



**CHINA CONSTRUCTION BANK (ASIA)
CORPORATION LIMITED**

Regulatory Disclosure Statement

For the six months ended

30 June 2021

(Unaudited)

CHINA CONSTRUCTION BANK (ASIA) CORPORATION LIMITED
Regulatory Disclosures Statement (Unaudited)
As at 30 June 2021

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Introduction

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

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

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

Basis of preparation

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

The capital adequacy ratios (“CAR”) were compiled in accordance with the Banking (Capital) Rules (“BCR”) issued by the Hong Kong Monetary Authority (“HKMA”). In calculating the risk weighted assets, the Group adopted the Standardised (Credit Risk) Approach and the Standardised (Market Risk) Approach for credit risk and market risk respectively. For counterparty credit risk, the Group adopted the standardized (counterparty credit risk) approach (“SA-CCR”) to calculate its default risk exposures. 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 of 30 June 2021 were computed on a consolidated basis, including the Bank and its subsidiaries, CCB Properties (Hong Kong) Holdings Limited and all of its subsidiaries (“CCBP Group”) and CCB (Asia) Insurance Broker Limited.

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

The following entities are within the Group’s accounting scope of consolidation but are excluded from its regulatory scope of consolidation as at 30 June 2021.

| In HK\$ thousands | | As of 30 June 2021 | |
|------------------------------------|--------------------------------|--------------------|--------------|
| Name of company | Principal activities | Total assets | Total equity |
| CCB Securities Limited | Securities brokerage business | 1,039,934 | 629,770 |
| CCB Nominee Limited | Custodian and nominee services | 40,546 | 39,792 |
| CCB (Asia) Trustee Company Limited | Trustee and custodian business | 94,493 | 81,871 |

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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) |
|----|--|-------------|-------------|-------------|-------------|-------------|
| | | 30 Jun 2021 | 31 Mar 2021 | 31 Dec 2020 | 30 Sep 2020 | 30 Jun 2020 |
| | Regulatory capital (amount) | | | | | |
| 1 | Common Equity Tier 1 (CET1) | 61,244,598 | 61,047,698 | 60,424,343 | 59,327,097 | 58,556,533 |
| 2 | Tier 1 | 76,833,931 | 76,637,031 | 76,013,676 | 74,916,430 | 74,145,866 |
| 3 | Total capital | 79,856,497 | 79,584,550 | 78,781,662 | 77,885,764 | 77,240,808 |
| | RWA (amount) | | | | | |
| 4 | Total RWA | 392,193,332 | 382,405,184 | 367,422,557 | 387,137,371 | 404,494,230 |
| | Risk-based regulatory capital ratios (as a percentage of RWA) | | | | | |
| 5 | CET1 ratio (%) | 15.62% | 15.96% | 16.45% | 15.32% | 14.48% |
| 6 | Tier 1 ratio (%) | 19.59% | 20.04% | 20.69% | 19.35% | 18.33% |
| 7 | Total capital ratio (%) | 20.36% | 20.81% | 21.44% | 20.12% | 19.10% |
| | Additional CET1 buffer requirements (as a percentage of RWA) | | | | | |
| 8 | Capital conservation buffer requirement (%) | 2.50% | 2.50% | 2.50% | 2.50% | 2.50% |
| 9 | Countercyclical capital buffer requirement (%) | 0.86% | 0.85% | 0.83% | 0.83% | 0.83% |
| 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 (%) | 3.36% | 3.35% | 3.33% | 3.33% | 3.33% |
| 12 | CET1 available after meeting the AI's minimum capital requirements (%) | 11.12% | 11.46% | 11.95% | 10.82% | 9.98% |
| | Basel III leverage ratio | | | | | |
| 13 | Total leverage ratio (LR) exposure measure | 542,536,979 | 503,382,011 | 504,155,929 | 526,037,339 | 523,560,595 |
| 14 | LR (%) | 14.16% | 15.22% | 15.08% | 14.24% | 14.16% |
| | Liquidity Coverage Ratio (LCR) | | | | | |
| 15 | Total high quality liquid assets (HQLA) | 69,264,343 | 65,096,130 | 76,613,022 | 57,167,631 | 56,253,958 |
| 16 | Total net cash outflows | 50,408,462 | 45,803,530 | 48,313,939 | 38,928,385 | 33,322,547 |
| 17 | LCR (%) | 138.27% | 143.75% | 163.62% | 148.90% | 172.24% |
| | Net Stable Funding Ratio (NSFR) | | | | | |
| 18 | Total available stable funding | 340,543,248 | 335,509,000 | 341,302,646 | 352,696,619 | 353,494,446 |
| 19 | Total required stable funding | 262,697,284 | 251,946,838 | 239,512,506 | 260,616,527 | 262,528,618 |
| 20 | NSFR (%) | 129.63% | 133.17% | 142.50% | 135.33% | 134.65% |

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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%.

| In HK\$ thousands | | (a) | (b) | (c) |
|-------------------|--|--------------------|---------------------|------------------------------|
| | | RWA | | Minimum capital requirements |
| | | As at 30 June 2021 | As at 31 March 2021 | As at 30 June 2021 |
| 1 | Credit risk for non-securitization exposures | 350,020,360 | 341,843,563 | 28,001,629 |
| 2 | Of which STC approach | 350,020,360 | 341,843,563 | 28,001,629 |
| 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 | 1,372,684 | 808,058 | 109,815 |
| 7 | Of which SA-CCR approach | 1,274,523 | N/A | 101,962 |
| 7a | Of which CEM | - | 808,056 | - |
| 8 | Of which IMM(CCR) approach | - | - | - |
| 9 | Of which others | 98,161 | 2 | 7,853 |
| 10 | CVA risk | 570,325 | 424,863 | 45,626 |
| 11 | Equity positions in banking book under the simple risk-weight method and internal models method | - | - | - |
| 12 | Collective investment scheme ("CIS") exposures – LTA* | N/A | N/A | N/A |
| 13 | CIS exposures – MBA* | N/A | N/A | N/A |
| 14 | CIS exposures – FBA* | N/A | N/A | N/A |
| 14a | CIS exposures – combination of approaches* | N/A | N/A | N/A |
| 15 | Settlement risk | - | - | - |
| 16 | Securitization exposures in banking book | - | - | - |
| 17 | Of which SEC-IRBA | - | - | - |
| 18 | Of which SEC-ERBA | - | - | - |
| 19 | Of which SEC-SA | - | - | - |
| 19a | Of which SEC-FBA | - | - | - |
| 20 | Market risk | 23,926,950 | 23,016,175 | 1,914,156 |
| 21 | Of which STM approach | 23,926,950 | 23,016,175 | 1,914,156 |
| 22 | Of which IMM approach | - | - | - |
| 23 | Capital charge for switch between exposures in trading book and banking book (not applicable before the revised market risk framework takes effect)* | N/A | N/A | N/A |
| 24 | Operational risk | 15,028,013 | 15,037,525 | 1,202,241 |
| 24a | Sovereign concentration risk | - | - | - |
| 25 | Amounts below the thresholds for deduction (subject to 250% RW) | 1,275,000 | 1,275,000 | 102,000 |
| 26 | Capital floor adjustment | - | - | - |
| 26a | Deduction to RWA | - | - | - |
| 26b | Of which portion of regulatory reserve for general banking risks and collective provisions which is not included in Tier 2 Capital | - | - | - |
| 26c | Of which portion of cumulative fair value gains arising from the revaluation of land and buildings which is not included in Tier 2 Capital | - | - | - |
| 27 | Total | 392,193,332 | 382,405,184 | 31,375,467 |

1. Items marked with an asterisk (*) will be applicable only after their respective policy frameworks take effect.

2. For the quarter ended 30 June 2021, total RWAs increased by HK\$9.8 billion mainly due to increase in RWA for non-securitization credit exposures & market risk exposures.

