CHINA CONSTRUCTION BANK (ASIA) CORPORATION LIMITED

Regulatory Disclosures

For the six months ended

30 June 2018

(Unaudited)

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CHINA CONSTRUCTION BANK (ASIA) CORPORATION LIMITED
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(Expressed in thousands of Hong Kong Dollars)

Basis of disclosures

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.

The following capital and risk weighted assets related disclosures are prepared in a consolidated basis under BCR. Liquidity related disclosures are prepared in Hong Kong office basis under Banking (Liquidity) Rules. All disclosures are made in accordance with the Banking (Disclosure) Rules.

The accounting policies applied in preparing this disclosure statement are the same as those applied in preparing the condensed consolidated interim financial information disclosure statements, as set out in note 2 to the condensed consolidated interim financial information disclosure statements in the 2018 Interim Financial Results.

Basis of consolidation

The basis of consolidation for financial accounting purposes is in accordance with Hong Kong Financial Reporting Standards ("HKFRS"), as described in note 2 to the condensed consolidated interim financial information disclosure statements in the 2018 Interim Financial Results.

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 30 June 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.

Details of the subsidiaries which are not included in consolidation for regulatory purposes are as follows:

		As at 30 June 2018	
Name of company	Principal activities	Total assets	Total equity
CCBS	Securities brokerage business	900,604	600,055
CCBN	Custodian and nominee services	39,642	38,958
CCBT	Trustee and custodian business	84,595	30,236

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KM1: Key Prudential Ratios

		(a) 30 Jun 2018	(b) 31 Mar 2018	(c) 31 Dec 2017	(d) 30 Sep 2017	(e) 30 Jun 2017
	Regulatory capital (amount)					
1	Common Equity Tier 1 (CET1)	51,147,720	49,400,837	48,625,898	48,238,102	47,284,433
2	Tier 1	58,959,452	57,212,569	56,438,098	48,238,102	47,284,433
3	Total capital	67,652,577	66,806,574	65,516,482	57,294,984	56,344,257
	RWA (amount)					
4	Total RWA	364,363,519	367,725,996	367,439,731	344,469,341	334,972,935
	Risk-based regulatory capital ratios (as a percentage of RWA)					
5	CET1 ratio (%)	14.04	13.43	13.23	14.00	14.12
6	Tier 1 ratio (%)	16.18	15.56	15.36	14.00	14.12
7	Total capital ratio (%)	18.57	18.17	17.83	16.63	16.82
	Additional CET1 buffer requirements (as a percentage of RWA)					
8	Capital conservation buffer requirement (%)	1.88	1.88	1.25	1.25	1.25
9	Countercyclical capital buffer requirement (%)	1.44	1.42	0.94	0.98	0.97
10	Higher loss absorbency requirements (%) (applicable only to G-SIBs or D-SIBs)	0	0	0	0	0
11	Total AI-specific CET1 buffer requirements (%)	3.32	3.29	2.19	2.23	2.22
12	CET1 available after meeting the AI’s minimum capital requirements (%)	9.54	8.93	8.73	8.00	8.12
	Basel III leverage ratio					
13	Total leverage ratio (LR) exposure measure	538,023,838	512,617,934	547,117,610	494,796,163	520,315,351
14	LR (%)	10.96	11.16	10.32	9.75	9.09
	Liquidity Coverage Ratio (LCR) / Liquidity Maintenance Ratio (LMR)					
	Applicable to category 1 institution only:					
15	Total high quality liquid assets (HQLA)	59,510,325	64,052,180	67,299,584	47,348,960	42,587,332
16	Total net cash outflows	35,487,008	44,823,242	37,032,023	33,652,992	35,095,365
17	LCR (%)	168.95	144.74	187.47	138.28	122.75
	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	324,187,296	332,353,538	N/A	N/A	N/A
19	Total required stable funding	253,184,082	262,620,321	N/A	N/A	N/A
20	NSFR (%)	128.04	126.55	N/A	N/A	N/A
	Applicable to category 2A institution only:					
20a	CFR (%)	N/A	N/A	N/A	N/A	N/A

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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
		As at 30 June 2018	As at 31 March 2018	As at 30 June 2018
1	Credit risk for non-securitization exposures	319,888,040	320,958,763	25,591,043
2	Of which STC approach	319,888,040	320,958,763	25,591,043
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	2,757,425	3,899,954	220,594
7	Of which SA-CCR	-	-	-
7a	Of which CEM	2,743,072	3,899,954	219,446
8	Of which IMM(CCR) approach	-	-	-
9	Of which others	14,353	-	1,148
10	CVA risk	1,139,163	1,447,138	91,133
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	26,062,713	27,141,263	2,085,017
21	Of which STM approach	26,062,713	27,141,263	2,085,017
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	13,215,150	12,977,850	1,057,212
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**	**364,363,519**	**367,725,996**	**29,149,081**

During the quarter ended 30 June 2018, total RWAs decreased by HK$3,362 million mainly due to decrease in RWA for non-securitization credit exposures and market risk.

