CHINA CONSTRUCTION BANK (ASIA) CORPORATION LIMITED

Regulatory Disclosure Statement

For the year ended

31 December 2018

(Unaudited)

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

Table of contents

Table of contents

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 2018 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, an associate 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 2018.

Name of company	Principal activities	Total assets	Total equity
CCB Securities Limited	Securities brokerage business	897,628	605,904
CCB Nominee Limited	Custodian and nominee services	39,588	38,947
CCB (Asia) Trustee Company Limited	Trustee and custodian business	73,962	39,776

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 2018**	**30 Sep 2018**	**30 Jun 2018**	**31 Mar 2018**	**31 Dec 2017**
	Regulatory capital (amount)					
1	Common Equity Tier 1 (CET1)	53,465,029	52,227,241	51,147,720	49,400,837	48,625,898
2	Tier 1	61,276,761	60,038,973	58,959,452	57,212,569	56,438,098
3	Total capital	69,796,041	68,946,141	67,652,577	66,806,574	65,516,482
	RWA (amount)					
4	Total RWA	353,506,502	348,069,340	364,363,519	367,725,996	367,439,731
	Risk-based regulatory capital ratios (as a percentage of RWA)					
5	CET1 ratio (%)	15.12%	15.00%	14.04%	13.43%	13.23%
6	Tier 1 ratio (%)	17.33%	17.25%	16.18%	15.56%	15.36%
7	Total capital ratio (%)	19.74%	19.81%	18.57%	18.17%	17.83%
	Additional CET1 buffer requirements (as a percentage of RWA)					
8	Capital conservation buffer requirement (%)	1.88%	1.88%	1.88%	1.88%	1.25%
9	Countercyclical capital buffer requirement (%)	1.48%	1.45%	1.44%	1.42%	0.94%
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 (%)	3.35%	3.33%	3.32%	3.29%	2.19%
12	CET1 available after meeting the AI's minimum capital requirements (%)	10.62%	10.50%	9.54%	8.93%	8.73%
	Basel III leverage ratio					
13	Total leverage ratio (LR) exposure measure	508,292,231	482,973,669	538,023,838	512,617,934	547,117,610
14	LR (%)	12.06%	12.43%	10.96%	11.16%	10.32%
	Liquidity Coverage Ratio (LCR) / Liquidity Maintenance Ratio (LMR)					
	Applicable to category 1 institution only:					
15	Total high quality liquid assets (HQLA)	56,073,903	58,108,720	59,510,325	64,052,180	67,299,584
16	Total net cash outflows	20,764,442	25,649,355	35,487,008	44,823,242	37,032,023
17	LCR (%)	276.50%	231.83%	168.95%	144.74%	187.47%
	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	328,991,557	327,223,092	324,187,296	332,353,538	N/A
19	Total required stable funding	235,793,916	239,241,739	253,184,082	262,620,321	N/A
20	NSFR (%)	139.53%	136.78%	128.04%	126.55%	N/A
	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 examine the Group's key risk management policies according to the overall strategy of the Group, and supervise and evaluate 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 and provide oversight of 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 are 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 both the Group's trading and non-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. Non-trading book records those financial instruments which are not included in the trading book. The Group's exposure to market risk arises from its day-to-day activities associated with loans, deposits, securities held for liquidity purposes and trading activities.

The Group's trading activities are primarily related to foreign exchange transactions. The Group manages its exposure to market risk through the establishment of various trading limits and the risk exposure is calculated by the Bank system and externally developed risk engine. Trading book position is monitored by both end-of-day and intraday reports. In addition to the overall limits, documented trading policies and procedures define acceptable boundaries within which traders can execute transactions in their assigned markets.

(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 sensitivity tests, 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 impacts.

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 2018**	**As at 30 September 2018**	**As at 31 December 2018**
1	Credit risk for non-securitization exposures	310,286,729	303,357,564	24,822,938
2	Of which STC approach	310,286,729	303,357,564	24,822,938
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	1,851,632	2,775,159	148,131
7	Of which SA-CCR	-	-	-
7a	Of which CEM	1,787,850	2,775,159	143,028
8	Of which IMM(CCR) approach	-	-	-
9	Of which others	63,782	-	5,103
10	CVA risk	760,200	1,039,475	60,816
11	Equity positions in banking book under the simple risk-weight method and internal models method	-	-	-
12	Collective investment scheme ("CIS") exposures – LTA	-	-	-
13	CIS exposures – MBA	-	-	-
14	CIS exposures – FBA	-	-	-
14a	CIS exposures – combination of approaches	-	-	-
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	25,589,713	26,170,138	2,047,177
21	Of which STM approach	25,589,713	26,170,138	2,047,177
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)	-	-	-
24	Operational risk	13,717,200	13,425,988	1,097,376
25	Amounts below the thresholds for deduction (subject to 250% RW)	1,301,028	1,301,028	104,082
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**	**353,506,502**	**348,069,352**	**28,280,520**

During the quarter ended 31 December 2018, total RWAs increased by HK$5,437 million mainly due to increase in RWA for non-securitization credit exposures.

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 2018:

	As at 31 December 2018						
	(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	78,238,697	78,238,697	78,238,697	-	-	-	-
Placements with banks	31,753,841	31,753,841	31,753,841	-	-	-	-
Advances to customers and trade bills	254,471,410	254,471,410	254,471,410	-	-	-	-
Financial assets held under resale agreements	1,514,983	1,514,983	1,514,983	-	-	-	-
Financial assets measured at fair value through profit or loss	3,816,227	3,539,873	3,539,873	-	-	-	-
Financial assets measured at fair value through other comprehensive income	86,744,559	86,744,559	86,744,559	-	-	-	-
Financial assets measured at amortized costs	12,065,832	12,065,832	12,065,832	-	-	-	-
Derivative financial instruments	2,756,470	2,756,470	-	2,756,470	-	2,356,364	-
Investment in subsidiaries	-	516,000	516,000	-	-	-	-
Interest in a joint venture	1,955,713	1,955,713	1,955,713	-	-	-	-
Interest in an associate	69,223	10,411	10,411	-	-	-	-
Deferred tax assets	396,042	396,042	-	-	-	-	396,042
Fixed assets	3,200,961	3,200,166	3,200,166	-	-	-	-
Other assets	3,985,945	4,059,608	3,872,998	186,610	-	62,638	-
Total assets	**480,969,903**	**481,223,605**	**477,884,483**	**2,943,080**	-	**2,419,002**	**396,042**