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CC1: Composition of regulatory capital

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

As at 30 June 2021

| | | (a) | (b) |
|---|---|----------------|--|
| | | Amount | Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation (Cross-referenced to CC2) |
| In HK\$ thousands | | | |
| CET1 capital: instruments and reserves | | | |
| 1 | Directly issued qualifying CET1 capital instruments plus any related share premium | 28,827,843 | 4 |
| 2 | Retained earnings | 31,851,256 | 6 |
| 3 | Disclosed reserves | 1,689,659 | 7+8+9+10+11 |
| 4 | <i>Directly issued capital subject to phase-out arrangements from CET1 (only applicable to non-joint stock companies)</i> | 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 | 62,368,758 | |
| 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) | 458,904 | 3 |
| 11 | Cash flow hedge reserve | - | |
| 12 | Excess of total EL amount over total eligible provisions under the IRB approach | - | |
| 13 | Credit-enhancing interest-only strip, and any gain-on-sale and other increase in the CET1 capital arising from securitization transactions | - | |
| 14 | Gains and losses due to changes in own credit risk on fair valued liabilities | - | |
| 15 | Defined benefit pension fund net assets (net of associated deferred tax liabilities) | - | |
| 16 | Investments in own CET1 capital instruments (if not already netted off paid-in capital on reported balance sheet) | - | |
| 17 | Reciprocal cross-holdings in CET1 capital instruments | - | |
| 18 | Insignificant LAC investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold) | - | |
| 19 | Significant LAC investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold) | - | |
| 20 | Mortgage servicing rights (net of associated deferred tax liabilities) | Not applicable | Not applicable |
| 21 | Deferred tax assets arising from temporary differences (net of associated deferred tax liabilities) | Not applicable | Not applicable |
| 22 | Amount exceeding the 15% threshold | Not applicable | Not applicable |
| 23 | of which: significant investments in the ordinary share of financial sector entities | Not applicable | Not applicable |
| 24 | of which: mortgage servicing rights | Not applicable | Not applicable |
| 25 | of which: deferred tax assets arising from temporary differences | Not applicable | Not applicable |

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CC1: Composition of regulatory capital (Continued)

As at 30 June 2021

| | | (a) | (b) |
|---|--|-------------------|--|
| | | Amount | Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation (Cross-referenced to CC2) |
| In HK\$ thousands | | | |
| 26 | National specific regulatory adjustments applied to CET1 capital | 665,256 | |
| 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 | 665,256 | 8 |
| 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 | 1,124,160 | |
| 29 | CET1 capital | 61,244,598 | |
| AT1 capital: instruments | | | |
| 30 | Qualifying AT1 capital instruments plus any related share premium | 15,589,333 | 5 |
| 31 | <i>of which: classified as equity under applicable accounting standards</i> | 15,589,333 | |
| 32 | <i>of which: classified as liabilities under applicable accounting standards</i> | - | |
| 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 | <i>of which: AT1 capital instruments issued by subsidiaries subject to phase-out arrangements</i> | - | |
| 36 | AT1 capital before regulatory deductions | 15,589,333 | |
| AT1 capital: regulatory deductions | | | |
| 37 | Investments in own AT1 capital instruments | - | |
| 38 | Reciprocal cross-holdings in AT1 capital instruments | - | |
| 39 | Insignificant LAC investments in AT1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold) | - | |
| 40 | Significant LAC investments in AT1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation | - | |
| 41 | National specific regulatory adjustments applied to AT1 capital | - | |
| 42 | Regulatory deductions applied to AT1 capital due to insufficient Tier 2 capital to cover deductions | - | |
| 43 | Total regulatory deductions to AT1 capital | - | |
| 44 | AT1 capital | 15,589,333 | |
| 45 | Tier 1 capital (T1 = CET1 + AT1) | 76,833,931 | |
| Tier 2 capital: instruments and provisions | | | |
| 46 | Qualifying Tier 2 capital instruments plus any related share premium | - | |
| 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) | - | |

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CC1: Composition of regulatory capital (Continued)

As at 30 June 2021

| | | (a) | (b) |
|--------------------------|--|----------------|--|
| | | Amount | Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation (Cross-referenced to CC2) |
| In HK\$ thousands | | | |
| 49 | <i>Of which: capital instruments issued by subsidiaries subject to phase-out arrangements</i> | - | |
| 50 | Collective provisions and regulatory reserve for general banking risks eligible for inclusion in Tier 2 capital | 3,022,566 | 1+8 |
| 51 | Tier 2 capital before regulatory deductions | 3,022,566 | |
| | Tier 2 capital: regulatory deductions | | |
| 52 | Investments in own Tier 2 capital instruments | - | |
| 53 | Reciprocal cross-holdings in Tier 2 capital instruments and non-capital LAC liabilities | - | |
| 54 | Insignificant LAC investments in Tier 2 capital instruments issued by, and non-capital LAC liabilities of, financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold and, where applicable, 5% threshold) | - | |
| 54a | Insignificant LAC investments in non-capital LAC liabilities of financial sector entities that are outside the scope of regulatory consolidation (amount formerly designated for the 5% threshold but no longer meets the conditions) (for institutions defined as "section 2 institution" under §2(1) of Schedule 4F to BCR only) | - | |
| 55 | Significant LAC investments in Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (net of eligible short positions) | - | |
| 55a | Significant LAC investments in non-capital LAC liabilities of financial sector entities that are outside the scope of regulatory consolidation (net of eligible short positions) | - | |
| 56 | National specific regulatory adjustments applied to Tier 2 capital | - | |
| 56a | Add back of cumulative fair value gains arising from the revaluation of land and buildings (own-use and investment properties) eligible for inclusion in Tier 2 capital | - | |
| 56b | Regulatory deductions applied to Tier 2 capital to cover the required deductions falling within §48(1)(g) of BCR | - | |
| 57 | Total regulatory adjustments to Tier 2 capital | - | |
| 58 | Tier 2 capital (T2) | 3,022,566 | |
| 59 | Total regulatory capital (TC = T1 + T2) | 79,856,497 | |
| 60 | Total RWA | 392,193,332 | |
| | Capital ratios (as a percentage of RWA) | | |
| 61 | CET1 capital ratio | 15.62% | |
| 62 | Tier 1 capital ratio | 19.59% | |
| 63 | Total capital ratio | 20.36% | |
| 64 | Institution-specific buffer requirement (capital conservation buffer plus countercyclical capital buffer plus higher loss absorbency requirements) | 3.36% | |
| 65 | <i>of which: capital conservation buffer requirement</i> | 2.50% | |
| 66 | <i>of which: bank specific countercyclical capital buffer requirement</i> | 0.86% | |
| 67 | <i>of which: higher loss absorbency requirement</i> | 0.00% | |
| 68 | CET1 (as a percentage of RWA) available after meeting minimum capital requirements | 11.12% | |
| | National minima (if different from Basel 3 minimum) | | |
| 69 | National CET1 minimum ratio | Not applicable | Not applicable |

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CC1: Composition of regulatory capital (Continued)

As at 30 June 2021

| | | (a) | (b) |
|---|---|----------------|--|
| | | Amount | Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation (Cross-referenced to CC2) |
| In HK\$ thousands | | | |
| 70 | National Tier 1 minimum ratio | Not applicable | Not applicable |
| 71 | National Total capital minimum ratio | Not applicable | Not applicable |
| Amounts below the thresholds for deduction (before risk weighting) | | | |
| 72 | Insignificant LAC investments in CET1, AT1 and Tier 2 capital instruments issued by, and non-capital LAC liabilities of, financial sector entities that are outside the scope of regulatory consolidation | - | |
| 73 | Significant LAC investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation | 510,000 | 2 |
| 74 | Mortgage servicing rights (net of associated deferred tax liabilities) | Not applicable | Not applicable |
| 75 | Deferred tax assets arising from temporary differences (net of associated deferred tax liabilities) | Not applicable | Not applicable |
| Applicable caps on the inclusion of provisions in Tier 2 capital | | | |
| 76 | Provisions eligible for inclusion in Tier 2 in respect of exposures subject to the BSC approach, or the STC approach and SEC-ERBA, SEC-SA and SEC-FBA (prior to application of cap) | 3,022,566 | 1+8 |
| 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 | 4,408,351 | |
| 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) | - | |

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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) | - | - |
| | <p><u>Explanation</u></p> <p>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.</p> | | |
| 10 | Deferred tax assets (net of associated deferred tax liabilities) | 458,904 | - |
| | <p><u>Explanation</u></p> <p>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.</p> | | |
| 18 | Insignificant LAC investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold) | - | - |
| | <p><u>Explanation</u></p> <p>For the purpose of determining the total amount of insignificant LAC investments in CET1 capital instruments issued by financial sector entities, an AI is required to aggregate any amount of loans, facilities or other credit exposures provided by it to any of its connected companies, where the connected company is a financial sector entity, as if such loans, facilities or other credit exposures were direct holdings, indirect holdings or synthetic holdings of the AI in the capital instruments of the financial sector entity, except where the AI demonstrates to the satisfaction of the MA that any such loan was made, any such facility was granted, or any such other credit exposure was incurred, in the ordinary course of the AI's business. Therefore, the amount to be deducted as reported in row 18 may be greater than that required under Basel III. The amount reported under the column "Basel III basis" in this box represents the amount reported in row 18 (i.e. the amount reported under the "Hong Kong basis") adjusted by excluding the aggregate amount of loans, facilities or other credit exposures to the AI's connected companies which were subject to deduction under the Hong Kong approach.</p> | | |

