC approach as at 31 December 2019:

		As at 31 December 2019					
		(a)	(b)	(c)	(d)	(e)	(f)
	In HK$ thousands	**Exposures pre-CCF and pre-CRM**		**Exposures post-CCF and post-CRM**		**RWA and RWA density**	
	Exposure classes	**On-balance sheet amount**	**Off-balance sheet amount**	**On-balance sheet amount**	**Off-balance sheet amount**	**RWA**	**RWA density**
1	Sovereign exposures	45,396,223	-	45,429,154	-	1,832,886	4%
2	PSE exposures	300,185	700,000	557,795	351,530	181,865	20%
2a	Of which: domestic PSEs	300,185	700,000	557,795	351,530	181,865	20%
2b	Of which: foreign PSEs	-	-	-	-	-	0%
3	Multilateral development bank exposures	-	-	-	-	-	0%
4	Bank exposures	99,235,912	21,038	126,617,850	10,519	55,817,109	44%
5	Securities firm exposures	741,805	-	976,625	-	488,313	50%
6	Corporate exposures	284,750,479	41,902,653	255,698,437	18,111,609	255,415,926	93%
7	CIS exposures	-	-	-	-	-	0%
8	Cash items	438,299	-	438,299	-	-	0%
9	Exposures in respect of failed delivery on transactions entered into on a basis other than a delivery-versus-payment basis	-	-	-	-	-	0%
10	Regulatory retail exposures	14,057,410	49,355,820	13,927,530	4,433	10,448,972	75%
11	Residential mortgage loans	23,668,591	-	23,477,839	-	9,399,999	40%
12	Other exposures which are not past due exposures	17,662,303	717,870	16,965,046	-	16,965,046	100%
13	Past due exposures	87,370	-	87,370	-	105,273	120%
14	Significant exposures to commercial entities	-	-	-	-	-	0%
15	**Total**	**486,338,577**	**92,697,381**	**484,175,945**	**18,478,091**	**350,655,389**	**70%**

CR5: Credit risk exposures by asset classes and by risk weights – for STC approach

The following table presents a breakdown of credit risk exposures under STC approach by asset classes and by risk weights as at 31 December 2019:

		As at 31 December 2019										
	In HK$ thousands	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(ha)	(i)	(j)
	Risk Weight / **Exposure class**	**0%**	**10%**	**20%**	**35%**	**50%**	**75%**	**100%**	**150%**	**250%**	**Others**	**Total credit risk exposures amount (post CCF and post CRM)**
1	Sovereign exposures	36,264,723	-	9,164,431	-	-	-	-	-	-	-	45,429,154
2	PSE exposures	-	-	909,325	-	-	-	-	-	-	-	909,325
2a	Of which: domestic PSEs	-	-	909,325	-	-	-	-	-	-	-	909,325
2b	Of which: foreign PSEs	-	-	-	-	-	-	-	-	-	-	-
3	Multilateral development bank exposures	-	-	-	-	-	-	-	-	-	-	-
4	Bank exposures	4,250	-	27,296,439	-	98,633,699	-	1	693,980	-	-	126,628,369
5	Securities firm exposures	-	-	-	-	976,625	-	-	-	-	-	976,625
6	Corporate exposures	-	-	-	-	37,101,556	-	236,395,175	313,315	-	-	273,810,046
7	CIS exposures	-	-	-	-	-	-	-	-	-	-	-
8	Cash items	438,299	-	-	-	-	-	-	-	-	-	438,299
9	Exposures in respect of failed delivery on transactions entered into on a basis other than a delivery-versus-payment basis	-	-	-	-	-	-	-	-	-	-	-
10	Regulatory retail exposures	-	-	-	-	-	13,931,963	-	-	-	-	13,931,963
11	Residential mortgage loans	-	-	-	21,541,984	-	302,202	1,633,653	-	-	-	23,477,839
12	Other exposures which are not past due exposures	-	-	-	-	-	-	16,965,046	-	-	-	16,965,046
13	Past due exposures	-	-	2,092	-	-	-	46,125	39,153	-	-	87,370
14	Significant exposures to commercial entities	-	-	-	-	-	-	-	-	-	-	-
15	**Total**	**36,707,272**	**-**	**37,372,287**	**21,541,984**	**136,711,880**	**14,234,165**	**255,040,000**	**1,046,448**	**-**	**-**	**502,654,036**

CCRA: Qualitative disclosures related to counterparty credit risk (including those arising from clearing through CCPs)

Counterparty Credit Risk Management

The Group has adopted the Current Exposure Method for regulatory capital calculation of its counterparty credit risk ("CCR") arising from securities financing transactions and derivative contracts booked in the banking book and trading book.

The Group has in place a set of policies and a comprehensive framework to effectively manage such counterparty credit risk.