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

	As at 31 December 2018						
	(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	32,167,403	32,167,403	-	-	-	-	32,167,403
Deposits from customers	354,129,879	354,551,202	-	-	-	-	354,551,202
Financial liabilities sold under repurchase agreements	2,420,859	2,420,859	-	-	-	-	2,420,859
Other debt securities issued	14,515,909	14,515,909	-	-	-	-	14,515,909
Derivative financial instruments	2,142,242	2,142,242	-	-	-	2,049,594	-
Current tax payable	252,269	251,618	-	-	-	-	251,618
Deferred tax liabilities	21,508	21,508	-	-	-	-	21,508
Other liabilities	7,008,032	7,069,297	-	68,014	-	22,059	7,001,283
Subordinated debts	5,833,798	5,833,798	-	-	-	-	5,833,798
Total liabilities	**418,491,899**	**418,973,836**	**-**	**68,014**	**-**	**2,071,653**	**416,763,580**

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 2018:

		As at 31 December 2018				
		(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)**	480,827,563	477,884,483	-	2,943,080	2,419,002
2	Liabilities carrying value amount under regulatory scope of consolidation (as per template LI1)	(2,139,667)	-	-	(68,014)	(2,071,653)
3	Total net amount under regulatory scope of consolidation	478,687,896	477,884,483	-	2,875,066	347,349
4	Off-balance sheet amounts	88,609,788	17,199,266	-	-	-
5	Differences due to consideration of provisions	1,906,620	1,906,620	-	-	-
6	Differences due to specific regulatory adjustments and other differences	(5,210,721)	(4,241,662)	-	(969,059)	-
7	Differences due to potential exposures for counterparty credit risks	3,215,688	-	-	3,215,688	-
8	**Exposure amounts considered for regulatory purposes**	**567,209,271**	**492,748,707**	**-**	**5,121,695**	**347,349**

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 price. In the absence of organised secondary 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 using current market parameters or market prices provided by counterparties.

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) Options traded over the counter are valued using broker quotes price. For other derivative financial instruments, the Group uses estimated discounted cash flows to determine their fair value and the discount rate used is a market rate at the end of the reporting period applicable for an instrument with similar terms and conditions. The fair value of interest rate swaps and currency swaps are calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using forward exchange market rates at the reporting date. (ii) Financial assets and liabilities not measured at fair value Financial assets and liabilities that are not presented at their fair value on the statement of financial position mainly represent cash and balances with banks and central banks, placements with banks, advances to customers and trade bills, and financial 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 statement of financial position mainly represent deposits and balances of banks, deposits from customers, and other debt securities issued at amortised costs. These financial liabilities are measured at amortised cost. The Group assessed that, except for medium term notes in other debt securities measured at amortised cost and their fair values are stated in Note 38, the differences between fair values and carrying amounts of those financial assets and liabilities not presented on the Group’s consolidated statement of financial position at their fair values are minimal as most of the Group’s financial assets and liabilities are either short-term or priced at floating rates.

PV1: Prudent valuation adjustments

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

		As at 31 December 2018							
		(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 2018.

CC1: Composition of regulatory capital

The following table sets out the detailed composition of the regulatory capital as at 31 December 2018:

As at 31 December 2018 **In HK$ thousands**		(a) **Amount**	(b) **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	24,378,027	8
3	Disclosed reserves	1,232,167	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**	54,438,037	
	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)	396,042	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 capital investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-	
19	Significant capital 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 2018		(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	576,966	
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	576,966	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**	973,008	
29	**CET1 capital**	53,465,029	
	AT1 capital: instruments		
30	Qualifying AT1 capital instruments plus any related share premium	7,811,732	7
31	of which: classified as equity under applicable accounting standards	7,811,732	
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**	7,811,732	
	AT1 capital: regulatory deductions		
37	Investments in own AT1 capital instruments	-	
38	Reciprocal cross-holdings in AT1 capital instruments	-	
39	Insignificant capital investments in AT1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-	
40	Significant capital 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**	7,811,732	
45	**Tier 1 capital (T1 = CET1 + AT1)**	61,276,761	
	Tier 2 capital: instruments and provisions		
46	Qualifying Tier 2 capital instruments plus any related share premium	5,833,798	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 2018

In HK$ thousands

		(a)	(b)
		Amount	**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	2,685,482	1+10
51	**Tier 2 capital before regulatory deductions**	8,519,280	
	Tier 2 capital: regulatory deductions		
52	Investments in own Tier 2 capital instruments	-	
53	Reciprocal cross-holdings in Tier 2 capital instruments	-	
54	Insignificant capital investments in Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-	
55	Significant capital investments in Tier 2 capital instruments issued by 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	-	
57	**Total regulatory adjustments to Tier 2 capital**	-	
58	**Tier 2 capital (T2)**	8,519,280	
59	**Total regulatory capital (TC = T1 + T2)**	69,796,041	
60	**Total RWA**	353,506,502	
	Capital ratios (as a percentage of RWA)		
61	**CET1 capital ratio**	15.12%	
62	**Tier 1 capital ratio**	17.33%	
63	**Total capital ratio**	19.74%	
64	**Institution-specific buffer requirement (capital conservation buffer plus countercyclical capital buffer plus higher loss absorbency requirements)**	3.35%	
65	of which: capital conservation buffer requirement	1.88%	
66	of which: bank specific countercyclical capital buffer requirement	1.47%	
67	of which: higher loss absorbency requirement	0.00%	
68	CET1 (as a percentage of RWA) available after meeting minimum capital requirements	10.62%	
	National minima (if different from Basel 3 minimum)		
69	National CET1 minimum ratio	Not applicable	Not applicable
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 capital investments in CET1, AT1 and Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	520,411	2+3
73	Significant capital investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	-	

CC1: Composition of regulatory capital (Continued)

As at 31 December 2018

In HK$ thousands		(a) **Amount**	(b) **Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation**
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)	2,685,482	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	3,917,992	
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)**	396,042	-
	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 capital 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 capital 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 capital 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 capital 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 capital 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 capital 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 capital investments in Tier 2 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 capital investments in Tier 2 capital instruments 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 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 2018 (a) Balance sheet as in published financial statements	As at 31 December 2018 (b) Under regulatory scope of consolidation	(c) Reference
ASSETS			
Cash and balances with bank and central banks	78,238,697	78,238,697	
Gross cash and balances with banks and central banks	78,240,159	78,240,159	
Collective provision	(1,462)	(1,462)	1
Placements with banks	31,753,841	31,753,841	
Gross placements with banks	31,758,244	31,758,244	
Collective provision	(4,403)	(4,403)	1
Advances to customers and trade bills	254,471,410	254,471,410	
Gross advances to customers and trade bills	256,541,391	256,541,391	
Collective provision	(1,869,750)	(1,869,750)	1
Specific provision	(200,231)	(200,231)	
Financial assets held under resale agreements	1,514,983	1,514,983	
Financial assets measured at fair value through profit or loss	3,816,227	3,539,873	
Financial assets measured at fair value through other comprehensive income	86,744,559	86,744,559	
Financial assets measured at amortized costs	12,065,832	12,065,832	
Gross Financial assets at amortized costs	12,090,571	12,090,571	
Collective provision	(24,739)	(24,739)	1
Derivative financial instruments	2,756,470	2,756,470	
Investment in subsidiaries	-	516,000	
Financial sector entities	-	510,000	2
Commercial entities	-	6,000	
Interest in a joint venture	1,955,713	1,955,713	
Interest in an associate	69,223	10,411	3
Deferred tax assets	396,042	396,042	4
Fixed assets	3,200,961	3,200,166	
Other assets	3,985,945	4,059,608	
Gross other assets	3,992,262	4,065,925	
Collective provision	(6,266)	(6,266)	1
Specific provision	(51)	(51)	
TOTAL ASSETS	**480,969,903**	**481,223,605**	