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CC1: Composition of regulatory capital (Continued)

Notes to the Template (Continued)

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

Abbreviations:

CET1: Common Equity Tier 1

AT1: Additional Tier 1

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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 As at 30 June 2021 | (b) Under regulatory scope of consolidation As at 30 June 2021 | (c) Cross referenced to the component of regulatory capital in CC1 |
|--|--|---|---|
| ASSETS | | | |
| Cash and balances with banks and central banks | 63,804,493 | 63,804,493 | |
| Gross cash and balances with banks and central banks | 63,805,920 | 63,805,920 | |
| Collective provision | (1,427) | (1,427) | 1 |
| Placements with banks | 27,346,118 | 27,346,118 | |
| Gross placements with banks | 27,346,281 | 27,346,281 | |
| Collective provision | (163) | (163) | 1 |
| Advances to customers and trade bills | 314,881,392 | 314,881,392 | |
| Gross advances to customers and trade bills | 318,366,843 | 318,366,843 | |
| Collective provision | (2,030,762) | (2,030,762) | 1 |
| Specific provision | (1,454,689) | (1,454,689) | |
| Financial assets measured at fair value through profit or loss | 3,976,145 | 3,890,687 | |
| Financial assets measured at fair value through other comprehensive income | 82,610,681 | 82,610,681 | |
| Gross financial assets measured at fair value through other comprehensive income | 82,611,161 | 82,611,161 | |
| Collective provision | (480) | (480) | 1 |
| Other assets measured at amortized costs | 6,147,736 | 6,147,736 | |
| Gross other assets measured at amortized costs | 6,155,892 | 6,155,892 | |
| Collective provision | (8,156) | (8,156) | 1 |
| Derivative financial instruments | 980,133 | 980,133 | |
| Investment in subsidiaries | - | 516,000 | |
| Financial sector entities | - | 510,000 | 2 |
| Commercial entities | - | 6,000 | |
| Interest in a joint venture | 1,873,580 | 1,873,580 | |
| Deferred tax assets | 458,904 | 458,904 | 3 |
| Fixed assets | 2,465,321 | 2,463,825 | |
| Right-of-use assets | 1,913,371 | 1,913,371 | |
| Other assets | 5,292,512 | 5,465,287 | |
| TOTAL ASSETS | 511,750,386 | 512,352,207 | |

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

| | (a) Balance sheet as in published financial statements As at 30 June 2021 | (b) Under regulatory scope of consolidation As at 30 June 2021 | (c) Cross referenced to the component of regulatory capital in CC1 |
|---|--|---|---|
| LIABILITIES | | | |
| Deposits and balances of banks | 32,888,853 | 32,888,853 | |
| Deposits from customers | 383,347,697 | 384,006,688 | |
| Financial assets sold under repurchases agreements | 4,215,299 | 4,215,299 | |
| Financial liabilities designated at fair value through profit or loss | 563,540 | 563,540 | |
| Other debt securities issued | 1,928,603 | 1,928,603 | |
| Derivative financial instruments | 935,313 | 935,313 | |
| Lease Liabilities | 1,459,400 | 1,459,400 | |
| Current tax payable | 386,794 | 382,565 | |
| Deferred tax liabilities | 19,520 | 19,288 | |
| Other liabilities | 7,811,045 | 7,994,567 | |
| Other liabilities | 7,494,723 | 7,678,245 | |
| Collective provision | 316,322 | 316,322 | 1 |
| TOTAL LIABILITIES | 433,556,064 | 434,394,116 | |
| EQUITY | | | |
| Share capital | 28,827,843 | 28,827,843 | 4 |
| Other equity instruments | 15,589,333 | 15,589,333 | 5 |
| Reserves | 33,777,146 | 33,540,915 | |
| Retained earnings | 32,087,487 | 31,851,256 | 6 |
| General reserve | 750,956 | 750,956 | 7 |
| Regulatory reserve | 665,256 | 665,256 | 8 |
| Other capital reserve | 15,913 | 15,913 | 9 |
| Investment revaluation reserve | 195,272 | 195,272 | 10 |
| Merger reserve | 62,262 | 62,262 | 11 |
| TOTAL EQUITY | 78,194,322 | 77,958,091 | |
| TOTAL EQUITY & LIABILITIES | 511,750,386 | 512,352,207 | |

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 | AT1 Perpetual capital instruments | AT1 Perpetual capital instruments | AT1 Perpetual capital instruments |
|----|---|--|--|---|---|---|
| 1 | Issuer | China Construction Bank (Asia) Corporation Limited | China Construction Bank (Asia) Corporation Limited | China Construction Bank (Asia) Corporation Limited | China Construction Bank (Asia) Corporation Limited | China Construction Bank (Asia) Corporation Limited |
| 2 | Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement) | Not applicable | Not applicable | XS1743529767 | XS2092236434 | XS2142208573 |
| 3 | Governing law(s) of the instrument | Hong Kong | Hong Kong | English Law (subordination governed by Hong Kong Law) | English Law (subordination governed by Hong Kong Law) | English Law (subordination governed by Hong Kong Law) |
| | <i>Regulatory treatment</i> | | | | | |
| 4 | Transitional Basel III rules [#] | Common Equity Tier 1 | Common Equity Tier 1 | Not applicable | Not applicable | Not applicable |
| 5 | Post-transitional Basel III rules ⁺ | Common Equity Tier 1 | Common Equity Tier 1 | Additional Tier 1 | Additional Tier 1 | Additional Tier 1 |
| 6 | Eligible at solo*/group/ solo & group | Solo and Group | Solo and Group | Solo and Group | Solo and Group | Solo and Group |
| 7 | Instrument type (types to be specified by each jurisdiction) | Ordinary shares | Ordinary shares | Additional Tier 1 capital instruments | Additional Tier 1 capital instruments | Additional Tier 1 capital instruments |
| 8 | Amount recognised in regulatory capital (Currency in million, as of most recent reporting date) | HKD6,511 million | HKD22,317 million | HKD7,812 million | HKD3,901 million | HKD3,876 million |
| 9 | Par value of instrument | HKD40 each | RMB40 each | USD1 billion | USD500 million | USD500 million |
| 10 | Accounting classification | Shareholders' equity | Shareholders' equity | Shareholders' equity | Shareholders' equity | Shareholders' equity |
| 11 | Original date of issuance | Since incorporation | 15-Aug-2013 | 29-Dec-2017 | 13-Dec-2019 | 26-Mar-2020 |
| 12 | Perpetual or dated | Perpetual | Perpetual | Perpetual | Perpetual | Perpetual |
| 13 | Original maturity date | No maturity | No maturity | No maturity | No maturity | No maturity |
| 14 | Issuer call subject to prior supervisory approval | Not applicable | Not applicable | Yes | Yes | Yes |
| 15 | Optional call date, contingent call dates and redemption amount | Not applicable | Not applicable | 29-Dec-2022. Redemption in whole at 100% | 13-Dec-2024. Redemption in whole at 100% | 26-Mar-2025. Redemption in whole at 100% |
| 16 | Subsequent call dates, if applicable | Not applicable | Not applicable | Any distribution payment date after first call date | Any distribution payment date after first call date | Any distribution payment date after first call date |