Under this management framework, the Group establishes credit limit through formal credit approval procedures to control the pre-settlement and settlement credit risk arising from derivative transactions. In this connection, distinct credit limits for counterparty credit exposure for individual counterparties and each group of related counterparties are determined based on the credit standing of the counterparties, collateral value, contract nature, actual needs, etc.

From a risk management perspective, the Group monitors the risk exposure due to fluctuations in the market by using the current exposure and the potential exposure value of the transactions.

All credit facilities granted to a counterparty, including general credit facilities as well as pre-settlement limit for derivative and FX products will be subject to review on an annual basis, in order to assess the latest information together with credit standing of the counterparties, and decide whether any adjustment of the credit package is required.

Transactions with associated specific wrong-way risks are discouraged, e.g. granting a credit line to a counterparty against the pledge of the counterparty's own shares (e.g. for conducting OTC derivative transactions) creates specific wrong-way risk to the Bank, as the risk of "secured" portion of the exposure is positively correlated with the probability of default of the counterparty. Exception should be justified and approved by Deputy Head of Credit Division or above.

Credit ratings downgrade

A credit rating downgrade clause in International Swaps and Derivatives Association ("ISDA") Master Agreement or a credit rating downgrade threshold clause in a Credit Support Annexes ("CSA") is designed to trigger an action if the credit rating of the affected party falls below a specified level. These actions may include the requirement to pay or increase collateral, the termination of transactions by the non-affected party or the assignment of transactions by the affected party.

If the Bank is given a credit rating downgrade, the impact on collateral posted is minimal as currently there are no such clauses in the collateral agreements entered by the Bank.

CCR1: Analysis of counterparty default risk exposures (other than those to CCPs) by approaches

The following table presents a comprehensive breakdown of counterparty default risk exposures (other than those to CCPs), RWAs, and, where applicable, main parameters under the approaches used to calculate default risk exposures in respect of derivative contracts and SFTs as at 31 December 2019:

		As at 31 December 2019					
		(a)	(b)	(c)	(d)	(e)	(f)
	In HK$ thousands	Replacement cost (RC)	PFE	Effective EPE	Alpha (α) used for computing default risk exposure	Default risk exposure after CRM	RWA
1	SA-CCR (for derivative contracts)	-	-		1.4	-	-
1a	CEM	1,889,993	2,668,218		N/A	3,873,016	1,390,350
2	IMM(CCR) approach			-	-	-	-
3	Simple Approach (for SFTs)					-	-
4	Comprehensive Approach (for SFTs)					39,061	7,812
5	VaR (for SFTs)					-	-
6	**Total**						**1,398,162**

CCR2: CVA capital charge

The following table presents information on portfolios subject to the CVA capital charge and the CVA calculations based on standardized CVA method and advanced CVA method as at 31 December 2019

		As at 31 December 2019	
		(a)	(b)
	In HK$ thousands	EAD post CRM	RWA
	Netting sets for which CVA capital charge is calculated by the advanced CVA method	-	-
1	(i) VaR (after application of multiplication factor if applicable)		-
2	(ii) Stressed VaR (after application of multiplication factor if applicable)		-
3	Netting sets for which CVA capital charge is calculated by the standardized CVA method	3,873,016	551,413
4	**Total**	**3,873,016**	**551,413**

CCR3: Counterparty default risk exposures (other than those to CCPs) by asset classes and by risk weights – for STC approach

The following table presents a breakdown of default risk exposures as at 31 December 2019, other than those to CCPs, in respect of derivative contracts and SFTs that are subject to the STC approach, by asset classes and risk-weights, irrespective of the approach used to determine the amount of default risk exposures:

		As at 31 December 2019										
	In HK$ thousands	(a)	(b)	(c)	(ca)	(d)	(e)	(f)	(g)	(ga)	(h)	(i)
	Risk Weight / Exposure class	0%	10%	20%	35%	50%	75%	100%	150%	250%	Others	Total default risk exposures after CRM
1	Sovereign exposures	-	-	-	-	-	-	-	-	-	-	-
2	PSE exposures	-	-	-	-	-	-	-	-	-	-	-
2a	Of which: domestic PSEs	-	-	-	-	-	-	-	-	-	-	-
2b	Of which: foreign PSEs	-	-	-	-	-	-	-	-	-	-	-
3	Multilateral development bank exposures	-	-	-	-	-	-	-	-	-	-	-
4	Bank exposures	-	-	2,041,362	-	1,692,604	-	-	-	-	-	3,733,966
5	Securities firm exposures	-	-	-	-	69,048	-	-	-	-	-	69,048
6	Corporate exposures	-	-	-	-	-	-	68,737	-	-	-	68,737
7	CIS exposures	-	-	-	-	-	-	-	-	-	-	-
8	Regulatory retail exposures	-	-	-	-	-	-	-	-	-	-	-
9	Residential mortgage loans	-	-	-	-	-	-	-	-	-	-	-
10	Other exposures which are not past due exposures	-	-	-	-	-	-	40,326	-	-	-	40,326
11	Significant exposures to commercial entities	-	-	-	-	-	-	-	-	-	-	-
12	**Total**	**-**	**-**	**2,041,362**	**-**	**1,761,652**	**-**	**109,063**	**-**	**-**	**-**	**3,912,077**