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

In HK$ thousands	**As at 31 December 2018** (a) Balance sheet as in published financial statements	**As at 31 December 2018** (b) Under regulatory scope of consolidation	(c) Reference
LIABILITIES			
Deposits and balances of banks	32,167,403	32,167,403	
Deposits from customers	354,129,879	354,551,202	
Financial liabilities sold under repurchase agreements	2,420,859	2,420,859	
Other debt securities issued	14,515,909	14,515,909	
Derivative financial instruments	2,142,242	2,142,242	
Current tax payable	252,269	251,618	
Deferred tax liabilities	21,508	21,508	
Other liabilities	7,008,032	7,069,297	
Other liabilities	6,806,136	6,867,401	
Collective provision	201,896	201,896	1
Subordinated debts	5,833,798	5,833,798	5
TOTAL LIABILITIES	**418,491,899**	**418,973,836**	
EQUITY			
Share capital	28,827,843	28,827,843	6
Other equity instruments	7,811,732	7,811,732	7
Reserves	25,838,429	25,610,194	
Retained earnings		24,378,027	8
General reserve		750,956	9
Regulatory reserve		576,966	10
Other reserve		15,913	11
Investment revaluation reserve		(173,930)	12
Merger reserve		62,262	13
TOTAL EQUITY	**62,478,004**	**62,249,769**	
TOTAL EQUITY & LIABILITIES	**480,969,903**	**481,223,605**	

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	Tier 2 Subordinated debts	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	XT1100009874	XS1743529767
3	Governing law(s) of the instrument	Hong Kong	Hong Kong	Hong Kong	Hong Kong
	Regulatory treatment				
4	Transitional Basel III rules#	Common Equity Tier 1	Common Equity Tier 1	Tier 2	Additional Tier 1
5	Post-transitional Basel III rules+	Common Equity Tier 1	Common Equity Tier 1	Tier 2	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	Tier 2 notes	Additional Tier 1 capital instruments
8	Amount recognised in regulatory capital (Currency in million, as of most recent reporting date)	HK$6,511 million	HKD22,317 million	HKD 5,834 million	HKD 7,812 million
9	Par value of instrument	HK$40 each	RMB40 each	USD750 million	USD1 billion
10	Accounting classification	Shareholders' equity	Shareholders' equity	Liability - fair value option	Shareholders' equity
11	Original date of issuance	Since incorporation	15-Aug-2013	20-Aug-2014	29-Dec-2017
12	Perpetual or dated	Perpetual	Perpetual	Dated	Perpetual
13	Original maturity date	No maturity	No maturity	20-Aug-2024	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	20-Aug-2019. Redemption in whole at 100% with accrued interest	29-Dec-2022. Redemption in whole at 100%
16	Subsequent call dates, if applicable	Not applicable	Not applicable	Not applicable	Any distribution payment date thereafter
	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	4.25% p.a.	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"
19	Existence of a dividend stopper	Not applicable	Not applicable	No	Yes
20	Fully discretionary, partially discretionary or mandatory	Not applicable	Not applicable	Mandatory	Fully discretionary
21	Existence of step up or other incentive to redeem	Not applicable	Not applicable	No	No
22	Noncumulative or cumulative	Not applicable	Not applicable	Not applicable	Noncumulative

CCA: Main features of regulatory capital instruments (Continued)

		CET1 capital HKD ordinary shares	CET1 capital RMB ordinary shares	Tier 2 Subordinated debts	AT1 Perpetual capital instruments
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	Partially	Full
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	Immediately subordinated to unsecured senior notes / indebtedness	Subordinated to depositors, general creditors and other subordinated creditor, but senior to holders of ordinary shares.
36	Non-compliant transitioned features	Not applicable	Not applicable	Not applicable	Not applicable
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 2018 was 1.47% as the majority of its private sector credit exposures are attributed to Hong Kong which applicable JCCyB has been updated to 1.875% effective 1 January 2018.

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:

		As at 31 December 2018			
In HK$ thousands		(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	1.875%	182,014,222		
2	United Kingdom	1.000%	322,542		
3	Sum		182,336,764		
4	Total		231,849,273	1.47%	5,207,151

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. There is a change in the methodology of calculating the CCyB amount following the implementation of the Banking (Disclosure) (Amendment) Rules 2018 where the disclosure template has been updated. At 31 December 2018, the CCyB amount represents the Group's total RWA multiplied by the Group specific CCyB ratio. Prior to 30 June 2018, the CCyB amount was the Group's total RWA relating to private sector credit exposures multiplied by the Group specific CCyB ratio. The change is presentational only and has no impact on the Group's capital requirements.

3. The applicable JCCyB ratio in force in United Kingdom increased from 0.5% to 1%. The private sector credit exposures decreased comparing with 30 June 2018, mainly driven by the loan decrease.