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CCA: Main features of regulatory capital instruments (Continued)

| | | CET1 capital HKD ordinary shares | CET1 capital RMB ordinary shares | AT1 Perpetual capital instruments | AT1 Perpetual capital instruments | AT1 Perpetual capital instruments |
|----|---|-------------------------------------|-------------------------------------|---|---|---|
| | <i>Coupons / dividends</i> | | | | | |
| 17 | Fixed or floating dividend/coupon | Not applicable | Not applicable | Fixed | Fixed | Fixed |
| 18 | Coupon rate and any related index | Not applicable | Not applicable | Year 1-5: 4.70% per annum payable semiannually in arrear; Year 5 onwards: resettable on year 5 and every 5 years thereafter at then prevailing 5-year US Treasury yield plus a fixed initial spread | Year 1-5: 4.31% per annum payable semiannually in arrear; Year 5 onwards: resettable on year 5 and every 5 years thereafter at then prevailing 5-year US Treasury yield plus a fixed initial spread | Year 1-5: 3.18% per annum payable semiannually in arrear; Year 5 onwards: resettable on year 5 and every 5 years thereafter at then prevailing 5-year US Treasury yield plus a fixed initial spread |
| 19 | Existence of a dividend stopper | Not applicable | Not applicable | Yes | Yes | Yes |
| 20 | Fully discretionary, partially discretionary or mandatory | Not applicable | Not applicable | Fully discretionary | Fully discretionary | Fully discretionary |
| 21 | Existence of step up or other incentive to redeem | Not applicable | Not applicable | No | No | No |
| 22 | Noncumulative or cumulative | Not applicable | Not applicable | Noncumulative | Noncumulative | Noncumulative |
| 23 | Convertible or non-convertible | Not applicable | Not applicable | Non-convertible | Non-convertible | Non-convertible |
| 24 | If convertible, conversion trigger (s) | Not applicable | Not applicable | Not applicable | Not applicable | Not applicable |
| 25 | If convertible, fully or partially | Not applicable | Not applicable | Not applicable | Not applicable | Not applicable |
| 26 | If convertible, conversion rate | Not applicable | Not applicable | Not applicable | Not applicable | Not applicable |
| 27 | If convertible, mandatory or optional conversion | Not applicable | Not applicable | Not applicable | Not applicable | Not applicable |
| 28 | If convertible, specify instrument type convertible into | Not applicable | 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 | Not applicable |

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CCA: Main features of regulatory capital instruments (Continued)

| | | CET1 capital HKD ordinary shares | CET1 capital RMB ordinary shares | AT1 Perpetual capital instruments | AT1 Perpetual capital instruments | AT1 Perpetual capital instruments |
|----|---|-------------------------------------|-------------------------------------|--|--|--|
| 30 | Write-down feature | Not applicable | Not applicable | Yes | 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 | Upon the occurrence of a Non-Viability Event |
| 32 | If write-down, full or partial | Not applicable | Not applicable | Partial | Partial | Partial |
| 33 | If write-down, permanent or temporary | Not applicable | Not applicable | Permanent | Permanent | Permanent |
| 34 | If temporary write-down, description of write-up mechanism | Not applicable | Not applicable | Not applicable | Not applicable | Not applicable |
| 35 | Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument) | Not applicable | Not applicable | Subordinated to depositors, general creditors, creditors in respect of Tier 2 capital securities of the Issuer and all other subordinated creditors; pari passu with Additional Tier 1 capital securities; and senior to holders of ordinary shares or other instruments expressed to rank junior to the capital securities by operation of law or contract. | Subordinated to depositors, general creditors, creditors in respect of Tier 2 capital securities of the Issuer and all other subordinated creditors; pari passu with Additional Tier 1 capital securities; and senior to holders of ordinary shares or other instruments expressed to rank junior to the capital securities by operation of law or contract. | Subordinated to depositors, general creditors, creditors in respect of Tier 2 capital securities of the Issuer and all other subordinated creditors; pari passu with Additional Tier 1 capital securities; and senior to holders of ordinary shares or other instruments expressed to rank junior to the capital securities by operation of law or contract. |
| 36 | Non-compliant transitioned features | Not applicable | Not applicable | No | No | No |
| 37 | If yes, specify non-compliant features | Not applicable | 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

Information relating to the disclosure of the full terms and conditions of the capital instruments issued can be viewed on the website:
https://www.asia.ccb.com/hongkong/aboutus/financial_results/regulatory_disclosures.html

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CCyB1: Geographical distribution of credit exposures used in countercyclical capital buffer ("CCyB")

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 2021 was 0.856% as the majority of its private sector credit exposures are attributed to Hong Kong whose applicable JCCyB has been updated to 1.00% effective from 16 March 2020.

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

| In HK\$ thousands | | As at 30 June 2021 | | | |
|-------------------|--|--------------------------------------|---------------------------------------|----------------------------|-------------|
| | | (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 | 1.00 | 258,882,976 | | |
| 2 | Sum of above | | 258,882,976 | | |
| 3 | Total (including those exposures in jurisdictions with zero JCCyB ratio) | | 302,569,227 | 0.856 | 3,357,175 |

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. Effective from 16 March 2020, the applicable JCCyB ratio in effect in Hong Kong decreased from 2.00% to 1.00%.
3. The private sector credit exposures increased comparing with 31 December 2020, mainly driven by the increase in loans and advances to customers.

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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 As at 30 June 2021 |
|----|--|--|
| 1 | Total consolidated assets as per published financial statements | 511,750,386 |
| 2 | Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation | 516,000 |
| 2a | Adjustment for securitised exposures that meet the operational requirements for the recognition of risk transference | - |
| 3 | Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting standard but excluded from the LR exposure measure | - |
| 3a | Adjustments for eligible cash pooling transactions | - |
| 4 | Adjustments for derivative contracts | 1,284,802 |
| 5 | Adjustment for SFTs (i.e. repos and similar secured lending) | 4,421,049 |
| 6 | Adjustment for off-balance sheet ("OBS") items (i.e. conversion to credit equivalent amounts of OBS exposures) | 26,297,077 |
| 6a | Adjustments for prudent valuation adjustments and specific and collective provisions that are allowed to be excluded from exposure measure | (316,322) |
| 7 | Other adjustments | (1,416,013) |
| 8 | Leverage ratio exposure measure | 542,536,979 |

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LR2: Leverage ratio

| | | (a) | (b) |
|--|--|-----------------------|------------------------|
| | | As at 30 June 2021 | As at 31 March 2021 |
| On-balance sheet exposures | | | |
| 1 | On-balance sheet exposures (excluding those arising from derivative contracts and SFTs, but including collateral) | 514,036,756 | 477,230,320 |
| 2 | Less: Asset amounts deducted in determining Tier 1 capital | (1,124,160) | (1,013,247) |
| 3 | Total on-balance sheet exposures (excluding derivative contracts and SFTs) | 512,912,596 | 476,217,073 |
| 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) | 488,257 | 816,135 |
| 5 | Add-on amounts for PFE associated with all derivative contracts | 1,871,253 | 1,731,904 |
| 6 | Gross-up for collateral provided in respect of derivative contracts 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 | (94,575) | (216,725) |
| 8 | Less: Exempted CCP leg of client-cleared trade exposures | - | - |
| 9 | Adjusted effective notional amount of written credit-related derivative contracts | - | - |
| 10 | Less: Adjusted effective notional offsets and add-on deductions for written credit-related derivative contracts | - | - |
| 11 | Total exposures arising from derivative contracts | 2,264,935 | 2,331,314 |
| Exposures arising from SFTs | | | |
| 12 | Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions | 4,668,504 | 388,483 |
| 13 | Less: Netted amounts of cash payables and cash receivables of gross SFT assets | - | - |
| 14 | CCR exposure for SFT assets | 205,867 | - |
| 15 | Agent transaction exposures | - | - |
| 16 | Total exposures arising from SFTs | 4,874,371 | 388,483 |
| Other off-balance sheet exposures | | | |
| 17 | Off-balance sheet exposure at gross notional amount | 98,160,855 | 107,014,016 |
| 18 | Less: Adjustments for conversion to credit equivalent amounts | (71,863,778) | (79,035,276) |
| 19 | Off-balance sheet items | 26,297,077 | 27,978,740 |
| Capital and total exposures | | | |
| 20 | Tier 1 capital | 76,833,931 | 76,637,031 |
| 20a | Total exposures before adjustments for specific and collective provisions | 546,348,979 | 506,915,610 |
| 20b | Adjustments for specific and collective provisions | (3,812,000) | (3,533,599) |
| 21 | Total exposures after adjustments for specific and collective provisions | 542,536,979 | 503,382,011 |
| Leverage ratio | | | |
| 22 | Leverage ratio | 14.16% | 15.22% |

The decrease in total leverage ratio by 1.06% is mainly attributed by increases in interbank placement and investment in debt securities.

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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. LCR measures the extent of liquid assets covering total net cash outflow due within 30 days arising from on-balance sheet and off-balance sheet exposures including contingent funding obligations.

The average LCR of the Bank was maintained at a healthy level in the first half of 2021.