CCR5: Composition of collateral for counterparty default risk exposures (including those for contracts or transactions cleared through CCPs)

The following table presents a breakdown of all types of collateral posted or recognized collateral received to support or reduce the exposures to counterparty default risk exposures as at 31 December 2019 in respect of derivative contracts or SFTs entered into, including contracts or transactions cleared through a CCP:

	As at 31 December 2019					
	(a)	(b)	(c)	(d)	(e)	(f)
	Derivative contracts				SFTs	
	Fair value of recognized collateral received		Fair value of posted collateral		Fair value of recognized collateral received	Fair value of posted collateral
In HK$ thousands	Segregated	Unsegregated	Segregated	Unsegregated		
Cash - domestic currency	-	-	-	-	-	-
Cash - other currencies	-	384,070	443,393	76,388	-	1,118,038
Domestic sovereign debt	-	-	-	-	-	-
Other sovereign debt	-	-	-	-	-	-
Government agency debt	-	-	-	-	-	-
Corporate bonds	-	-	-	-	-	-
Equity securities	-	-	-	-	721,357	-
Other collateral	-	-	-	-	745,755	-
Total	**-**	**384,070**	**443,393**	**76,388**	**1,467,112**	**1,118,038**

MRA: Qualitative disclosures related to market risk

Market risk management by the Group

Market risk is the risk of loss arising from adverse changes in market rates and prices such as foreign exchange rates and interest rates and prices of debt securities. Market risk arises from the trading business. A trading book consists of positions in financial instruments held either with trading intent or in order to hedge other elements of the trading book.

Risk Management Committee ("RMC") is responsible for overseeing the market risk. The market risk framework comprises market risk management policies and control procedures with appropriate delegation of market risk limits.

The trading activities are primarily related to foreign exchange transactions. The market risk exposure is managed through the establishment of various trading limits. Trading book position is monitored by both end-of-day and intraday reports. Any excess will be promptly investigated and communicated with Treasury and then reported to RMC. In addition to the overall limits, documented trading policies and procedures define acceptable boundaries within which traders can execute transactions in their assigned markets. The limits, policies and procedures, and risk measurement methodology are updated and reviewed at least annually and seek for RMC's approval to make sure the controls are sound and valid.

MR1: Market risk under STM approach

The table below provides the components of the market risk capital requirements calculated using the STM approach as at 31 December 2019:

	As at 31 December 2019	**(a)**
	In HK$ thousands	**RWA**
	Outright product exposures	
1	Interest rate exposures (general and specific risk)	2,303,173
2	Equity exposures (general and specific risk)	-
3	Foreign exchange (including gold) exposures	22,381,815
4	Commodity exposures	-
	Option exposures	
5	Simplified approach	-
6	Delta-plus approach	-
7	Other approach	-
8	Securitization exposures	-
9	**Total**	**24,684,988**

IRRBBA: Interest rate risk in banking book

Risk Management objectives and policies

Interest rate risk in the banking book (IRRBB) is the potential adverse impact of changes in interest rates on earnings and capital.

IRRBB risk management aims to minimise potential significant loss as a result of changes in interest rate and maintain IRRBB within risk appetite. A set of IRRBB management policies which set out the overall IRRBB management and mitigation strategies has also been established.

Interest rate risks are analysed in terms of interest rate re-pricing gap that measure for each future period the re-pricing characteristic mismatches between assets and liabilities. The interest rate re-pricing gaps are subject to limits across time horizons which are monitored on a daily basis. The risk is also measured and controlled through limits of both earning and economic value sensitivities on a monthly basis. From the earning perspective, Net Interest Income (NII) measures potential changes in NII due to an adverse interest rate movement over a one-year period. From the economic value perspective, Economic Value of Equity (EVE) measures the change in the present value of expected cashflows from interest rate shock scenarios. Commercial margin and other spread components are included in the computation.

In the NII and EVE calculations, behavioral prepayment models are applied to retail loans for estimating loan prepayment rates according to historical data, as prepayments for retail loans are common and usually full economic cost of prepayments cannot be charged. The behavioral models are reviewed at least annually or more frequently in response to significant change in market conditions. On the other hand, retail term deposits are slotted according to their contractual re-pricing dates as significant penalty are charged for early redemption. The non-maturity deposits (NMD) are slotted to the next business day for conservative purpose. The NII across currencies can be offset and aggregated by mathematical sum while only EVE losses across currencies are aggregated.