(Expressed in thousands of Hong Kong Dollars)

CC1: Composition of regulatory capital

The following table sets out the detailed composition of the regulatory capital:

		(a)	(b)
		Amount	**Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation**
	CET1 capital: instruments and reserves		
1	Directly issued qualifying CET1 capital instruments plus any related share premium	28,827,843	6
2	Retained earnings	22,221,569	8
3	Disclosed reserves	2,037,681	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**	53,087,093	
	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)	302,809	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
26	National specific regulatory adjustments applied to CET1 capital	1,636,564	
26a	Cumulative fair value gains arising from the revaluation of land and buildings (own-use and investment properties)	-	

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CC1: Composition of regulatory capital (Continued)

		(a)	(b)
		Amount	**Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation**
26b	Regulatory reserve for general banking risks	1,636,564	10
26c	Securitization exposures specified in a notice given by the MA	-	
26d	Cumulative losses below depreciated cost arising from the institution's holdings of land and buildings	-	
26e	Capital shortfall of regulated non-bank subsidiaries	-	
26f	Capital investment in a connected company which is a commercial entity (amount above 15% of the reporting institution's capital base)	-	
27	Regulatory deductions applied to CET1 capital due to insufficient AT1 capital and Tier 2 capital to cover deductions	-	
28	**Total regulatory deductions to CET1 capital**	1,939,373	
29	**CET1 capital**	51,147,720	
	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)**	58,959,452	
	Tier 2 capital: instruments and provisions		
46	Qualifying Tier 2 capital instruments plus any related share premium	5,815,670	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*	-	

(Expressed in thousands of Hong Kong Dollars)

CC1: Composition of regulatory capital (Continued)

		(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	2,877,455	1+10
51	**Tier 2 capital before regulatory deductions**	8,693,125	
	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)**	8,693,125	
59	**Total regulatory capital (TC = T1 + T2)**	67,652,577	
60	**Total RWA**	364,363,519	
	Capital ratios (as a percentage of RWA)		
61	**CET1 capital ratio**	14.04%	
62	**Tier 1 capital ratio**	16.18%	
63	**Total capital ratio**	18.57%	
64	**Institution-specific buffer requirement (capital conservation buffer plus countercyclical capital buffer plus higher loss absorbency requirements)**	3.32%	
65	of which: capital conservation buffer requirement	1.88%	
66	of which: bank specific countercyclical capital buffer requirement	1.44%	
67	of which: higher loss absorbency requirement	0.00%	
68	CET1 (as a percentage of RWA) available after meeting minimum capital requirements	9.54%	
	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	-	

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CC1: Composition of regulatory capital (Continued)

		(a)	(b)
		Amount	**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)	2,877,455	1+10
77	Cap on inclusion of provisions in Tier 2 under the BSC approach, or the STC approach, and SEC-ERBA, SEC-SA and SEC-FBA	4,049,331	
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)*	-	

Points to note:

(i) Rows with item titles in italics are rows that will be deleted after all the ineligible capital instruments have been fully phased out (i.e. from 1 January 2022 onwards).

(ii) Shaded rows with borders indicate the following:

- *a row shaded dark grey introduces a new section which provides details of a certain component of regulatory capital;*
- *a row shaded light grey, with no thick border, represents the sum of cells in the relevant section above it;*
- *a row shaded light grey, with a thick border, indicates a key component of regulatory capital and the regulatory capital ratios;*
- *a row shaded yellow represents an item that is not applicable to Hong Kong.*

(iii) The reconciliation requirements included in Template CC2 result in the decomposition of certain regulatory adjustments. For example, the disclosure template above includes the adjustment "Goodwill net of associated deferred tax liabilities". The reconciliation requirements will lead to the disclosure of both the goodwill component and the related tax liability component of this regulatory adjustment.

(iv) Elements where a more conservative definition has been applied in the BCR relative to that set out in Basel III capital standards are disclosed below in Notes to the Template.

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CC1: Composition of regulatory capital (Continued)

Notes to the Template

	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)**	302,809	-
	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.		

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CC1: Composition of regulatory capital (Continued)

<table>
<tr><th></th><th>Description</th><th>Hong Kong basis</th><th>Basel III basis</th></tr>
<tr><td rowspan="2">19</td><td>Significant capital investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)</td><td>-</td><td>-</td></tr>
<tr><td colspan="3"><u>Explanation</u>
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.</td></tr>
<tr><td rowspan="2">39</td><td>Insignificant capital investments in AT1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)</td><td>-</td><td>-</td></tr>
<tr><td colspan="3"><u>Explanation</u>
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.</td></tr>
<tr><td rowspan="2">54</td><td>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)</td><td>-</td><td>-</td></tr>
<tr><td colspan="3"><u>Explanation</u>
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.</td></tr>
<tr><td colspan="4">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.</td></tr>
</table>

(Expressed in thousands of Hong Kong Dollars)

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.