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 and USD. 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 30 June 2021 |
|--------------------------------------|---|
| Level 1 assets | 62,727,523 |
| Level 2A assets | 2,764,792 |
| Level 2B assets | 3,772,028 |
| Total weighted amount of HQLA | 69,264,343 |

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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 2021 (71 data points) | |
|---|---|--|-----------------------------|
| | | (a) | (b) |
| Basis of disclosure: Hong Kong office | | Unweighted value (average) | Weighted value (average) |
| A. HQLA | | | |
| 1 | Total HQLA | | 69,264,343 |
| B. CASH OUTFLOWS | | | |
| 2 | Retail deposits and small business funding, of which: | 216,888,648 | 16,281,707 |
| 3 | Stable retail deposits and stable small business funding | 3,963,298 | 118,899 |
| 4 | Less stable retail deposits and less stable small business funding | 110,330,791 | 11,033,080 |
| 4a | Retail term deposits and small business term funding | 102,594,559 | 5,129,728 |
| 5 | Unsecured wholesale funding (other than small business funding), and debt securities and prescribed instruments issued by the AI, of which: | 131,823,448 | 80,274,569 |
| 6 | Operational deposits | - | - |
| 7 | Unsecured wholesale funding (other than small business funding) not covered in row 6 | 131,731,068 | 80,182,189 |
| 8 | Debt securities and prescribed instruments issued by the AI and redeemable within the LCR period | 92,380 | 92,380 |
| 9 | Secured funding transactions (including securities swap transactions) | | - |
| 10 | Additional requirements, of which: | 41,047,712 | 8,370,882 |
| 11 | Cash outflows arising from derivative contracts and other transactions, and additional liquidity needs arising from related collateral requirements | 1,114,963 | 1,110,736 |
| 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) | 39,932,749 | 7,260,146 |
| 14 | Contractual lending obligations (not otherwise covered in Section B) and other contractual cash outflows | 3,773,429 | 3,773,429 |
| 15 | Other contingent funding obligations (whether contractual or non-contractual) | 167,217,652 | 638,002 |
| 16 | Total Cash Outflows | | 109,338,589 |
| C. CASH INFLOWS | | | |
| 17 | Secured lending transactions (including securities swap transactions) | - | - |
| 18 | Secured and unsecured loans (other than secured lending transactions covered in row 17) and operational deposits placed at other financial institutions | 123,168,401 | 54,684,207 |
| 19 | Other cash inflows | 64,253,268 | 4,245,920 |
| 20 | Total Cash Inflows | 187,421,669 | 58,930,127 |
| D. LIQUIDITY COVERAGE RATIO (ADJUSTED VALUE) | | | |
| 21 | Total HQLA | | 69,264,343 |
| 22 | Total Net Cash Outflows | | 50,408,462 |
| 23 | LCR (%) | | 138.27% |

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LIQ2: Net stable funding ratio – for category 1 institution

For the quarter ended 30 June 2021:

| | | (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: | 80,222,223 | - | - | - | 80,222,223 |
| 2 | <i>Regulatory capital</i> | 80,222,223 | - | - | - | 80,222,223 |
| 2a | <i>Minority interests not covered by row 2</i> | - | - | - | - | - |
| 3 | <i>Other capital instruments</i> | - | - | - | - | - |
| 4 | Retail deposits and small business funding: | - | 210,734,637 | 4,949,562 | 47,832 | 194,366,397 |
| 5 | <i>Stable deposits</i> | - | 4,055,708 | - | - | 3,852,923 |
| 6 | <i>Less stable deposits</i> | - | 206,678,929 | 4,949,562 | 47,832 | 190,513,474 |
| 7 | Wholesale funding: | - | 201,643,125 | 3,466,022 | - | 65,235,773 |
| 8 | <i>Operational deposits</i> | - | - | - | - | - |
| 9 | <i>Other wholesale funding</i> | - | 201,643,125 | 3,466,022 | - | 65,235,773 |
| 10 | Liabilities with matching interdependent assets | - | - | - | - | - |
| 11 | Other liabilities: | - | 8,986,781 | - | 718,855 | 718,855 |
| 12 | <i>Net derivative liabilities</i> | - | - | - | - | - |
| 13 | <i>All other funding and liabilities not included in the above categories</i> | - | 8,986,781 | - | 718,855 | 718,855 |
| 14 | Total ASF | | | | | 340,543,248 |
| B. Required stable funding (“RSF”) item | | | | | | |
| 15 | Total HQLA for NSFR purposes | | | | 85,320,614 | 6,633,091 |
| 16 | Deposits held at other financial institutions for operational purposes | - | - | - | - | - |
| 17 | Performing loans and securities: | 5,460,525 | 189,714,853 | 24,797,464 | 193,680,744 | 245,258,221 |
| 18 | <i>Performing loans to financial institutions secured by Level 1 HQLA</i> | - | - | - | - | - |
| 19 | <i>Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions</i> | - | 82,127,266 | 819,553 | 26,554,153 | 39,283,019 |
| 20 | <i>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:</i> | 5,460,525 | 105,117,270 | 17,504,718 | 118,691,840 | 166,840,504 |
| 21 | <i>With a risk-weight of less than or equal to 35% under the STC approach</i> | - | - | - | - | - |
| 22 | <i>Performing residential mortgages, of which:</i> | - | 934,556 | 853,033 | 34,275,750 | 23,521,586 |

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

For the quarter ended 30 June 2021 (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 | <i>With a risk-weight of less than or equal to 35% under the STC approach</i> | - | 800,112 | 798,380 | 32,532,980 | 21,945,683 |
| 24 | <i>Securities that are not in default and do not qualify as HQLA, including exchange-traded equities</i> | - | 1,535,761 | 5,620,160 | 14,159,001 | 15,613,112 |
| 25 | Assets with matching interdependent liabilities | - | - | - | - | - |
| 26 | Other assets: | 7,766,164 | 4,738,774 | - | - | 9,039,011 |
| 27 | <i>Physical traded commodities, including gold</i> | - | | | | - |
| 28 | <i>Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs</i> | 337,219 | | | | 286,636 |
| 29 | <i>Net derivative assets</i> | 162,080 | | | | 162,080 |
| 30 | <i>Total derivative liabilities before adjustments for deduction of variation margin posted</i> | 691,610 | | | | 34,581 |
| 31 | <i>All other assets not included in the above categories</i> | 6,575,255 | 4,738,774 | - | - | 8,555,714 |
| 32 | Off-balance sheet items | | | | 197,912,605 | 1,766,961 |
| 33 | Total RSF | | | | | 262,697,284 |
| 34 | Net Stable Funding Ratio (%) | | | | | 129.63% |

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

For the quarter ended 31 March 2021:

| | | (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: | 79,795,854 | - | - | - | 79,795,854 |
| 2 | Regulatory capital | 79,795,854 | - | - | - | 79,795,854 |
| 2a | Minority interests not covered by row 2 | - | - | - | - | - |
| 3 | Other capital instruments | - | - | - | - | - |
| 4 | Retail deposits and small business funding: | - | 212,565,763 | 5,368,495 | 12,748 | 196,344,820 |
| 5 | Stable deposits | - | 3,824,791 | - | - | 3,633,551 |
| 6 | Less stable deposits | - | 208,740,972 | 5,368,495 | 12,748 | 192,711,269 |
| 7 | Wholesale funding: | - | 161,630,876 | 3,737,884 | 52,991 | 58,060,969 |
| 8 | Operational deposits | - | - | - | - | - |
| 9 | Other wholesale funding | - | 161,630,876 | 3,737,884 | 52,991 | 58,060,969 |
| 10 | Liabilities with matching interdependent assets | - | - | - | - | - |
| 11 | Other liabilities: | - | 8,803,050 | 1,196,943 | 708,885 | 1,307,357 |
| 12 | Net derivative liabilities | - | - | - | - | - |
| 13 | All other funding and liabilities not included in the above categories | - | 8,803,050 | 1,196,943 | 708,885 | 1,307,357 |
| 14 | Total ASF | | | | | 335,509,000 |
| B. Required stable funding (“RSF”) item | | | | | | |
| 15 | Total HQLA for NSFR purposes | | | | 69,145,265 | 6,045,756 |
| 16 | Deposits held at other financial institutions for operational purposes | - | - | - | - | - |
| 17 | Performing loans and securities: | 5,316,342 | 172,336,268 | 32,363,438 | 180,587,321 | 235,164,067 |
| 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 | - | 66,126,374 | 6,042,632 | 25,090,283 | 38,030,555 |
| 20 | Performing loans, other than performing residential mortgage, to non-financial corporate clients, retail and small business customers, sovereigns, the Monetary Authority for the account of the Exchange Fund, central banks and PSEs, of which: | 5,316,342 | 101,729,647 | 20,500,107 | 113,188,020 | 161,843,585 |
| 21 | With a risk-weight of less than or equal to 35% under the STC approach | - | - | - | - | - |
| 22 | Performing residential mortgages, of which: | - | 874,953 | 799,730 | 30,981,280 | 21,348,218 |