IRRBB stress testing has been developed to estimate the sensitivities of NII and EVE under stressed conditions. The stress scenarios including historical scenarios and hypothetic scenarios which make reference to the latest changes of market condition.

The interest rate risk measurement indicators and risk modelling are regularly reviewed by Risk Management Division. Different levels of limit are established and approved by Risk Management Committee (RMC) and Risk Committee (RC), as deemed appropriate. The indicators are consistently presented to the ALCO for its decision-making purposes. ALCO formulate strategies over the asset and liability structure based on the risk appetite approved by the Board to ensure the business is operated within the acceptable risk tolerance. IRRBB is also subject to independent reviews by the Internal Audit.

Exposures to interest rate risk are hedged using derivatives. Further details on hedge accounting are discussed in note 30 of the consolidated financial statements of China Construction Bank (Asia) Corporation Limited.

As of 31 December 2019, there is no behavioral model for non maturity deposits (NMDs) and these products are assumed to be repriced and matured in the 2 days to 1 month bucket. (The average and longest maturity is 0.0417 year)

IRRBB1: Quantitative information on interest rate risk in banking book

This table provide information on the change in economic value of equity ("EVE") and change in net interest income ("NII") over next 12 months under each of the prescribed interest rate shock scenario in respect of the Group's interest rate exposures arising from banking book positions for the current annual reporting date at 31 December 2019. Comparative figures with previous period are not available since it is the first-time disclosure under new requirement of HKMA.

In HK$ million		(a)	(b)	(c)	(d)
		ΔEVE		**ΔNII**	
	Period	**As at 31 December 2019**	**As at 31 December 2018**	**As at 31 December 2019**	**As at 31 December 2018**
1	Parallel up	1,723	Not applicable	(439)	Not applicable
2	Parallel down	-	Not applicable	445	Not applicable
3	Steepener	183	Not applicable		
4	Flattener	205	Not applicable		
5	Short rate up	758	Not applicable		
6	Short rate down	-	Not applicable		
7	**Maximum**	1,723	Not applicable	445	Not applicable
	Period	**As at 31 December 2019**		**As at 31 December 2018**	
8	**Tier 1 capital**	68,866		61,277	

Off-balance sheet exposures other than derivative transactions

The following is a summary of the contractual amounts of each significant class of contingent liabilities and commitments to extend credit:

In HK$ thousands	As at 31 December 2019	As at 31 December 2018
Direct credit substitutes	**361,765**	628,195
Transaction-related contingencies	**3,985,512**	8,365,482
Trade-related contingencies	**1,762,424**	1,606,537
Other commitments:		
which are unconditionally cancellable or automatically cancellable due to the deterioration in the credit worthiness of the borrower	**52,942,232**	53,713,318
with an original maturity up to one year	**3,245,985**	836,818
with an original maturity over one year	**30,399,463**	24,025,892
Total	**92,697,381**	89,176,242
Total RWAs for credit risk of its off-balance sheet exposures	**16,958,439**	16,236,300

Contingent liabilities and commitments are credit-related instruments which include letters of credits, guarantees and commitments to extend credit. The risk involved is essentially the same as the credit risk involved in extending loan facilities to customers. These transactions are, therefore, subject to the same credit application, portfolio maintenance and collateral requirements as for customers applying for the loans. The contractual amounts represent the amounts at risk should the contract be fully drawn upon and the client defaults. As the facilities may expire without being drawn upon, the contractual amounts do not represent expected future cash flows.

International claims

International claims are exposures recorded on the statement of financial position based on the location of the counterparties after taking into account the transfer of risk. For a claim guaranteed by a party situated in a country different from the counterparty, risk will be transferred to the country of the guarantor. For a claim on the branch of a bank, the risk will be transferred to the country where its head office is situated. Claims on individual countries or areas, after risk transfer, amounting to 10% or more of the aggregate international claims are shown as follows:

In HK$' thousands	**As at 31 December 2019**				
	Banks	Official sector	Non-bank private sector		Total
			Non-bank financial institutions	Non-financial private sector	
Developing Asia and Pacific	**80,102,999**	**5,917,604**	**6,880,297**	**67,308,258**	**160,209,158**
- of which China	**78,708,781**	**5,917,604**	**6,880,297**	**62,983,634**	**154,490,316**
Offshore centres	**11,943,436**	**-**	**22,065,313**	**78,738,675**	**111,747,424**

In HK$' thousands	As at 31 December 2018				
	Banks	Official sector	Non-bank private sector		Total
			Non-bank financial institutions	Non-financial private sector	
Developing Asia and Pacific	132,742,881	5,800,276	7,246,598	44,655,246	190,445,001
- of which China	132,036,610	5,800,276	7,246,598	43,873,207	188,956,691
Offshore centres	3,527,350	-	18,596,651	74,871,697	96,995,698

Loans and advances to customers by geographical areas

The following table breaks down the Group's loans and advances exposure by geographical region as of 31 December 2019. The geographical analysis is based on location of the customers and has taken into account of transfer of risk.