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 2018**
1	Total consolidated assets as per published financial statements	480,969,903
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	457,188
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	3,367,965
5	Adjustment for SFTs (i.e. repos and similar secured lending)	2,406,835
6	Adjustment for off-balance sheet (“OBS”) items (i.e. conversion to credit equivalent amounts of OBS exposures)	22,683,885
6a	Adjustment for specific and collective provisions that are allowed to be excluded from exposure measure	(201,896)
7	Other adjustments	(1,391,649)
8	**Leverage ratio exposure measure**	**508,292,231**

LR2: Leverage ratio

In HK$ thousands		As at 31 December 2018	As at 30 September 2018
On-balance sheet exposures			
1	On-balance sheet exposures (excluding those arising from derivative contracts and SFTs, but including collateral)	477,994,645	457,491,004
2	Less: Asset amounts deducted in determining Tier 1 capital	(396,042)	(342,694)
3	Total on-balance sheet exposures (excluding derivative contracts and SFTs)	477,598,603	457,148,310
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)	2,927,572	4,361,423
5	Add-on amounts for PFE associated with all derivative contracts	3,215,688	4,169,883
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	(67,176)	(325,905)
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	6,076,084	8,205,401
Exposures arising from SFTs			
12	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	4,242,458	1,769,139
13	Less: Netted amounts of cash payables and cash receivables of gross SFT assets	-	-
14	CCR exposure for SFT assets	-	127
15	Agent transaction exposures	-	-
16	Total exposures arising from SFTs	4,242,458	1,769,266
Other off-balance sheet exposures			
17	Off-balance sheet exposure at gross notional amount	89,176,242	84,269,468
18	Less: Adjustments for conversion to credit equivalent amounts	(66,492,357)	(66,639,693)
19	Off-balance sheet items	22,683,885	17,629,775
Capital and total exposures			
20	Tier 1 capital	61,276,761	60,038,973
20a	Total exposures before adjustments for specific and collective provisions	510,601,030	484,752,752
20b	Adjustments for specific and collective provisions	(2,308,799)	(1,779,083)
21	Total exposures after adjustments for specific and collective provisions	508,292,231	482,973,669
Leverage ratio			
22	**Leverage ratio**	12.06%	12.43%

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.

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)" updated in 2016.

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.

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

LIQA: Liquidity risk management (Continued)

Liquidity cushion

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 to the definition of High Quality Liquid Assets 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.

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 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 2018											
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	256,492	256,492	-	-	-	-	-	-	-	-	-	
Amount receivable arising from derivative contracts	2,935,267	206,071	470,603	336,726	194,914	581,468	121,321	815,363	126,339	56,881	25,581	-
Due from MA for a/c of Exchange Fund	5,983,908	5,983,908	-	-	-	-	-	-	-	-	-	-
Due from banks	103,921,733	18,639,824	31,185,094	22,258,185	26,263,263	2,869,544	2,705,823	-	-	-	-	-
Debt securities, prescribed instruments and structured financial instruments held	100,173,554	57,482,103	-	662,550	1,297,011	5,869,193	8,216,660	11,074,907	9,014,995	5,784,704	771,431	-
Acceptances and bills of exchange held	195,891	43,217	2,397	15,270	112,462	22,545	-	-	-	-	-	-
Loans and advances to non-bank customers	260,788,438	2,738,228	6,620,331	39,999,420	16,561,180	16,403,781	29,969,333	40,088,270	38,844,203	27,705,228	39,528,800	2,329,664
Other assets	4,193,132	283,037	218,384	249,446	473,379	1,727,492	134,891	-	-	-	-	1,106,503
Total on-balance sheet assets	**478,448,415**	**85,632,880**	**38,496,809**	**63,521,597**	**44,902,209**	**27,474,023**	**41,148,028**	**51,978,540**	**47,985,537**	**33,546,813**	**40,325,812**	**3,436,167**
Total off-balance sheet claims	**118,204,402**	**8,944,871**	**-**	**1,190,224**	**5,373,675**	**3,622,817**	**11,035,868**	**14,072,292**	**4,959,925**	**5,440,347**	**3,564,383**	**60,000,000**

LIQA: Liquidity risk management (Continued)

	As at 31 December 2018											
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
Deposits from non-bank customers	355,474,431	101,631,669	26,079,912	55,730,018	94,460,407	51,950,565	24,273,281	1,348,579	-	-	-	
Amount payable arising from derivative contracts	2,202,445	249,719	193,463	307,296	390,689	857,502	180,905	2,332	-	4,687	15,852	
Due to banks	34,618,617	5,644,578	15,569,915	5,396,433	5,615,174	-	2,392,517	-	-	-	-	
Debt securities, prescribed instruments and structured financial instruments issued and outstanding	14,654,315	13,861	40,477	55,060	8,030	14,768	7,092,737	5,611,765	-	1,137,205	680,412	-
Other liabilities	3,216,227	83,852	214,235	165,856	196,224	2,520,694	33,016	-	-	-	-	2,350
Capital and reserves	68,065,534	-	-	-	90,813	-	-	-	-	-	5,833,798	62,140,923
Total on-balance sheet liabilities	**478,231,569**	**107,623,679**	**42,098,002**	**61,654,663**	**100,761,337**	**55,343,529**	**33,972,456**	**6,962,676**	**-**	**1,141,892**	**6,530,062**	**62,143,273**
Total off-balance sheet obligations	**78,875,357**	**1,718,378**	**4,479**	**1,301,150**	**6,552,748**	**6,743,514**	**12,169,745**	**17,179,845**	**14,582,956**	**14,997,799**	**3,624,743**	-

Contractual Maturity Mismatch		(14,764,306)	(3,605,672)	1,756,008	(57,038,201)	(30,990,203)	6,041,695	41,908,311	38,362,506	22,847,469	33,735,390	
Cumulative Contractual Maturity Mismatch		(14,764,306)	(18,369,978)	(16,613,970)	(73,652,171)	(104,642,374)	(98,600,679)	(56,692,368)	(18,329,862)	4,517,607	38,252,997	

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.

The average LCR of the Bank was maintained at a stable level in the first half of 2018.

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, 2018	September 30, 2018
Level 1 assets	**49,462,266**	51,226,049
Level 2A assets	**649,572**	372,917
Level 2B assets	**5,962,064**	6,509,754
Total weighted amount of HQLA	**56,073,902**	58,108,720