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

For the quarter ended 31 March 2021 (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 | <i>With a risk-weight of less than or equal to 35% under the STC approach</i> | - | 714,943 | 746,458 | 29,116,059 | 19,669,639 |
| 24 | <i>Securities that are not in default and do not qualify as HQLA, including exchange-traded equities</i> | - | 3,605,294 | 5,020,969 | 11,327,738 | 13,941,709 |
| 25 | Assets with matching interdependent liabilities | - | - | - | - | - |
| 26 | Other assets: | 8,700,292 | 6,524,489 | - | - | 8,574,479 |
| 27 | <i>Physical traded commodities, including gold</i> | - | | | | - |
| 28 | <i>Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs</i> | 378,974 | | | | 322,128 |
| 29 | <i>Net derivative assets</i> | 81,857 | | | | 81,857 |
| 30 | <i>Total derivative liabilities before deduction of variation margin posted</i> | 1,061,873 | | | | 53,094 |
| 31 | <i>All other assets not included in the above categories</i> | 7,177,588 | 6,524,489 | - | - | 8,117,400 |
| 32 | Off-balance sheet items | | | | 210,683,875 | 2,162,536 |
| 33 | Total RSF | | | | | 251,946,838 |
| 34 | Net Stable Funding Ratio (%) | | | | | 133.17% |

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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 2021:

| | | (a) | (b) | (c) | (d) | (e) | (f) | (g) |
|---|-----------------------------|---------------------------|-------------------------|-------------------------|--|---|--|--------------------|
| | | Gross carrying amounts of | | Allowances /impairments | Of which ECL accounting provisions for credit losses on STC approach exposures | | Of which ECL accounting provisions for credit losses on IRB approach exposures | Net values (a+b-c) |
| | | Defaulted exposures | Non-defaulted exposures | | Allocated in regulatory category of specific provisions | Allocated in regulatory category of collective provisions | | |
| 1 | Loans | 3,097,017 | 413,751,269 | (3,487,041) | 1,454,689 | 2,032,352 | - | 413,361,245 |
| 2 | Debt securities | - | 88,597,167 | (8,636) | - | 8,636 | - | 88,588,531 |
| 3 | Off-balance sheet exposures | - | 44,208,927 | (316,322) | - | 316,322 | - | 43,892,605 |
| 4 | Total | 3,097,017 | 546,557,363 | (3,811,999) | 1,454,689 | 2,357,310 | - | 545,842,381 |

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 2021 and 31 December 2020 respectively:

| | (a) |
|---|---|
| | Amount |
| 1 | Defaulted loans and debt securities at end of the previous reporting period (31 December 2020) |
| | 3,284,633 |
| 2 | Loans and debt securities that have defaulted since the last reporting period |
| | 81,037 |
| 3 | Returned to non-defaulted status |
| | (1,647) |
| 4 | Amounts written off |
| | (142,511) |
| 5 | Other changes* |
| | (124,495) |
| 6 | Defaulted loans and debt securities at end of the current reporting period (30 June 2021) |
| | 3,097,017 |

* Other changes include loan repayment

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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 2021:

| | | (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 | 375,136,202 | 38,225,043 | 3,560,069 | 34,664,974 | - |
| 2 | Debt securities | 87,750,274 | 838,257 | - | 838,257 | - |
| 3 | Total | 462,886,476 | 39,063,300 | 3,560,069 | 35,503,231 | - |
| 4 | Of which defaulted | 1,599,303 | 43,025 | 41,734 | 1,291 | - |

Compared with 31 December 2020, the defaulted exposures secured by recognized guarantees decreased by 86% mainly due to decrease of defaulted exposures guaranteed by Hong Kong Mortgage Corporation Limited.

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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 2021:

| | Exposure classes | (a) | (b) | (c) | (d) | (e) | (f) |
|-----------|--|-------------------------------|--------------------------|---------------------------------|--------------------------|---------------------|-------------|
| | | Exposures pre-CCF and pre-CRM | | Exposures post-CCF and post-CRM | | RWA and RWA density | |
| | | On-balance sheet amount | Off-balance sheet amount | On-balance sheet amount | Off-balance sheet amount | RWA | RWA density |
| 1 | Sovereign exposures | 51,754,070 | - | 51,763,388 | - | 3,070,333 | 6% |
| 2 | PSE exposures | 753,589 | 1,500,000 | 2,073,483 | 750,000 | 564,697 | 20% |
| 2a | Of which: domestic PSEs | 753,589 | 1,500,000 | 2,073,483 | 750,000 | 564,697 | 20% |
| 2b | Of which: foreign PSEs | - | - | - | - | - | 0% |
| 3 | Multilateral development bank exposures | 494,936 | - | 494,936 | - | - | 0% |
| 4 | Bank exposures | 104,168,031 | 14,216 | 120,106,643 | 7,108 | 45,461,929 | 38% |
| 5 | Securities firm exposures | 2,336,025 | 388,240 | 3,161,125 | 194,120 | 1,677,623 | 50% |
| 6 | Corporate exposures | 283,825,952 | 43,659,762 | 265,324,589 | 19,605,855 | 259,646,310 | 91% |
| 7 | CIS exposures | - | - | - | - | - | 0% |
| 8 | Cash items | 209,091 | - | 209,091 | - | - | 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 | 12,087,575 | 50,652,599 | 12,017,303 | 1,374 | 9,014,008 | 75% |
| 11 | Residential mortgage loans | 35,991,003 | - | 34,700,899 | - | 13,303,775 | 38% |
| 12 | Other exposures which are not past due exposures | 18,911,222 | 1,946,037 | 17,161,702 | - | 17,161,702 | 100% |
| 13 | Past due exposures | 95,019 | - | 95,019 | - | 119,983 | 126% |
| 14 | Significant exposures to commercial entities | - | - | - | - | - | 0% |
| 15 | Total | 510,626,513 | 98,160,854 | 507,108,178 | 20,558,457 | 350,020,360 | 66% |

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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 2021:

| | Exposure class | Risk Weight | | | | | | | | | | Total credit risk exposures amount (post CCF and post CRM) |
|----|--|-------------------|------------|-------------------|-------------------|--------------------|-------------------|--------------------|----------------|--------------|---------------|--|
| | | (a) 0% | (b) 10% | (c) 20% | (d) 35% | (e) 50% | (f) 75% | (g) 100% | (h) 150% | (ha) 250% | (i) Others | |
| 1 | Sovereign exposures | 36,411,721 | - | 15,351,667 | - | - | - | - | - | - | - | 51,763,388 |
| 2 | PSE exposures | - | - | 2,823,483 | - | - | - | - | - | - | - | 2,823,483 |
| 2a | Of which: domestic PSEs | - | - | 2,823,483 | - | - | - | - | - | - | - | 2,823,483 |
| 2b | Of which: foreign PSEs | - | - | - | - | - | - | - | - | - | - | - |
| 3 | Multilateral development bank exposures | 494,936 | - | - | - | - | - | - | - | - | - | 494,936 |
| 4 | Bank exposures | - | - | 48,649,823 | - | 71,463,928 | - | - | - | - | - | 120,113,751 |
| 5 | Securities firm exposures | - | - | - | - | 3,355,245 | - | - | - | - | - | 3,355,245 |
| 6 | Corporate exposures | - | - | 311,078 | - | 50,374,048 | - | 233,941,816 | 303,502 | - | - | 284,930,444 |
| 7 | CIS exposures | - | - | - | - | - | - | - | - | - | - | - |
| 8 | Cash items | 209,091 | - | - | - | - | - | - | - | - | - | 209,091 |
| 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 | - | - | - | - | - | 12,018,677 | - | - | - | - | 12,018,677 |
| 11 | Residential mortgage loans | - | - | - | 32,849,813 | - | 178,983 | 1,672,103 | - | - | - | 34,700,899 |
| 12 | Other exposures which are not past due exposures | - | - | - | - | - | - | 17,161,702 | - | - | - | 17,161,702 |
| 13 | Past due exposures | - | - | 1,291 | - | - | - | 41,734 | 51,994 | - | - | 95,019 |
| 14 | Significant exposures to commercial entities | - | - | - | - | - | - | - | - | - | - | - |
| 15 | Total | 37,115,748 | - | 67,137,342 | 32,849,813 | 125,193,221 | 12,197,660 | 252,817,355 | 355,496 | - | - | 527,666,635 |

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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 2021:

| | | (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 approach (for derivative contracts) | 501,280 | 1,708,113 | | 1.4 | 3,093,149 | 1,274,523 |
| 1a | CEM (for derivative contracts) | - | - | | 1.4 | - | - |
| 2 | IMM(CCR) approach | | | - | - | - | - |
| 3 | Simple approach (for SFTs) | | | | | - | - |
| 4 | Comprehensive approach (for SFTs) | | | | | 205,871 | 98,161 |
| 5 | VaR (for SFTs) | | | | | - | - |
| 6 | Total | | | | | | 1,372,684 |

Pursuant to the coming into operation of the Banking (Capital) (Amendment) Rules 2020 on 30th June 2021, the Bank adopts the newly implemented SA-CCR approach to calculate default risk exposure in respect of derivative contracts which contributes to increase in corresponding default risk exposure and RWA.