As of 31 December 2019

HK$' thousands	Gross advances	Impaired advances	Overdue advances	Specific provisions	Collective provisions
Hong Kong	**244,009,911**	**770,554**	**572,596**	**422,752**	**1,507,672**
China	**29,850,516**	**79,607**	**74,110**	**79,499**	**264,800**
Macau	**228,341**	**-**	**-**	**-**	**1,113**
Others	**18,597,189**	**-**	**-**	**-**	**423,899**
	292,685,957	**850,161**	**646,706**	**502,251**	**2,197,484**

As of 31 December 2018

HK$' thousands	Gross advances	Impaired advances	Overdue advances	Specific provisions	Collective provisions
Hong Kong	211,985,474	753,580	199,925	132,080	1,449,414
China	28,033,558	37,802	9,188	37,605	56,340
Macau	317,590	-	-	-	1,047
Others	16,277,165	-	-	-	393,496
	256,613,787	791,382	209,113	169,685	1,900,297

Gross loans and advances to customers by industry sectors

	As at 31 December 2019	
	Outstanding balance In HK$ thousands	% of gross advances covered by collateral
Loans and advances for use in Hong Kong		
Industrial, commercial and financial		
Property development	16,553,186	87.43
Property investment	28,821,097	89.95
Financial concerns	34,450,580	35.67
Stockbrokers	855,085	0.00
Wholesale and retail trade	5,451,472	88.59
Manufacturing	8,026,832	71.00
Transport and transport equipment	9,989,160	68.30
Recreational activities	29,178	100.00
Information technology	6,022,776	48.74
Others	22,448,943	68.58
	132,648,309	
Individuals		
Loans for the purchase of flats in the Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme	2,997	100.00
Loans for the purchase of other residential properties	18,622,754	99.96
Credit card advances	4,342,059	0.00
Others	15,586,331	15.83
	38,554,141	
Trade finance	4,344,271	83.34
Loans and advances for use outside Hong Kong	117,139,236	56.33
Gross loans and advances to customers	**292,685,957**	**61.19**

Gross loans and advances to customers by industry sectors (Continued)

	As at 31 December 2018	
	Outstanding balance In HK$ thousands	% of gross advances covered by collateral
Loans and advances for use in Hong Kong		
Industrial, commercial and financial		
Property development	18,744,581	94.75
Property investment	32,567,682	83.04
Financial concerns	33,809,319	72.73
Stockbrokers	1,070,347	93.46
Wholesale and retail trade	5,549,307	67.52
Manufacturing	4,767,472	43.62
Transport and transport equipment	8,326,221	76.18
Recreational activities	354,518	8.84
Information technology	3,190,770	98.41
Others	13,545,491	51.81
	121,925,708	
Individuals		
Loans for the purchase of flats in the Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme	3,699	100.00
Loans for the purchase of other residential properties	16,633,839	99.58
Credit card advances	4,324,556	0.00
Others	17,982,997	33.27
	38,945,091	
Trade finance	3,722,133	51.57
Loans and advances for use outside Hong Kong	92,020,855	74.25
Gross loans and advances to customers	256,613,787	72.31

Gross loans and advances to customers by industry sectors (Continued)

Analysis of gross loans and advances to customers which constitute not less than 10% of gross loans and advances to customers are as follows:

As of 31 December 2019

In HK$' thousands	**Gross advances**	**Impaired advances**	**Overdue advances**	**Specific provisions**	**Collective provisions**
Property investment	**28,821,097**	**27,432**	**236,630**	**3,603**	**131,848**
Financial concerns	**34,450,580**	**-**	**-**	**-**	**49,228**

As of 31 December 2018

In HK$' thousands	Gross advances	Impaired advances	Overdue advances	Specific provisions	Collective provisions
Property investment	32,567,682	293,885	47,959	1,468	128,200
Financial concerns	33,809,319	-	-	-	39,236

Mainland activities exposures

The table below summarises the Mainland activities exposure of the Bank, categorised by types of non-bank counterparties:

As at 31 December 2019
In HK$ thousands

Types of Counterparties	On-balance sheet exposure	Off-balance sheet exposure	Total
(a) Central government, central government-owned entities and their subsidiaries and joint ventures ("JVs")	94,823,734	8,323,503	**103,147,237**
(b) Local governments, local government-owned entities and their subsidiaries and JVs	14,835,505	1,432,905	**16,268,410**
(c) PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	65,660,562	3,229,638	**68,890,200**
(d) Other entities of central government not reported in part (a) above	6,851,053	913,817	**7,764,870**
(e) Other entities of local governments not reported in part (b) above	519,250	-	**519,250**
(f) PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	11,622,462	2,284,000	**13,906,462**
(g) Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	1,900,955	1,245,600	**3,146,555**
Total	**196,213,521**	**17,429,463**	**213,642,984**
Total assets after provision	**485,879,968**		
On-balance sheet exposures as percentage of total assets	**40.38%**		

Mainland activities exposures (Continued)

As at 31 December 2018
In HK$ thousands

Types of Counterparties	**On-balance sheet exposure**	**Off-balance sheet exposure**	**Total**
(a) Central government, central government-owned entities and their subsidiaries and joint ventures ("JVs")	66,946,642	8,262,251	75,208,893
(b) Local governments, local government-owned entities and their subsidiaries and JVs	16,490,084	842,766	17,332,850
(c) PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	60,817,424	2,698,101	63,515,525
(d) Other entities of central government not reported in part (a) above	6,846,817	2,823,409	9,670,226
(e) Other entities of local governments not reported in part (b) above	195,504	-	195,504
(f) PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	13,339,798	2,077,639	15,417,437
(g) Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	4,688,157	21,230	4,709,387
Total	169,324,426	16,725,396	186,049,822
Total assets after provision	478,359,114		
On-balance sheet exposures as percentage of total assets	35.39%		

Currency concentrations

The Group had the following net foreign currency exposures which exceeded 10% of the net foreign currency exposure in all currencies:

As at 31 December 2019	**RMB**	**USD**	**Others**	**Total**
HK$ thousands equivalent				
Spot assets	36,540,046	198,845,893	31,218,184	266,604,123
Spot liabilities	(62,967,092)	(154,156,811)	(35,420,684)	(252,544,587)
Forward purchases (note 1)	44,309,416	96,307,799	18,797,681	159,414,896
Forward sales (note 1)	(40,061,113)	(140,748,761)	(14,586,229)	(195,396,103)
Net (short) / long position (note 2)	(22,178,743)	248,120	8,952	(21,921,671)
Net structural position	-	-	-	-

As at 31 December 2018	**RMB**	**USD**	**Others**	**Total**
HK$ thousands equivalent				
Spot assets	42,615,647	201,135,992	27,423,435	271,175,074
Spot liabilities	(77,642,509)	(137,142,128)	(24,660,150)	(239,444,787)
Forward purchases (note 1)	68,618,968	110,857,199	21,939,066	201,415,233
Forward sales (note 1)	(55,640,316)	(174,934,084)	(24,697,849)	(255,272,249)
Net (short) / long position (note 2)	(22,048,210)	(83,021)	4,502	(22,126,729)
Net structural position	-	-	-	-

The net option position was calculated using the Simplified Approach and there was no net option position as at 31 December 2019.

Note 1: The derivative financial instruments included in “Spot assets” and “Spot liabilities” are also represented under “Forward purchases” and “Forward sales” in the table above.

Note 2: The RMB spot liabilities include the RMB17.6 billion share capital (HKD$22.3 billion). The net short RMB position was mainly stemmed from the conversion of RMB capital related assets into Hong Kong dollars in 2015.

Table REMA: Remuneration Policy

Disclosure on remuneration for CG-5 Guideline on a Sound Remuneration System issued by the HKMA

The Board has delegated power to the Nomination and Remuneration Committee to oversee the design and operation of the Bank's remuneration system.

The Nomination and Remuneration Committee consists of not less than three members, majority of whom should be independent non-executive Directors.

The major responsibilities of the Committee include but not limited to:

- Making recommendations of remuneration packages of the Senior Management [Note 1] and the Key Personnel [Note 2],
- Making recommendations to the Board on the Bank's remuneration structure, annual salary adjustment, annual performance bonus and long term incentive, if applicable, and
- Conducting regular review of the Bank's remuneration system and its operation.

The Committee takes into account of the Bank's risk tolerance, risk management framework and long term financial soundness in determining the Bank's remuneration policy. The policy advocates pay-for-performance philosophy and internal equity to encourage achievement of results and desirable behaviors in support of the Bank's long term goals and strategies. The policy applies to all employees employed by the Bank.

Remuneration Structure

The remuneration packages of employees focus on "total cash remuneration" comprising of fixed salary and variable remuneration. Following the total reward principle and prevailing market practices, payments of remuneration are required to follow the policy guidelines to maintain an appropriate balance that the fixed portion is sufficient to attract and retain employees with relevant skills and the variable portion will not effectively become "non-discretionary" or induce excessive risk taking. The proportion of variable remuneration shall vary according to roles and responsibilities, and is usually higher for employees who are higher in seniority.