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 2018 (75 data points)		Quarter ended 30 Sep 2018 (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		**56,073,903**		**58,108,720**
B.	**CASH OUTFLOWS**				
2	Retail deposits and small business funding, of which:	**220,263,434**	**15,099,911**	**213,184,918**	**14,678,760**
3	Stable retail deposits and stable small business funding	3,732,423	111,973	3,689,674	110,690
4	Less stable retail deposits and less stable small business funding	83,227,744	8,322,774	81,866,145	8,186,615
4a	Retail term deposits and small business term funding	133,303,267	6,665,164	127,629,099	6,381,455
5	Unsecured wholesale funding (other than small business funding), and debt securities and prescribed instruments issued by the AI, of which:	**85,130,366**	**52,318,527**	**96,307,354**	**63,726,948**
6	Operational deposits	-	-	-	-
7	Unsecured wholesale funding (other than small business funding) not covered in row 6	84,954,861	52,143,022	96,184,479	63,604,073
8	Debt securities and prescribed instruments issued by the AI and redeemable within the LCR period	175,505	175,505	122,875	122,875
9	Secured funding transactions (including securities swap transactions)		-		-
10	Additional requirements, of which:	**28,295,405**	**7,365,598**	**26,802,500**	**7,349,706**
11	Cash outflows arising from derivative contracts and other transactions, and additional liquidity needs arising from related collateral requirements	2,654,603	2,654,603	2,747,119	2,747,119
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)	25,640,802	4,710,995	24,055,381	4,602,587
14	Contractual lending obligations (not otherwise covered in Section B) and other contractual cash outflows	3,254,164	3,254,164	3,129,409	3,129,409
15	Other contingent funding obligations (whether contractual or non-contractual)	103,553,705	675,634	80,523,800	416,656
16	Total Cash Outflows		**78,713,834**		**89,301,479**
C.	**CASH INFLOWS**				
17	Secured lending transactions (including securities swap transactions)	399,942	-	1,169,734	-
18	Secured and unsecured loans (other than secured lending transactions covered in row 17) and operational deposits placed at other financial institutions	98,366,134	60,448,503	101,608,366	60,298,133
19	Other cash inflows	70,658,194	2,820,651	71,832,786	3,966,587
20	Total Cash Inflows	**169,424,270**	**63,269,154**	**174,610,886**	**64,264,720**
D.	**LIQUIDITY COVERAGE RATIO (ADJUSTED VALUE)**				
21	Total HQLA		56,073,903		58,108,720
22	Total Net Cash Outflows		20,764,442		25,649,355
23	LCR (%)		276.50%		231.83%

LIQ2: Net stable funding ratio – for category 1 institution

For the quarter ended 31 December 2018:

In HK$ thousands		Quarter ended 31 December 2018 (a)	(b)	(c)	(d)	(e)
Basis of disclosure: Hong Kong office		Unweighted value by residual maturity: 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:	64,249,472	-	-	5,833,798	70,083,270
2	*Regulatory capital*	64,249,472	-	-	5,833,798	70,083,270
2a	*Minority interests not covered by row 2*	-	-	-	-	-
3	*Other capital instruments*	-	-	-	-	-
4	Retail deposits and small business funding:	-	203,335,181	19,141,451	227,723	200,662,433
5	*Stable deposits*		4,067,703	47,112	425	3,909,500
6	*Less stable deposits*		199,267,478	19,094,339	227,298	196,752,933
7	Wholesale funding:	-	158,990,914	7,250,744	1,354,527	49,036,813
8	*Operational deposits*		-	-	-	-
9	*Other wholesale funding*	-	158,990,914	7,250,744	1,354,527	49,036,813
10	Liabilities with matching interdependent assets	-	-	-	-	-
11	Other liabilities:	-	5,644,574	5,835,159	6,291,461	9,209,041
12	*Net derivative liabilities*	-				
13	*All other funding and liabilities not included in the above categories*	-	5,644,574	5,835,159	6,291,461	9,209,041
14	**Total ASF**					328,991,557
B.	**Required stable funding ("RSF") item**					
15	Total HQLA for NSFR purposes				66,824,241	7,802,019
16	Deposits held at other financial institutions for operational purposes	-	-	-	-	-
17	Performing loans and securities:	4,319,686	192,542,953	37,815,387	171,475,119	221,230,623
18	*Performing loans to financial institutions secured by Level 1 HQLA*	-	1,519,528	-	-	151,953
19	*Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions*	-	114,697,969	3,585,331	6,525,962	25,523,323
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:*	4,319,686	67,673,092	26,517,194	121,643,247	154,163,636
21	*With a risk-weight of less than or equal to 35% under the STC approach*	-	-	-	-	-
22	*Performing residential mortgages, of which:*	-	546,217	520,643	18,004,629	12,236,439

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

For the quarter ended 31 December 2018 (Continued):

In HK$ thousands		Quarter ended 31 December 2018				
		(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*	-	546,217	520,643	18,004,629	12,236,439
24	*Securities that are not in default and do not qualify as HQLA, including exchange-traded equities*	-	8,106,147	7,192,219	25,301,281	29,155,272
25	Assets with matching interdependent liabilities	-	-	-	-	-
26	Other assets:	6,646,448	2,251,339	97,255	-	5,511,873
27	*Physical traded commodities, including gold*	-				-
28	*Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs*	102,403				87,043
29	*Net derivative assets*	948,373				948,373
30	*Total derivative liabilities before deduction of variation margin posted*	2,210,256				N/A*
31	*All other assets not included in the above categories*	3,385,416	2,251,339	97,255	-	4,476,457
32	Off-balance sheet items				135,888,337	1,249,401
33	**Total RSF**					235,793,916
34	**Net Stable Funding Ratio (%)**					**139.53%**

* The local implementation of add-on RSF charge on derivative liabilities under the NSFR has been deferred.

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

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

For the quarter ended 30 September 2018:

In HK$ thousands		Quarter ended 30 September 2018				
		(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:	63,385,165	-	-	5,814,804	69,199,969
2	*Regulatory capital*	63,385,165	-	-	5,814,804	69,199,969
2a	*Minority interests not covered by row 2*	-	-	-	-	-
3	*Other capital instruments*	-	-	-	-	-
4	Retail deposits and small business funding:	-	194,858,073	19,897,628	203,170	193,682,480
5	*Stable deposits*		3,928,355	55,216	200	3,784,593
6	*Less stable deposits*		190,929,718	19,842,412	202,970	189,897,887
7	Wholesale funding:	-	143,953,585	6,099,875	4,134,201	53,297,373
8	*Operational deposits*		-	-	-	-
9	*Other wholesale funding*	-	143,953,585	6,099,875	4,134,201	53,297,373
10	Liabilities with matching interdependent assets	-	-	-	-	-
11	Other liabilities:	-	4,258,922	7,097,388	7,494,576	11,043,270
12	*Net derivative liabilities*	-				
13	*All other funding and liabilities not included in the above categories*	-	4,258,922	7,097,388	7,494,576	11,043,270
14	**Total ASF**					327,223,092
B.	**Required stable funding ("RSF") item**					
15	Total HQLA for NSFR purposes				64,697,820	8,474,960
16	Deposits held at other financial institutions for operational purposes	-	-	-	-	-
17	Performing loans and securities:	4,444,444	157,795,945	46,471,483	174,772,649	223,415,375
18	*Performing loans to financial institutions secured by Level 1 HQLA*	-	1,067,527	-	-	106,753
19	*Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions*	-	79,296,598	785,616	4,191,604	16,478,902
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:*	4,444,444	74,218,109	34,501,468	125,554,436	164,858,837
21	*With a risk-weight of less than or equal to 35% under the STC approach*	-	-	-	-	-
22	*Performing residential mortgages, of which:*	-	555,295	514,108	17,503,947	11,912,267