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 2021:

| | | (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 | 3,072,013 | 570,325 |
| 4 | Total | 3,072,013 | 570,325 |

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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 2021, 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:

| | Exposure class | (a) | (b) | (c) | (ca) | (d) | (e) | (f) | (g) | (ga) | (h) | (i) |
|----|--|-----|-----|------------------|------|------------------|--------------|----------------|------|------|--------|---------------------------------------|
| | | 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 | - | - | 1,327,967 | - | 1,472,006 | - | - | - | - | - | 2,799,973 |
| 5 | Securities firm exposures | - | - | - | - | 176,444 | - | - | - | - | - | 176,444 |
| 6 | Corporate exposures | - | - | 15,916 | - | 53,116 | - | 217,300 | - | - | - | 286,332 |
| 7 | CIS exposures | - | - | - | - | - | - | - | - | - | - | - |
| 8 | Regulatory retail exposures | - | - | - | - | - | 1,784 | - | - | - | - | 1,784 |
| 9 | Residential mortgage loans | - | - | - | - | - | - | - | - | - | - | - |
| 10 | Other exposures which are not past due exposures | - | - | - | - | - | - | 34,487 | - | - | - | 34,487 |
| 11 | Significant exposures to commercial entities | - | - | - | - | - | - | - | - | - | - | - |
| 12 | Total | - | - | 1,343,883 | - | 1,701,566 | 1,784 | 251,787 | - | - | - | 3,299,020 |

Compared with 31 Dec 2020, total default risk exposures after CRM increased by HK\$1,443 million mainly driven by increase in notional amount for forward exchange rate contracts and implementation of SA-CCR approach to calculate default risk exposure in respect of derivative contracts.

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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 2021 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 | - | - | - | - | - | 453,322 |
| Cash - other currencies | - | 118,624 | 478,162 | 94,898 | 4,215,182 | - |
| Domestic sovereign debt | - | - | - | - | - | - |
| Other sovereign debt | - | - | - | - | - | - |
| Other Debt Securities | - | - | - | - | - | 4,421,049 |
| Equity securities | - | - | - | - | 453,319 | - |
| Total | - | 118,624 | 478,162 | 94,898 | 4,668,501 | 4,874,371 |

Compared with 31 December 2020, the fair value of recognised collateral received (unsegregated) and posted collateral (unsegregated) under derivative contracts decreased by 76% and 57% respectively mainly driven by change in market value and transaction volume. The fair values of recognised collateral received and posted collateral under SFTs increased by 1,249% and 1,309% respectively, mainly driven by new SFTs.

CCR6: Credit-related derivatives contracts

The following table presents the amount of credit-related derivative contracts as at 30 June 2021, broken down into credit protection bought and credit protection sold:

| | (a) | (b) |
|---|-------------------|-----------------|
| | Protection bought | Protection sold |
| Notional amounts | | |
| Single-name credit default swaps | - | - |
| Index credit default swaps | - | - |
| Total return swaps | - | - |
| Credit-related options | - | - |
| Other credit-related derivative contracts | - | - |
| Total notional amounts | - | - |
| Fair values | | |
| Positive fair value (asset) | - | - |
| Negative fair value (liability) | - | - |

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CCR8: Exposures to CCPs

The following table provides a comprehensive breakdown of exposures to both qualifying and non-qualifying CCPs and the respective RWAs as at 30 June 2021, covering all types of credit risk exposures (including default risk exposures to the CCPs, credit risk exposures arising from initial margins posted, and default fund contributions made, to the CCPs):

| | | (a) | (b) |
|-----------|---|--------------------|-----|
| | | Exposure after CRM | RWA |
| 1 | Exposures of the AI as clearing member or clearing client to qualifying CCPs (total) | | - |
| 2 | Default risk exposures to qualifying CCPs (excluding items disclosed in rows 7 to 10), of which: | - | - |
| 3 | (i) OTC derivative transactions | - | - |
| 4 | (ii) Exchange-traded derivative contracts | - | - |
| 5 | (iii) Securities financing transactions | - | - |
| 6 | (iv) Netting sets subject to valid cross-product netting agreements | - | - |
| 7 | Segregated initial margin | - | |
| 8 | Unsegregated initial margin | - | - |
| 9 | Funded default fund contributions | - | - |
| 10 | Unfunded default fund contributions | - | - |
| 11 | Exposures of the AI as clearing member or clearing client to non-qualifying CCPs (total) | | - |
| 12 | Default risk exposures to non-qualifying CCPs (excluding items disclosed in rows 17 to 20), of which: | - | - |
| 13 | (i) OTC derivative transactions | - | - |
| 14 | (ii) Exchange-traded derivative contracts | - | - |
| 15 | (iii) Securities financing transactions | - | - |
| 16 | (iv) Netting sets subject to valid cross-product netting agreements | - | - |
| 17 | Segregated initial margin | - | |
| 18 | Unsegregated initial margin | - | - |
| 19 | Funded default fund contributions | - | - |
| 20 | Unfunded default fund contributions | - | - |

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MR1: Market risk under Standardised (market risk) approach (STM approach)

The table below provides the components of the market risk capital requirements calculated using the STM approach as at 30 June 2021:

| | | (a) |
|----------|---|-------------------|
| | | RWA |
| | Outright product exposures | |
| 1 | Interest rate exposures (general and specific risk) | 1,616,337 |
| 2 | Equity exposures (general and specific risk) | - |
| 3 | Foreign exchange (including gold) exposures | 22,310,613 |
| 4 | Commodity exposures | - |
| | Option exposures | |
| 5 | Simplified approach | - |
| 6 | Delta-plus approach | - |
| 7 | Other approach | - |
| 8 | Securitization exposures | - |
| 9 | Total | 23,926,950 |

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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 2021 | As at 31 December 2020 |
|--|-----------------------|---------------------------|
| Direct credit substitutes | 295,349 | 371,050 |
| Transaction-related contingencies | 5,693,538 | 5,097,298 |
| Trade-related contingencies | 2,880,819 | 1,856,681 |
| Other commitments: which are unconditionally cancellable or automatically cancellable due to the deterioration in the credit worthiness of the borrower | 53,951,928 | 55,023,274 |
| with an original maturity up to one year | 1,620,030 | 2,306,442 |
| with an original maturity over one year | 33,719,191 | 41,398,215 |
| Total | 98,160,855 | 106,052,960 |
| Total RWAs for credit risk of its off-balance sheet exposures | 18,826,979 | 21,923,148 |

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.