Fixed remuneration refers to base salary, fixed allowances and year-end guaranteed pay (if applicable). Variable remuneration, comprising mainly cash bonus payments, sales incentives and/or long term incentives (if applicable), is awarded based on overall performance of the Bank, the relevant business units and the employee, taking into account the full range of current and potential short-term and longer-term risks connected with the activities of employees which may affect the performance of the Bank. Variable remuneration is awarded in form of cash currently.

Performance Management and Allocation of Variable Remuneration

Performance of the Bank will be evaluated against pre-defined and assessable financial and non-financial targets, including but not limited to the Bank's performance on risk management perspectives. Based on the Bank level targets, each individual Division will set up its performance indicators covering financial, non-financial, risk management and compliance targets. Major types of risks such as credit risks, market risks, liquidity and operational risks are taken into consideration during the evaluation process.

[Note 1] Senior Management refers to employees at Deputy Chief Executive and above. The Bank had 7 employees being classified as Senior Management as at the year ended 31 December 2019.

[Note 2] Key Personnel refers to individual employees whose duties or activities in the course of their employment involve the assumption of material risk or the taking on of material exposures on behalf of the Bank. The Bank had 2 employees being classified as Key Personnel as at the year ended 31 December 2019.

Table REMA: Remuneration Policy (Continued)

Performance Management and Allocation of Variable Remuneration (Continued)

Performance of individual employees will be assessed against a number of pre-defined and measurable performance goals in support of the Bank's targets. The goals are determined according to the job responsibilities, areas of contribution covering both financial and non-financial factors, and the full adherence to the code of conduct, internal control policy, compliance standard and risk management requirements. The overall and balanced quality of an employee's performance is therefore measured and determined by not only financial achievement, but also non-financial indicators such as compliance with legal, regulatory, ethical standards (including Anti-Money Laundering etc.), corporate culture and behavioural standards as an integral part of the performance management system. "Zero compromise" is the standard that the Bank advocates as far as compliance is concerned. Stringent compliance standard and risk management requirement has remained as a key and mandatory element in the performance management system during the year of 2019. For employees within risk control functions, they have to achieve their specific divisional and individual key performance indicators independent of the performance of the business areas which they oversee.

Bank-wide variable remuneration level will be determined with reference to the result of the Bank's overall performance evaluation at the end of the year. Failure to achieve financial and non-financial targets will result in reduction in variable remuneration pool at the Bank level. Award of variable remuneration of individual employee is linked to the performance of the Bank as a whole, the relevant Division and the employee concerned. Adverse performance in non-financial factors, where appropriate, should override outstanding financial achievements and could have a significant negative impact on the overall performance rating. Employees who fail to achieve satisfactory performance results as described above will be subject to reduction or elimination of variable remuneration.

In assessing the remuneration packages of Senior Management and Key Personnel of the Bank, the Nomination and Remuneration Committee has the delegated responsibility to review and recommend the total remuneration inclusive of the variable components in alignment with the performance management system described above.

Payout and Deferral of Variable Remuneration

The award of variable remuneration is subject to deferment in accordance with the remuneration policy as approved by the Nomination and Remuneration Committee and the Board of the Bank. In general, the proportion of variable remuneration subject to deferment will increase in line with seniority, scope of responsibilities and in proportionate with the amount of bonus as compared to the fixed remuneration.

The award of deferred remuneration is subject to a minimum vesting period and pre-defined vesting conditions in accordance with the remuneration policy. The vesting period shall be three years and aligned to the nature and risks of business, activities undertaken by employees and the time horizon of the risks from the activities. Payout of deferral may be subject to forfeiture in case of significant performance deterioration at the Bank, business unit or individual level, as appropriate. Early payment of deferral amount is normally not allowed and the unvested payment will be forfeited if the employee tenders resignation from the Bank or is terminated by the Bank before the normal payout date. Any exception to the rules is subject to approval by the Board, Nomination and Remuneration Committee or Chief Executive Officer as defined in the remuneration policy.

Unvested deferred remuneration shall be subject to "claw-back" if it is later established that any performance measurement was based on data which is subsequently proven to have been manifestly misstated, or it is later established that there has been fraud or other malfeasance on the part of the employee or violation of the Bank's internal control policies/ procedures. Exception to claw-back shall be subject to approval by the Board, Nomination and Remuneration Committee or Chief Executive Officer as defined in the remuneration policy.

Table REMA: Remuneration Policy (Continued)

On-going Monitoring of the Remuneration System

A multi-level monitoring mechanism shall be in place to ensure the policy is well respected and followed appropriately.