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

For the quarter ended 30 September 2018 (Continued):

In HK$ thousands		Quarter ended 30 September 2018				
		(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*	-	555,295	514,108	17,503,947	11,912,267
24	*Securities that are not in default and do not qualify as HQLA, including exchange-traded equities*	-	2,658,416	10,670,291	27,522,662	30,058,616
25	Assets with matching interdependent liabilities	-	-	-	-	-
26	Other assets:	8,369,703	5,067,478	138,989	4,324	6,185,683
27	*Physical traded commodities, including gold*	-				-
28	*Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs*	91,720				77,962
29	*Net derivative assets*	1,637,557				1,637,557
30	*Total derivative liabilities before deduction of variation margin posted*	3,387,325				N/A*
31	*All other assets not included in the above categories*	3,253,101	5,067,478	138,989	4,324	4,470,164
32	Off-balance sheet items				115,959,759	1,165,721
33	**Total RSF**					239,241,739
34	**Net Stable Funding Ratio (%)**					136.78%

* The local implementation of add-on RSF charge on derivative liabilities under the NSFR has been deferred.

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 2018:

		As at 31 December 2018			
		Gross carrying amounts of			
In HK$ thousands		Defaulted exposures	Non-defaulted exposures	Allowances / impairments	Net values
1	Loans	381,910	372,002,263	(2,082,163)	370,302,010
2	Debt securities	-	99,529,766	(24,739)	99,505,027
3	Off-balance sheet exposures	-	35,462,924	(201,896)	35,261,028
4	**Total**	**381,910**	**506,994,953**	**(2,308,798)**	**505,068,065**

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 2018 and 30 June 2018 respectively:

		(a)
In HK$ thousands		**Amount**
1	**Defaulted loans and debt securities at end of the previous reporting period (30 June 2018)**	**287,341**
2	Loans and debt securities that have defaulted since the last reporting period	115,888
3	Returned to non-defaulted status	(8,296)
4	Amounts written off	(13,023)
5	Other changes	-
6	**Defaulted loans and debt securities at end of the current reporting period (31 December 2018)**	**381,910**

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 2018
Hong Kong	271,419,023
China	203,762,301
Others	32,195,539
Total	507,376,863

Credit Risk exposures by residual maturity:

Residual maturity (In HK$ thousands)	As at 31 December 2018
Less than 1 year	280,165,157
Between 1 and 5 years	171,809,074
More than 5 years	55,149,748
Undated	252,884
Total	507,376,863

Credit Risk exposures by industry sectors:

Residual maturity (In HK$ thousands)	As at 31 December 2018
Financial concerns	151,294,052
Individual Others	43,346,903
Information technology	15,503,140
Manufacturing	23,116,080
Others	143,538,399
Property development	50,773,188
Property investment	35,684,185
Recreational activities	730,656
Stockbrokers	4,149,081
Transport and transport equipment	24,909,291
Wholesale and retail trade	14,331,888
Total	507,376,863

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 2018
Neither past due nor impaired	505,485,415
Past due but not impaired	1,093,853
Impaired	797,595
Total	507,376,863

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 2018
Overdue 3 months or less	1,082,317
Overdue more than 3 months	11,536
Total	1,093,853

Breakdown of restructured exposures between impaired and not impaired exposures:

Restructured exposures (In HK$ thousands)	As at 31 December 2018
Not impaired	-
Impaired	61,961
Total	61,961

Impaired exposures by geographical areas:

In HK$ thousands	As at 31 December 2018	
Impaired exposures	**Gross impaired exposures**	**Impaired provision for Stage 3**
Hong Kong	759,586	161,982
Others	38,009	37,910
Total	797,595	199,892

Impaired exposures by industry sectors:

In HK$ thousands	As at 31 December 2018	
Impaired exposures	**Gross impaired exposures**	**Impaired provision for Stage 3**
Individual Others	100,234	71,273
Manufacturing	196,969	80,613
Property Investment	251,669	51
Wholesale and retail trade	60,482	42,399
Others	188,241	5,556
Total	797,595	199,892

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) (xii) 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 the borrower.

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 2018:

		As at 31 December 2018				
		(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	311,186,649	59,115,361	2,171,781	56,943,580	-
2	Debt securities	96,632,393	2,872,634	-	2,872,634	-
3	**Total**	**407,819,042**	**61,987,995**	**2,171,781**	**59,816,214**	-
4	Of which defaulted	41,138	59,975	58,291	1,684	-

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 2018:

		As at 31 December 2018					
		(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	30,724,060	-	30,898,232	-	1,146,017	4%
2	PSE exposures	1,127,499	-	1,261,556	1,249	252,561	20%
2a	Of which: domestic PSEs	1,127,499	-	1,261,556	1,249	252,561	20%
2b	Of which: foreign PSEs	-	-	-	-	-	0%
3	Multilateral development bank exposures	-	-	-	-	-	0%
4	Bank exposures	148,793,919	112,499	191,720,198	121,768	78,456,895	41%
5	Securities firm exposures	316,737	-	977,970	-	488,985	50%
6	Corporate exposures	243,520,761	36,591,608	198,489,745	17,001,931	194,982,695	90%
7	CIS exposures	-	-	-	-	-	0%
8	Cash items	256,638	-	256,638	-	-	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	17,064,684	51,837,664	16,769,031	28,543	12,598,180	75%
11	Residential mortgage loans	20,949,870	5,800	20,782,269	2,900	8,425,908	41%
12	Other exposures which are not past due exposures	14,324,762	628,671	13,809,801	5,352	13,815,153	100%
13	Past due exposures	101,113	-	101,113	-	120,335	119%
14	Significant exposures to commercial entities	-	-	-	-	-	0%
15	**Total**	**477,180,043**	**89,176,242**	**475,066,553**	**17,161,743**	**310,286,729**	**63%**

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 2018:

		As at 31 December 2018										
	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	25,168,146	-	5,730,086	-	-	-	-	-	-	-	30,898,232
2	PSE exposures	-	-	1,262,805	-	-	-	-	-	-	-	1,262,805
2a	Of which: domestic PSEs	-	-	1,262,805	-	-	-	-	-	-	-	1,262,805
2b	Of which: foreign PSEs	-	-	-	-	-	-	-	-	-	-	-
3	Multilateral development bank exposures	-	-	-	-	-	-	-	-	-	-	-
4	Bank exposures	4,100	-	62,646,319	-	126,527,832	-	2,663,715	-	-	-	191,841,966
5	Securities firm exposures	-	-	-	-	977,970	-	-	-	-	-	977,970
6	Corporate exposures	-	-	-	-	41,017,960	-	174,473,716	-	-	-	215,491,676
7	CIS exposures	-	-	-	-	-	-	-	-	-	-	-
8	Cash items	256,638	-	-	-	-	-	-	-	-	-	256,638
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	-	-	-	-	-	16,797,574	-	-	-	-	16,797,574
11	Residential mortgage loans	-	-	-	18,917,769	-	250,843	1,616,557	-	-	-	20,785,169
12	Other exposures which are not past due exposures	-	-	-	-	-	-	13,815,153	-	-	-	13,815,153
13	Past due exposures	-	-	1,684	-	-	-	58,291	41,138	-	-	101,113
14	Significant exposures to commercial entities	-	-	-	-	-	-	-	-	-	-	-
15	**Total**	**25,428,884**	**-**	**69,640,894**	**18,917,769**	**168,523,762**	**17,048,417**	**192,627,432**	**41,138**	**-**	**-**	**492,228,296**

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 2018:

		As at 31 December 2018					
		(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	3,095,356	3,215,688		N/A	5,121,695	1,787,850
2	IMM(CCR) approach			-	-	-	-
3	Simple Approach (for SFTs)					-	-
4	Comprehensive Approach (for SFTs)					158,474	63,782
5	VaR (for SFTs)					-	-
6	**Total**						**1,851,632**

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 2018

		As at 31 December 2018	
		(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	5,121,695	760,200
4	**Total**	**5,121,695**	**760,200**

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 2018, 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 2018										
	In HK$ thousands	(a)	(b)	(c)	(ca)	(d)	(e)	(f)	(g)	(ga)	(h)	(i)
	Exposure class / Risk Weight	0%	10%	20%	35%	50%	75%	100%	150%	250%	Others	Total default risk exposures after CRM
1	Sovereign exposures	-	-	51,519	-	-	-	-	-	-	-	51,519
2	PSE exposures	-	-	-	-	-	-	-	-	-	-	-
2a	Of which: domestic PSEs	-	-	-	-	-	-	-	-	-	-	-
2b	Of which: foreign PSEs	-	-	-	-	-	-	-	-	-	-	-
3	Multilateral development bank exposures	-	-	-	-	-	-	-	-	-	-	-
4	Bank exposures	-	-	2,730,342	-	2,356,539	-	-	-	-	-	5,086,881
5	Securities firm exposures	-	-	-	-	49,560	-	-	-	-	-	49,560
6	Corporate exposures	-	-	-	-	-	-	46,138	-	-	-	46,138
7	CIS exposures	-	-	-	-	-	-	-	-	-	-	-
8	Regulatory retail exposures	-	-	-	-	-	-	-	-	-	-	-
9	Residential mortgage loans	-	-	-	-	-	-	-	-	-	-	-
10	Other exposures which are not past due exposures	-	-	-	-	-	-	46,071	-	-	-	46,071
11	Significant exposures to commercial entities	-	-	-	-	-	-	-	-	-	-	-
12	**Total**	**-**	**-**	**2,781,861**	**-**	**2,406,099**	**-**	**92,209**	**-**	**-**	**-**	**5,280,169**

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 2018 in respect of derivative contracts or SFTs entered into, including contracts or transactions cleared through a CCP:

	As at 31 December 2018					
	(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	-	678,687	148,374	67,176	2,420,859	1,526,598
Domestic sovereign debt	-	-	-	-	-	-
Other sovereign debt	-	-	-	-	-	2,479,589
Government agency debt	-	-	-	-	-	-
Corporate bonds	-	-	-	-	-	-
Equity securities	-	-	-	-	-	-
Other collateral	-	-	-	-	1,419,643	-
Total	**-**	**678,687**	**148,374**	**67,176**	**3,840,502**	**4,006,187**

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 both the Group's trading and non-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. Non-trading book records those financial instruments which are not included in the trading book. The Group's exposure to market risk arises from its day-to-day activities associated with loans, deposits, securities held for liquidity purposes and trading activities.

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

The Group's trading activities are primarily related to foreign exchange and money market transactions. The Group manages its exposure to market risk through the establishment of various trading limits and the risk exposure is calculated by the Bank system and externally developed risk engine. 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 2018:

	As at 31 December 2018 **In HK$ thousands**	(a) RWA
	Outright product exposures	
1	Interest rate exposures (general and specific risk)	3,297,988
2	Equity exposures (general and specific risk)	-
3	Foreign exchange (including gold) exposures	22,291,725
4	Commodity exposures	-
	Option exposures	
5	Simplified approach	-
6	Delta-plus approach	-
7	Other approach	-
8	Securitization exposures	-
9	**Total**	**25,589,713**

IRRBB: Interest rate exposures in banking book

The Group's interest rate exposure arises from the positions in the banking book and proprietary trading. The interest rate risk exposure in the banking book arises from its normal course of banking activities, such as lending, accepting deposits, investing in securities for liquidity purposes and issuance of debts as needed to fund assets. The governing objective in interest rate risk management is to minimise the potential significant loss as a result of changes in interest rates. The Group holds weekly interest rate setting meetings to review the latest market rate movements and the overall portfolio yield. Interest rate risk is and managed on a daily basis by the Treasury Division within the limits approved by the Risk Management Committee. The instruments used to manage interest rate risk include interest rate swaps and other derivatives.

The Group is exposed to two major sources of interest rate risk, namely, repricing risk and basis risk.

Repricing risk arises from the timing differences in rate changes and cash flows that occur in the repricing and maturity of fixed and floating rate assets and liabilities, and, to a much less significant extent, contingent liabilities and commitments (e.g. loan commitments). The re-pricing tenors are determined according to the contractual repricing date or maturity date. No loan prepayment is assumed. Deposits without fixed maturity dates are assumed to be repriced on the next day. The Group uses forward rate agreements and interest rate swaps to mitigate the repricing risk. The Group generally monitors mismatches by monthly time buckets up to one year and by yearly time buckets thereafter.

Basis risk arises from different pricing basis of assets and liabilities, which results in changes in the yield on assets and cost of liabilities by different amount within the same repricing period. For example, loan assets are being tied to the Hong Kong dollar prime rate, and deposit liabilities tied to the Hong Kong Interbank Offer Rate ("HIBOR"). Basis risk primarily occurs in the Group's Hong Kong dollar books. The Group has established stress testing programme to assess the potential erosion of net interest income that the Group may incur from basis risk.

The Group mainly uses two methodologies to measure and monitor its interest rate risk exposure. One methodology is VaR measurement. Another methodology is using stress test to assess the banking book interest rate risk ("IRRBB"). The IRRBB stress-testing has further incorporated the repricing gap and several types of yield curve movement. For interest rate risk monitoring purpose, the Risk Management Committee reviews the IRRBB stress-testing from time to time, in particular when reviewing the repricing limits. The interest rate risk is measured daily.