	(a) Balance sheet as in published financial statements	(b) Under regulatory scope of consolidation	(c) Reference
ASSETS			
Cash and balances with bank and central banks	68,065,182	68,065,182	
Gross cash and balances with banks and central banks	68,067,058	68,067,058	
Collective provision	(1,876)	(1,876)	1
Placements with banks	40,109,152	40,109,152	
Financial assets held under resale agreements	2,305,060	2,305,060	
Financial assets at fair value through profit or loss	4,018,566	3,981,737	
Advances to customers and trade bills	278,429,267	278,429,267	
Gross advances to customers and trade bills	279,802,833	279,802,833	
Collective provision	(1,031,770)	(1,031,770)	1
Specific provision	(341,796)	(341,796)	
Financial assets at fair value through other comprehensive income	92,847,493	92,847,493	
Financial assets at amortized costs	15,149,784	15,149,784	
Gross financial assets at amortized costs	15,177,044	15,177,044	
Collective provision	(27,260)	(27,260)	1
Derivative financial instruments	4,555,899	4,555,899	
Investment in subsidiaries	-	516,000	
Financial sector entities	-	510,000	2
Commercial entities	-	6,000	
Interest in a joint venture	1,926,505	1,926,505	
Interest in an associate	136,285	10,411	3
Deferred tax assets	302,809	302,809	4
Fixed assets	3,212,488	3,212,452	
Other assets	6,288,578	6,472,841	
Gross other assets	6,292,334	6,476,597	
Collective provision	(3,756)	(3,756)	1
TOTAL ASSETS	**517,347,068**	**517,884,592**	
LIABILITIES			
Deposits and balances of banks	75,368,229	75,368,229	
Financial liabilities sold under repurchase agreements	1,137,918	1,137,918	
Deposits from customers	345,555,438	346,197,107	
Certificates of deposit and other debt securities issued	14,740,617	14,740,617	
Derivative financial instruments	3,357,560	3,357,560	
Current tax payable	615,662	611,750	
Deferred tax liabilities	20,902	20,902	
Other liabilities	9,556,326	9,736,014	
Other liabilities	9,380,097	9,559,785	
Collective provision	176,229	176,229	1
Subordinated debts	5,815,670	5,815,670	5
TOTAL LIABILITIES	**456,168,322**	**456,985,767**	

(Expressed in thousands of Hong Kong Dollars)

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

	(a) Balance sheet as in published financial statements	(b) Under regulatory scope of consolidation	(c) Reference
EQUITY			
Share capital	28,827,843	28,827,843	6
Other equity instruments	7,811,732	7,811,732	7
Reserves	24,539,171	24,259,250	
Retained earnings		22,221,569	8
General reserve		750,956	9
Regulatory reserve		1,636,564	10
Other capital reserve		15,913	11
Securities revaluation reserve		(428,014)	12
Merger reserve		62,262	13
TOTAL EQUITY	**61,178,746**	**60,898,825**	
TOTAL EQUITY & LIABILITIES	**517,347,068**	**517,884,592**	

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.

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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 5,816 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

(Expressed in thousands of Hong Kong Dollars)

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

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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 30 June 2018 was 1.44% 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:

		(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	184,713,361		
2	United Kingdom	0.5	954,113		
3	Sum		185,667,474		
4	Total		240,411,136	1.44	5,257,766

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 30 June 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.

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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.

	Item	Value under the LR framework
1	Total consolidated assets as per published financial statements	517,347,068
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	390,125
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	3,599,240
5	Adjustment for SFTs (i.e. repos and similar secured lending)	1,166,768
6	Adjustment for off-balance sheet ("OBS") items (i.e. conversion to credit equivalent amounts of OBS exposures)	18,474,448
6a	Adjustment for specific and collective provisions that are allowed to be excluded from exposure measure	(176,229)
7	Other adjustments	(2,777,582)
8	**Leverage ratio exposure measure**	**538,023,838**

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LR2: Leverage ratio

		(a) As at 30 June 2018	(b) As at 31 March 2018
On-balance sheet exposures			
1	On-balance sheet exposures (excluding those arising from derivative contracts and SFTs, but including collateral)	509,468,779	482,107,134
2	Less: Asset amounts deducted in determining Tier 1 capital	(302,809)	(330,673)
3	Total on-balance sheet exposures (excluding derivative contracts and SFTs)	509,165,970	481,776,461
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)	3,697,738	6,206,045
5	Add-on amounts for PFE associated with all derivative contracts	4,491,299	5,254,616
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	(33,898)	(22,605)
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	8,155,139	11,438,056
Exposures arising from SFTs			
12	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	3,782,118	715,203
13	Less: Netted amounts of cash payables and cash receivables of gross SFT assets	-	-
14	CCR exposure for SFT assets	28,850	1,223
15	Agent transaction exposures	-	-
16	Total exposures arising from SFTs	3,810,968	716,426
Other off-balance sheet exposures			
17	Off-balance sheet exposure at gross notional amount	83,571,783	86,833,964
18	Less: Adjustments for conversion to credit equivalent amounts	(65,097,335)	(66,364,068)
19	Off-balance sheet items	18,474,448	20,469,896
Capital and total exposures			
20	Tier 1 capital	58,959,452	57,212,569
20a	Total exposures before adjustments for specific and collective provisions	539,606,525	514,400,839
20b	Adjustments for specific and collective provisions	(1,582,687)	(1,782,905)
21	Total exposures after adjustments for specific and collective provisions	538,023,838	512,617,934
Leverage ratio			
22	**Leverage ratio**	**10.96%**	**11.16%**