The Board and the Nomination and Remuneration Committee shall provide oversight of the overall remuneration matters of the Bank to be consistent with its culture, strategy, risk tolerance and control environment. The Audit function of the Bank or an external consultant appointed by the Bank shall conduct regular review (at least annually), independent of management, on the adequacy and effectiveness of the remuneration policy as well as compliance of the operations of the Bank's remuneration system. Results of the review together with any material weaknesses identified shall be submitted to the Nomination and Remuneration Committee. Involvement and inputs from risk management, compliance, finance and human resources shall be solicited as appropriate in the design and implementation of the remuneration policy and systems, with specific regard to risk considerations at various levels of the Bank.

In 2019, the assessment of the Bank's remuneration system against the principles as outlined in the Supervisory Policy Manual CG-5 "Guidelines on a Sound Remuneration System" which was issued by the Hong Kong Monetary Authority was conducted independent of management, and the result of the review has been submitted to the Board of Directors and the Nomination and Remuneration Committee.

Template REM1: Remuneration awarded during financial year

Total value of remuneration in 2019:

In HK$ thousands	**2019***		**2018**	
Total value of remuneration awards for the current financial year	Non- deferred	Deferred	Non- deferred	Deferred
(i) Senior management				
Fixed remuneration				
• Number of employees	7		7	
• Cash-Based	25,102	-	24,185	-
Variable remuneration				
• Number of employees	7		7	
• Cash-Based	3,935	2,624	3,692	2,463
• Shares and shared-linked instruments	-	-	-	-
(ii) Key Personnel				
Fixed remuneration				
• Number of employees	2		2	
• Cash-Based	4,551	-	4,491	-
Variable remuneration				
• Number of employees	2		2	
• Cash-Based	871	580	245	163
• Shares and shared-linked instruments	-	-	-	-

*Note1: As of the date of regulatory disclosures statement, the above compensation packages including performance based bonus for senior management and key personnel for the year ended 31 December 2019 has not been finalized, and only accrued figures are presented.

Template REM2: Special payments

In 2019, no guaranteed bonuses, sign-on, or severance payments were made to the Senior Management and Key Personnel of the Bank.

Template REM3: Deferred remuneration

Outstanding deferred remunerations at the end of 2019

In HK$ thousands	**2019** (include award for performance year 2019)		**2018** (include award for performance year 2018)	
Outstanding deferred remunerations	Vested	Unvested	Vested	Unvested
(A) Senior management				
• Cash-Based	-	6,569	-	5,115
• Shares and shared-linked instruments	-	-	-	-
• Others (Please specify)	-	-	-	-
(B) Key Personnel				
• Cash-Based	-	1,300	-	998
• Shares and shared-linked instruments	-	-	-	-
• Others (Please specify)	-	-	-	-

Employees' exposures to implicit and explicit adjustments of deferred remuneration and retained remunerations

In HK$ thousands	**2019**		**2018**	
	Senior management	Key personnel	Senior management	Key personnel
Total outstanding deferred remuneration and retained remuneration exposed to ex post explicit and/or implicit adjustments	6,569	1,300	5,115	998
Total reductions during the financial year due to ex post explicit adjustments	-	-	-	-
Total reductions during the financial year due to ex post implicit adjustments	-	-	-	-
Total deferred remuneration paid out during the financial year	1,170	278	1,864	234

Glossary

Abbreviations	Descriptions
ASF	Available stable funding
AT1	Additional Tier 1
BSC	Basic approach
CCF	Credit conversion factor
CCP	Central counterparty
CCR	Counterparty credit risk
CCyB	Countercyclical capital buffer
CEM	Current exposure method
CIS	Collective investment scheme
CRM	Credit risk mitigation
CVA	Credit valuation adjustment
D-SIB	Domestic systemically important authorized institution
EAD	Exposure at default
EPE	Expected positive exposure
FBA	Fall-back approach
G-SIB	Global systemically important banks
IMM	Internal models approach
IMM (CCR)	Internal models (counterparty credit risk) approach
IRB	Internal ratings-based approach
LTA	Look through approach
MBA	Mandate-based approach
PFE	Potential future exposure
PSE	Public sector entity
RC	Replacement cost
RSF	Required stable funding
RW	Risk-weight
RWA	Risk-weighted asset/risk-weighted amount
SA-CCR	Standardized approach for counterparty credit risk
SEC-ERBA	securitization external ratings based approach
SEC-FBA	securitization fall-back approach
SEC-IRBA	securitization internal ratings-based approach
SEC-SA	securitization standardized approach
SFT	Securities financing transaction
STC	Standardized (credit risk) approach
STM	Standardized (market risk) approach
VaR	Value at risk