Sensitivity Analysis for 2018 and 2017

	As at 31 December 2018				As at 31 December 2017			
In HK$' thousands	HKD	USD	RMB	EUR	HKD	USD	RMB	EUR
Impact on earnings over the next 12 months if interest rate rise by 200 basis points	**1,067**	**128**	**(67)**	**101**	715	(176)	(88)	185
Impact on economic value over the next 12 months if interest rate rise by 200 basis points	**29**	**425**	**221**	**219**	325	983	387	332

The overall impact on net interest income of the above currencies is positive in 2018.

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 2018	As at 31 December 2017
Direct credit substitutes	628,195	659,080
Transaction-related contingencies	8,365,482	2,454,818
Trade-related contingencies	1,606,537	1,074,184
Other commitments:		
which are unconditionally cancellable or automatically cancellable due to the deterioration in the credit worthiness of the borrower	53,713,318	53,002,350
with an original maturity up to one year	836,818	7,064,387
with an original maturity over one year	24,025,892	20,568,476
Total	**89,176,242**	84,823,295
Total RWAs for credit risk of its off-balance sheet exposures	**16,236,300**	12,631,505

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 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

In HK$' thousands	As at 31 December 2017				
	Banks	Official sector	Non-bank private sector		Total
			Non-bank financial institutions	Non-financial private sector	
Developing Asia and Pacific	149,525,644	7,094,187	9,372,542	73,711,213	239,703,586
- of which China	148,661,989	7,094,187	8,119,125	73,202,343	237,077,644
Offshore centres	1,031,686	-	18,794,988	82,813,456	102,640,130

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 2018. The geographical analysis is based on location of the customers and has taken into account of transfer of risk.

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**

As of 31 December 2017

HK$' thousands	Gross advances	Impaired advances	Overdue advances	Specific provisions	Collective provisions
Hong Kong	208,798,997	634,906	149,924	226,147	967,199
China	59,923,411	772	438	-	206,960
Macau	332,291	-		-	516
Others	18,972,813	-		-	140,895
	288,027,512	635,678	150,362	226,147	1,315,570

Gross loans and advances to customers by industry sectors

	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	99.29
Credit card advances	4,324,556	0.00
Others	17,982,997	26.64
	38,945,091	
Trade finance	3,722,133	46.77
Loans and advances for use outside Hong Kong	92,020,855	47.53
Gross loans and advances to customers	**256,613,787**	**51.32**

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

	As at 31 December 2017	
	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	16,993,073	11.31
Property investment	34,511,542	81.09
Financial concerns	44,486,011	50.78
Stockbrokers	405,719	92.61
Wholesale and retail trade	8,283,535	65.81
Manufacturing	4,317,801	34.47
Transport and transport equipment	11,153,593	62.11
Recreational activities	351,368	7.80
Information technology	3,114,372	25.26
Others	11,921,817	55.58
	135,538,831	
Individuals		
Loans for the purchase of flats in the Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme	4,420	100.00
Loans for the purchase of other residential properties	15,087,680	99.29
Credit card advances	4,878,873	0.00
Others	20,619,908	26.64
	40,590,881	
Trade finance	4,354,428	46.77
Loans and advances for use outside Hong Kong	107,543,372	47.53
Gross loans and advances to customers	288,027,512	51.32

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 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

As of 31 December 2017

In HK$' thousands	Gross advances	Impaired advances	Overdue advances	Specific provisions	Collective provisions
Property investment	34,511,542	1,696	1,696	-	23,320
Financial concerns	44,486,011	-	-	-	115,855

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 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%		

Mainland activities exposures (Continued)

As at 31 December 2017
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”)	73,669,666	9,590,377	83,260,043
(b) Local governments, local government-owned entities and their subsidiaries and JVs	26,003,581	241,522	26,245,103
(c) PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	68,441,524	6,498,155	74,939,679
(d) Other entities of central government not reported in part (a) above	7,925,145	1,808,201	9,733,346
(e) Other entities of local governments not reported in part (b) above	59,619	-	59,619
(f) PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	12,393,222	588,159	12,981,381
(g) Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	8,294,884	76,561	8,371,445
Total	196,787,641	18,802,975	215,590,616
Total assets after provision	518,891,432		
On-balance sheet exposures as percentage of total assets	37.92%		

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 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	-	-	-	-

As at 31 December 2017	RMB	USD	Others	Total
HK$ thousands equivalent				
Spot assets	75,680,857	206,900,565	40,698,426	323,279,848
Spot liabilities	(90,941,640)	(162,916,208)	(24,805,616)	(278,663,464)
Forward purchases (note 1)	133,823,203	219,049,589	40,379,097	393,251,889
Forward sales (note 1)	(141,172,903)	(262,925,434)	(56,224,149)	(460,322,486)
Net (short) / long position (note 2)	(22,610,483)	108,512	47,758	(22,454,213)
Net structural position	-	-	-	-

The net option position was calculated using the Simplified Approach and there was no net option position as at 31 December 2018.

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 of Remuneration Policy

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 2018.

[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 2018.

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 and ethical standards (including Anti-Money Laundering etc.) 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 2018. 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 2018, 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 2018:

In HK$ thousands	**2018**		**2017**	
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		8	
• Cash-Based	24,185	-	18,483	-
Variable remuneration				
• Number of employees	7		7	
• Cash-Based	6,574	1,600	5,808	2,222
• Shares and shared-linked instruments	-	-	-	-
(ii) Key Personnel				
Fixed remuneration				
• Number of employees	2		2	
• Cash-Based	4,491	-	4,319	-
Variable remuneration				
• Number of employees	2		2	
• Cash-Based	210	140	1.251	834
• Shares and shared-linked instruments	-	-	-	-

Template REM2: Special payments

In 2018, 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 2018

In HK$ thousands	**2018** (include award for performance year 2018)		**2017** (include award for performance year 2017)	
Outstanding deferred remunerations	Vested	Unvested	Vested	Unvested
(A) Senior management				
• Cash-Based	-	4,252	-	4,516
• Shares and shared-linked instruments	-	-	-	-
• Others (Please specify)	-	-	-	-
(B) Key Personnel				
• Cash-Based	-	974	-	1,068
• Shares and shared-linked instruments	-	-	-	-
• Others (Please specify)	-	-	-	-

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

In HK$ thousands	**2018**		**2017**	
	Senior management	Key personnel	Senior management	Key personnel
Total outstanding deferred remuneration and retained remuneration exposed to ex post explicit and/or implicit adjustments	4,252	974	4,516	1,068
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	1,864	234	2,626	239

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