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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	
	June 30, 2018	March 31, 2018
Level 1 assets	52,664,784	56,637,567
Level 2A assets	61,246	0
Level 2B assets	6,784,568	7,421,427
Total weighted amount of HQLA	**59,510,598**	**64,058,993**

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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 30 June 2018 (73 data points)		quarter ended 31 March 2018 (72 data points)	
		HK$ equivalent		HK$ equivalent	
		(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		**59,510,325**		**64,052,180**
B.	**CASH OUTFLOWS**				
2	Retail deposits and small business funding, of which:	**206,604,890**	**14,155,309**	**201,076,501**	**13,801,437**
3	Stable retail deposits and stable small business funding	3,759,328	112,780	3,712,517	111,430
4	Less stable retail deposits and less stable small business funding	78,005,004	7,800,501	76,207,769	7,636,844
4a	Retail term deposits and small business term funding	124,840,558	6,242,028	121,156,215	6,053,163
5	Unsecured wholesale funding (other than small business funding), and debt securities and prescribed instruments issued by the AI, of which:	**101,552,010**	**66,333,957**	**104,887,394**	**64,966,397**
6	Operational deposits	-	-	-	-
7	Unsecured wholesale funding (other than small business funding) not covered in row 6	101,122,057	65,904,004	104,671,578	64,764,089
8	Debt securities and prescribed instruments issued by the AI and redeemable within the LCR period	429,953	429,953	215,816	202,308
9	Secured funding transactions (including securities swap transactions)		-		-
10	Additional requirements, of which:	**26,788,469**	**6,646,906**	**28,544,649**	**7,345,346**
11	Cash outflows arising from derivative contracts and other transactions, and additional liquidity needs arising from related collateral requirements	2,099,191	2,099,191	2,592,224	2,604,396
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)	24,689,278	4,547,715	25,952,425	4,740,950
14	Contractual lending obligations (not otherwise covered in Section B) and other contractual cash outflows	2,483,852	2,483,852	2,868,122	2,794,255
15	Other contingent funding obligations (whether contractual or non-contractual)	76,293,420	383,245	70,472,704	358,170
16	Total Cash Outflows		**90,003,269**		**89,265,605**
C.	**CASH INFLOWS**				
17	Secured lending transactions (including securities swap transactions)	527,151	-	-	-
18	Secured and unsecured loans (other than secured lending transactions covered in row 17) and operational deposits placed at other financial institutions	87,697,685	49,397,404	76,268,750	39,504,681
19	Other cash inflows	72,976,688	5,118,857	72,858,722	4,937,682
20	Total Cash Inflows	**161,201,524**	**54,516,261**	**149,127,472**	**44,442,363**
D.	**LIQUIDITY COVERAGE RATIO (ADJUSTED VALUE)**				
21	Total HQLA		59,510,325		64,052,180
22	Total Net Cash Outflows		35,487,008		44,823,243
23	LCR (%)		168.95		144.74

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LIQ2: Net stable funding ratio – for category 1 institution

For the quarter ended 30 June 2018:

		(a)	(b)	(c)	(d)	(e)
Basis of disclosure: Hong Kong office		**Unweighted value by residual maturity**				**Weighted amount**
		No specified term to maturity	<6 months or repayable on demand	6 months to < 12 months	12 months or more	
A.	**Available stable funding ("ASF") item**					
1	Capital:	62,069,393	-	-	5,815,670	67,885,063
2	*Regulatory capital*	62,069,393	-	-	5,815,670	67,885,063
2a	*Minority interests not covered by row 2*	-	-	-	-	-
3	*Other capital instruments*	-	-	-	-	-
4	Retail deposits and small business funding:	-	189,145,360	21,050,458	214,137	189,586,365
5	*Stable deposits*		3,865,118	54,700	573	3,724,401
6	*Less stable deposits*		185,280,242	20,995,758	213,564	185,861,964
7	Wholesale funding:	-	200,702,853	9,128,614	3,601,807	53,158,657
8	*Operational deposits*		-	-	-	-
9	*Other wholesale funding*	-	200,702,853	9,128,614	3,601,807	53,158,657
10	Liabilities with matching interdependent assets	-	-	-	-	-
11	Other liabilities:	-	5,320,105	2,402,369	12,356,026	13,557,211
12	*Net derivative liabilities*	-				
13	*All other funding and liabilities not included in the above categories*	-	5,320,105	2,402,369	12,356,026	13,557,211
14	**Total ASF**					324,187,296
B.	**Required stable funding ("RSF") item**					
15	Total HQLA for NSFR purposes				71,285,091	9,186,638
16	Deposits held at other financial institutions for operational purposes	-	-	-	-	-
17	Performing loans and securities:	4,527,686	207,279,188	39,082,248	187,724,680	237,616,532
18	*Performing loans to financial institutions secured by Level 1 HQLA*	-	4,614,466	-	-	461,446
19	*Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions*	-	126,639,054	1,345,967	3,405,643	23,074,485
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:*	4,527,686	71,621,662	29,401,512	135,107,877	169,201,816
21	*With a risk-weight of less than or equal to 35% under the STC approach*	-	-	-	-	-
22	*Performing residential mortgages, of which:*	-	533,626	517,238	16,600,444	11,315,721

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<u>LIQ2: Net stable funding ratio – for category 1 institution (Continued)</u>

For the quarter ended 30 June 2018 (Continued):

		(a)	(b)	(c)	(d)	(e)
Basis of disclosure: Hong Kong office		**Unweighted value by residual maturity**				**Weighted amount**
		No specified term to maturity	<6 months or repayable on demand	6 months to < 12 months	12 months or more	
23	*With a risk-weight of less than or equal to 35% under the STC approach*	-	533,626	517,238	16,600,444	11,315,721
24	*Securities that are not in default and do not qualify as HQLA, including exchange-traded equities*	-	3,870,380	7,871,531	32,610,716	33,563,064
25	Assets with matching interdependent liabilities	-	-	-	-	-
26	Other assets:	7,160,136	5,207,856	74,240	4,667	5,187,185
27	*Physical traded commodities, including gold*	-				-
28	*Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs*	109,032				92,677
29	*Net derivative assets*	482,868				482,868
30	*Total derivative liabilities before deduction of variation margin posted*	3,418,510				N/A*
31	*All other assets not included in the above categories*	3,149,726	5,207,856	74,240	4,667	4,611,640
32	Off-balance sheet items				103,383,777	1,193,727
33	**Total RSF**					253,184,082
34	**Net Stable Funding Ratio (%)**					128.04%

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

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

For the quarter ended 31 March 2018:

		(a)	(b)	(c)	(d)	(e)
Basis of disclosure: Hong Kong office		**Unweighted value by residual maturity**				**Weighted amount**
		No specified term to maturity	<6 months or repayable on demand	6 months to < 12 months	12 months or more	
A.	**Available stable funding (“ASF”) item**					
1	Capital:	61,276,534	-	-	5,810,732	67,087,266
2	*Regulatory capital*	61,276,534	-	-	5,810,732	67,087,266
2a	*Minority interests not covered by row 2*	-	-	-	-	-
3	*Other capital instruments*	-	-	-	-	-
4	Retail deposits and small business funding:	-	186,460,811	18,734,918	318	184,882,120
5	*Stable deposits*		4,065,347	47,562	-	3,907,264
6	*Less stable deposits*		182,395,464	18,687,356	318	180,974,856
7	Wholesale funding:	-	172,009,536	7,780,811	4,012,243	65,146,449
8	*Operational deposits*		-	-	-	-
9	*Other wholesale funding*	-	172,009,536	7,780,811	4,012,243	65,146,449
10	Liabilities with matching interdependent assets	-	-	-	-	-
11	Other liabilities:	-	7,251,624	9,730	15,232,838	15,237,703
12	*Net derivative liabilities*	-				
13	*All other funding and liabilities not included in the above categories*	-	7,251,624	9,730	15,232,838	15,237,703
14	**Total ASF**					332,353,538
B.	**Required stable funding (“RSF”) item**					
15	Total HQLA for NSFR purposes				68,988,808	9,164,640
16	Deposits held at other financial institutions for operational purposes	-	-	-	-	-
17	Performing loans and securities:	4,705,329	161,518,153	36,483,643	199,559,195	243,583,022
18	*Performing loans to financial institutions secured by Level 1 HQLA*	-	-	-	-	-
19	*Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions*	-	75,596,921	3,591,663	4,869,421	18,004,791
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:*	4,705,329	80,644,897	29,701,679	139,630,866	177,859,054
21	*With a risk-weight of less than or equal to 35% under the STC approach*	-	-	-	-	-
22	*Performing residential mortgages, of which:*	-	559,018	533,555	16,571,061	11,317,476

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LIQ2: Net stable funding ratio – for category 1 institution (Continued)
For the quarter ended 31 March 2018 (Continued):

		(a)	(b)	(c)	(d)	(e)
Basis of disclosure: Hong Kong office		Unweighted value by residual maturity				Weighted amount
		No specified term to maturity	<6 months or repayable on demand	6 months to < 12 months	12 months or more	
23	*With a risk-weight of less than or equal to 35% under the STC approach*	-	559,018	533,555	16,571,061	11,317,476
24	*Securities that are not in default and do not qualify as HQLA, including exchange-traded equities*	-	4,717,317	2,656,746	38,487,847	36,401,701
25	Assets with matching interdependent liabilities	-	-	-	-	-
26	Other assets:	14,183,850	5,711,566	15,853	-	8,516,067
27	*Physical traded commodities, including gold*	-				-
28	*Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs*	113,987				96,889
29	*Net derivative assets*	2,579,307				2,579,307
30	*Total derivative liabilities before deduction of variation margin posted*	8,121,683				N/A*
31	*All other assets not included in the above categories*	3,368,873	5,711,566	15,853	-	5,839,871
32	Off-balance sheet items				104,023,262	1,356,592
33	**Total RSF**					262,620,321
34	**Net Stable Funding Ratio (%)**					126.55%

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

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CR1: Credit quality of exposures

The table below provides an overview of the credit quality of on- and off-balance sheet exposures as at 30 June 2018:

		(a)	(b)	(c)	(d)
		Gross carrying amounts of		Allowances / impairments	Net values
		Defaulted exposures	Non-defaulted exposures		
1	Loans	287,341	396,583,957	(1,379,198)	395,492,100
2	Debt securities	-	108,819,230	(27,260)	108,791,970
3	Off-balance sheet exposures	-	29,023,269	(176,230)	28,847,039
4	**Total**	**287,341**	**534,426,456**	**(1,582,688)**	**533,131,109**

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 30 June 2018 and 31 December 2017 respectively:

		(a)
		Amount
1	**Defaulted loans and debt securities at end of the previous reporting period**	339,894
2	Loans and debt securities that have defaulted since the last reporting period	20,844
3	Returned to non-defaulted status	(57,564)
4	Amounts written off	(15,833)
5	Other changes	-
6	**Defaulted loans and debt securities at end of the current reporting period**	**287,341**

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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 30 June 2018:

		(a)	(b1)	(b)	(d)	(f)
		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	323,541,338	71,950,762	3,733,539	68,217,223	-
2	Debt securities	105,926,402	2,865,568	-	2,865,568	-
3	**Total**	**429,467,740**	**74,816,330**	**3,733,539**	**71,082,791**	**-**
4	Of which defaulted	34,711	8,655	8,655	-	-

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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 30 June 2018:

		(a)	(b)	(c)	(d)	(e)	(f)
		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	29,934,933	-	30,120,630	-	1,349,135	4%
2	PSE exposures	126,972	-	250,505	312	50,163	20%
2a	Of which: domestic PSEs	126,972	-	250,505	312	50,163	20%
2b	Of which: foreign PSEs	-	-	-	-	-	0%
3	Multilateral development bank exposures	-	-	-	-	-	0%
4	Bank exposures	157,469,580	112,499	212,285,099	109,352	79,472,545	37%
5	Securities firm exposures	1,890,615	-	2,234,075	-	1,117,038	50%
6	Corporate exposures	267,844,444	30,282,137	209,811,401	12,671,668	201,650,249	91%
7	CIS exposures	-	-	-	-	-	0%
8	Cash items	250,871	-	250,871	-	-	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	18,074,933	52,436,922	17,812,535	21,952	13,375,866	75%
11	Residential mortgage loans	19,736,584	6,510	19,598,197	3,255	8,136,696	42%
12	Other exposures which are not past due exposures	15,418,222	733,715	14,658,957	16,669	14,675,626	100%
13	Past due exposures	43,366	-	43,366	-	60,722	140%
14	Significant exposures to commercial entities	-	-	-	-	-	0%
15	**Total**	**510,790,520**	**83,571,783**	**507,065,636**	**12,823,208**	**319,888,040**	**62%**

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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 30 June 2018:

		(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(ha)	(i)	(j)
	Exposure class / Risk Weight	0%	10%	20%	35%	50%	75%	100%	150%	250%	Others	Total credit risk exposures amount (post CCF and post CRM)
1	Sovereign exposures	23,374,956	-	6,745,674	-	-	-	-	-	-	-	30,120,630
2	PSE exposures	-	-	250,817	-	-	-	-	-	-	-	250,817
2a	Of which: domestic PSEs	-	-	250,817	-	-	-	-	-	-	-	250,817
2b	Of which: foreign PSEs	-	-	-	-	-	-	-	-	-	-	-
3	Multilateral development bank exposures	-	-	-	-	-	-	-	-	-	-	-
4	Bank exposures	4,100	-	89,075,434	-	123,314,917	-	-	-	-	-	212,394,451
5	Securities firm exposures	-	-	-	-	2,234,075	-	-	-	-	-	2,234,075
6	Corporate exposures	-	-	-	-	41,665,640	-	180,817,429	-	-	-	222,483,069
7	CIS exposures	-	-	-	-	-	-	-	-	-	-	-
8	Cash items	250,871	-	-	-	-	-	-	-	-	-	250,871
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	-	-	-	-	-	17,834,487	-	-	-	-	17,834,487
11	Residential mortgage loans	-	-	-	17,528,120	-	285,914	1,787,418	-	-	-	19,601,452
12	Other exposures which are not past due exposures	-	-	-	-	-	-	14,675,626	-	-	-	14,675,626
13	Past due exposures	-	-	-	-	-	-	8,655	34,711	-	-	43,366
14	Significant exposures to commercial entities	-	-	-	-	-	-	-	-	-	-	-
15	**Total**	**23,629,927**	**-**	**96,071,925**	**17,528,120**	**167,214,632**	**18,120,401**	**197,289,128**	**34,711**	**-**	**-**	**519,888,844**

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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 30 June 2018:

		(a)	(b)	(c)	(d)	(e)	(f)
		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	4,743,010	4,491,299		N/A	7,244,933	2,743,072
2	IMM(CCR) approach			-	-	-	-
3	Simple Approach (for SFTs)					-	-
4	Comprehensive Approach (for SFTs)					50,061	14,353
5	VaR (for SFTs)					-	-
6	**Total**						**2,757,425**

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 30 June 2018:

		(a)	(b)
		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	7,244,933	1,139,163
4	**Total**	**7,244,933**	**1,139,163**

(Expressed in thousands of Hong Kong Dollars)

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 30 June 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:

		(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 exposure after CRM
1	Sovereign exposures	-	-	-	-	-	-	-	-	-	-	-
2	PSE exposures	-	-	-	-	-	-	-	-	-	-	-
2a	Of which: domestic PSEs	-	-	-	-	-	-	-	-	-	-	-
2b	Of which: foreign PSEs	-	-	-	-	-	-	-	-	-	-	-
3	Multilateral development bank exposures	-	-	-	-	-	-	-	-	-	-	-
4	Bank exposures	-	-	3,046,595	-	4,080,236	-	-	-	-	-	7,126,831
5	Securities firm exposures	-	-	-	-	48,932	-	-	-	-	-	48,932
6	Corporate exposures	-	-	-	-	-	-	30,146	-	-	-	30,146
7	CIS exposures	-	-	-	-	-	-	-	-	-	-	-
8	Regulatory retail exposures	-	-	-	-	-	-	-	-	-	-	-
9	Residential mortgage loans	-	-	-	-	-	-	-	-	-	-	-
10	Other exposures which are not past due exposures	-	-	-	-	-	-	39,024	-	-	-	39,024
11	Significant exposures to commercial entities	-	-	-	-	-	-	-	-	-	-	-
12	**Total**	**-**	**-**	**3,046,595**	**-**	**4,129,168**	**-**	**69,170**	**-**	**-**	**-**	**7,244,933**

(Expressed in thousands of Hong Kong Dollars)

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

	(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
	Segregated	Unsegregated	Segregated	Unsegregated		
Cash - domestic currency	-	-	-	-	-	-
Cash - other currencies	-	1,481,916	144,897	33,898	1,116,707	2,310,536
Domestic sovereign debt	-	-	-	-	-	-
Other sovereign debt	-	-	-	-	2,341,615	1,166,768
Government agency debt	-	-	-	-	-	-
Corporate bonds	-	-	-	-	-	-
Equity securities	-	-	-	-	-	-
Other collateral	-	-	-	-	-	-
Total	**-**	**1,481,916**	**144,897**	**33,898**	**3,458,322**	**3,477,304**

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 30 June 2018:

		(a)
		RWA
	Outright product exposures	
1	Interest rate exposures (general and specific risk)	3,717,013
2	Equity exposures (general and specific risk)	-
3	Foreign exchange (including gold) exposures	22,345,700
4	Commodity exposures	-
	Option exposures	
5	Simplified approach	-
6	Delta-plus approach	-
7	Other approach	-
8	Securitization exposures	-
9	**Total**	**26,062,713**

(Expressed in thousands of Hong Kong Dollars)

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:

	As at 30 June 2018
Direct credit substitutes	722,051
Transaction-related contingencies	2,865,605
Trade-related contingencies	1,373,452
Other commitments:	
which are unconditionally cancellable or automatically cancellable due to the deterioration in the credit worthiness of the borrower	54,548,514
with an original maturity up to one year	4,490,489
with an original maturity over one year	19,258,736
Total	**83,258,847**
Total RWAs for credit risk of its off-balance sheet exposures	**12,100,530**

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.

(Expressed in thousands of Hong Kong Dollars)

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:

	As at 30 June 2018				
	Banks	Official sector	Non-bank private sector		Total
			Non-bank financial institutions	Non-financial private sector	
Developing Asia and Pacific	154,604,850	6,795,103	8,676,695	62,546,647	232,623,295
- of which China	154,357,785	6,795,103	8,676,695	61,625,892	231,455,475
Offshore centres	3,348,577	-	19,116,789	81,126,697	103,592,063

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

	Gross advances	Impaired advances	Overdue advances	Specific provisions	Collective provisions
Hong Kong	228,756,541	951,333	143,267	200,958	850,410
China	33,536,233	238	-	125	113,298
Macau	330,814	-	-	-	960
Others	16,079,306	-	-	-	65,178
	278,702,894	**951,571**	**143,267**	**201,083**	**1,029,846**

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Gross loans and advances to customers by industry sectors

	As at 30 June 2018	
	Outstanding balance	% of gross advances covered by collateral
Loans and advances for use in Hong Kong		
Industrial, commercial and financial		
Property development	16,140,593	13.94
Property investment	33,487,365	72.88
Financial concerns	38,091,738	53.05
Stockbrokers	1,415,542	22.29
Wholesale and retail trade	8,045,179	66.62
Manufacturing	4,800,958	28.79
Transport and transport equipment	8,991,277	59.90
Recreational activities	352,926	8.35
Information technology	2,819,426	34.59
Others	13,066,486	41.11
	127,211,490	
Individuals		
Loans for the purchase of flats in the Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme	4,054	100.00
Loans for the purchase of other residential properties	15,158,214	99.28
Credit card advances	4,332,010	0.00
Others	19,436,470	32.08
	38,930,748	
Trade finance	4,575,547	57.59
Loans and advances for use outside Hong Kong	107,985,109	52.83
Gross loans and advances to customers	278,702,894	52.62

(Expressed in thousands of Hong Kong Dollars)

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:

	Gross advances	Impaired advances	Overdue advances	Specific provisions	Collective provisions
Property investment	33,487,365	271,960	5,258	11,979	89,980
Financial concerns	38,091,738	-	-	-	23,368

Overdue and rescheduled assets

Gross loans and advances to customers overdue for more than three months:

	As at 30 June 2018	
		% on total advances to customers
Six months or less but over three months	20,184	0.01
One year or less but over six months	770	-
Over one year	122,313	0.04
Total gross amount of loans and advances to customers overdue for more than three months	143,267	0.05
Expected credit losses made in respect of the above overdue loans and advances to customers	134,505	
Net realisable value of collateral held against the overdue loans and advances to customers	135,385	
Covered portion of overdue loans and advances to customers	12,595	
Uncovered portion of overdue loans and advances to customers	130,672	
	143,267	

Collateral held with respect of overdue loans and advances to customers was mainly auto vehicles and residential properties.

Overdue and rescheduled assets (Continued)

Rescheduled loans and advances to customers:

	As at 30 June 2018	
		% on total advances to customers
Rescheduled loans and advances to customers	58,733	0.02

Rescheduled loans and advances are those loans and advances which have been restructured or renegotiated because of deterioration in the financial position of the borrower, or the inability of the borrower to meet the original repayment schedule and for which the revised payment terms are non-commercial to the Bank. The rescheduled advances are stated net of any advances that have subsequently become overdue for over three months and reported as overdue advances as above.

As at 30 June 2018, there were no rescheduled or impaired advances to banks and trade bills. There were no overdue nor rescheduled other assets.

As at 30 June 2018, there were nil balance of repossessed assets.

(Expressed in thousands of Hong Kong Dollars)

Mainland activities exposures

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

As at 30 June 2018

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")	75,123,237	10,384,976	85,508,213
(b) Local governments, local government-owned entities and their subsidiaries and JVs	22,612,852	816,257	23,429,109
(c) PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	67,227,262	3,013,331	70,240,593
(d) Other entities of central government not reported in part (a) above	7,745,048	39,234	7,784,282
(e) Other entities of local governments not reported in part (b) above	208,873	-	208,873
(f) PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	13,785,061	766,572	14,551,633
(g) Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	5,072,861	5,496	5,078,357
Total	191,775,194	15,025,866	206,801,060
Total assets after provision	515,029,682		
On-balance sheet exposures as percentage of total assets	37.24%		

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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 30 June 2018

	RMB	USD	Others	Total
HKD equivalent				
Spot assets	82,705,687	173,405,794	31,523,065	287,634,546
Spot liabilities	(103,644,209)	(123,723,459)	(23,744,667)	(251,112,335)
Forward purchases (note 1)	108,753,439	178,095,057	22,607,330	309,455,826
Forward sales (note 1)	(110,165,276)	(228,094,592)	(30,354,284)	(368,614,152)
Net (short) / long position (note 2)	(22,350,359)	(317,200)	31,444	(22,636,115)
Net structural position	-	-	-	-

The net option position was calculated using the Simplified Approach and there was no net option position as at 30 June 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.

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