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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 2021 | | | | |
|--|---------------------------|------------------------|-------------------------------------|-------------------|--------------------|
| | Banks | Official sector | Non-bank private sector | | Total |
| Non-bank financial institutions | | | Non-financial private sector | | |
| Developed countries | 25,203,650 | 3,624,668 | 55,280 | 11,529,857 | 40,413,455 |
| Developing Asia and Pacific | 73,104,643 | 15,366,726 | 2,547,391 | 44,007,290 | 135,026,050 |
| - of which China | 73,104,643 | 15,366,726 | 2,547,391 | 40,797,202 | 131,815,962 |
| Offshore centres | 5,912,144 | 473,381 | 26,072,772 | 82,142,210 | 114,600,507 |
| - of which Hong Kong SAR | 2,806,004 | 473,381 | 26,072,772 | 79,599,247 | 108,951,404 |

| | As at 31 December 2020 | | | | |
|--|-------------------------------|------------------------|-------------------------------------|------------|--------------|
| | Banks | Official sector | Non-bank private sector | | Total |
| Non-bank financial institutions | | | Non-financial private sector | | |
| Developed countries | 4,780,514 | 5,200,466 | 938,823 | 10,896,989 | 21,816,792 |
| Developing Asia and Pacific | 77,413,563 | 6,584,414 | 3,152,287 | 58,979,319 | 146,129,583 |
| - of which China | 77,180,978 | 6,584,414 | 3,152,287 | 50,678,474 | 137,596,153 |
| Offshore centres | 7,326,485 | 81,801 | 21,856,986 | 59,771,341 | 89,036,613 |
| - of which Hong Kong SAR | 3,006,719 | 81,801 | 21,852,311 | 58,241,687 | 83,182,518 |

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Loans and advances to customers by geographical areas

The following table breaks down the Bank's loans and advances exposure by geographical region as of 30 June 2021. The geographical analysis is based on location of the customers and has taken into account of transfer of risk.

As of 30 June 2021

| | Gross advances | Impaired advances | Overdue advances | Specific provisions | Collective provisions |
|-----------|---------------------------|------------------------------|-----------------------------|--------------------------------|----------------------------------|
| Hong Kong | 280,211,842 | 3,084,262 | 545,495 | 1,444,345 | 1,656,649 |
| China | 21,450,798 | 12,755 | 97,712 | 10,344 | 372,558 |
| Macau | 95,397 | - | - | - | 84 |
| Others | 16,608,806 | - | - | - | 1,471 |
| | 318,366,843 | 3,097,017 | 643,207 | 1,454,689 | 2,030,762 |

As of 31 December 2020

| | Gross advances | Impaired advances | Overdue advances | Specific provisions | Collective provisions |
|-----------|---------------------------|------------------------------|-----------------------------|--------------------------------|----------------------------------|
| Hong Kong | 245,271,747 | 3,160,961 | 631,944 | 1,059,825 | 1,094,163 |
| China | 22,380,624 | 122,037 | 60,732 | 111,754 | 451,788 |
| Macau | 80,425 | - | - | - | 524 |
| Others | 16,680,301 | - | - | - | 230,588 |
| | 284,413,097 | 3,282,998 | 692,676 | 1,171,579 | 1,777,063 |

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Gross loans and advances to customers by industry sectors

| | As at 30 June 2021 | | As at 31 December 2020 | |
|---|---------------------------|---|---------------------------|---|
| | Outstanding balance | % of gross advances covered by collateral | Outstanding balance | % of gross advances covered by collateral |
| Loans and advances for use in Hong Kong | | | | |
| Industrial, commercial and financial | | | | |
| Property development | 20,440,268 | 88.86 | 16,637,039 | 89.37 |
| Property investment | 25,474,164 | 93.27 | 26,025,290 | 89.38 |
| Financial concerns | 34,963,937 | 24.16 | 38,265,535 | 29.22 |
| Stockbrokers | 2,980,000 | 21.48 | 1,695,339 | 29.49 |
| Wholesale and retail trade | 6,162,487 | 77.63 | 4,633,315 | 86.85 |
| Manufacturing | 9,615,873 | 69.96 | 7,785,393 | 77.76 |
| Transport and transport equipment | 7,760,219 | 77.60 | 6,906,945 | 74.92 |
| Recreational activities | 12,842 | 100.00 | 14,021 | 100.00 |
| Information technology | 5,184,566 | 70.05 | 5,196,353 | 56.22 |
| Others | 20,360,315 | 67.32 | 17,907,185 | 76.42 |
| | <u>132,954,671</u> | | <u>125,066,415</u> | |
| Individuals | | | | |
| Loans for the purchase of flats in the Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme | 1,905 | 100.00 | 2,230 | 100.00 |
| Loans for the purchase of other residential properties | 31,435,053 | 100.00 | 26,697,270 | 99.98 |
| Credit card advances | 3,499,251 | 0.00 | 3,880,087 | 0.00 |
| Others | 16,369,642 | 27.94 | 14,959,019 | 26.39 |
| | <u>51,305,851</u> | | <u>45,538,606</u> | |
| Trade finance | <u>5,466,264</u> | 46.29 | <u>3,069,805</u> | 77.31 |
| Loans and advances for use outside Hong Kong | <u>128,280,642</u> | 55.06 | <u>110,364,506</u> | 58.84 |
| Accrued interest receivables | <u>359,415</u> | | <u>373,765</u> | |
| Gross loans and advances to customers | <u>318,366,843</u> | | <u>284,413,097</u> | |

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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 30 June 2021

| | Gross advances | Impaired advances | Overdue advances | Specific provisions | Collective provisions |
|---------------------------------------|---------------------------|------------------------------|-----------------------------|--------------------------------|----------------------------------|
| Property investment | 25,474,164 | 84,206 | 31,374 | 56,858 | 232,369 |
| Financial concerns | 34,963,937 | - | - | - | 27,971 |
| Advances for use outside Hong Kong | 128,280,642 | 375,610 | 128,005 | 368,088 | 517,553 |

As of 31 December 2020

| | Gross advances | Impaired advances | Overdue advances | Specific provisions | Collective provisions |
|---------------------------------------|---------------------------|------------------------------|-----------------------------|--------------------------------|----------------------------------|
| Property investment | 26,025,290 | 88,951 | 63,750 | 57,022 | 147,168 |
| Financial concerns | 38,265,535 | - | - | - | 36,915 |
| Advances for use outside Hong Kong | 110,364,506 | 387,117 | 162,117 | 173,205 | 458,883 |

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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 2021

| 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”) | 109,319,140 | 14,453,072 | 123,772,212 |
| (b) Local governments, local government-owned entities and their subsidiaries and JVs | 12,312,718 | 1,327,860 | 13,640,578 |
| (c) PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs | 63,551,600 | 7,139,406 | 70,691,006 |
| (d) Other entities of central government not reported in part (a) above | 8,928,123 | 2,950,267 | 11,878,390 |
| (e) Other entities of local governments not reported in part (b) above | 163,809 | - | 163,809 |
| (f) PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China | 11,446,838 | 2,482,212 | 13,929,050 |
| (g) Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures | 5,726,653 | 662,334 | 6,388,987 |
| Total | 211,448,881 | 29,015,151 | 240,464,032 |
| Total assets after provision | <u>509,516,085</u> | | |
| On-balance sheet exposures as percentage of total assets | <u>41.50%</u> | | |

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Mainland activities exposures (Continued)

As at 31 December 2020

| 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”) | 86,886,841 | 17,436,112 | 104,322,953 |
| (b) Local governments, local government-owned entities and their subsidiaries and JVs | 7,345,886 | 1,128,752 | 8,474,638 |
| (c) PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs | 58,898,982 | 5,267,024 | 64,166,006 |
| (d) Other entities of central government not reported in part (a) above | 8,144,051 | 1,523,096 | 9,667,147 |
| (e) Other entities of local governments not reported in part (b) above | 198,912 | - | 198,912 |
| (f) PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China | 10,423,970 | 2,522,908 | 12,946,878 |
| (g) Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures | 1,583,691 | 1,217,033 | 2,800,724 |
| Total | 173,482,333 | 29,094,925 | 202,577,258 |
| Total assets after provision | <u>472,367,265</u> | | |
| On-balance sheet exposures as percentage of total assets | <u>36.73%</u> | | |

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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 2021

| HKD equivalent | RMB | USD | Others | Total |
|--------------------------------------|---------------------|----------------|----------------|---------------------|
| Spot assets | 50,613,357 | 177,535,714 | 35,687,165 | 263,836,236 |
| Spot liabilities | (76,336,533) | (159,354,306) | (28,672,996) | (264,363,835) |
| Forward purchases | 22,825,818 | 71,734,365 | 4,848,608 | 99,408,791 |
| Forward sales | (19,368,049) | (89,692,201) | (11,870,099) | (120,930,349) |
| Net (short) / long position (note 2) | <u>(22,265,407)</u> | <u>223,572</u> | <u>(7,322)</u> | <u>(22,049,157)</u> |

As at 31 December 2020

| HKD equivalent | RMB | USD | Others | Total |
|--------------------------------------|---------------------|----------------|---------------|---------------------|
| Spot assets | 43,723,726 | 136,113,618 | 28,702,018 | 208,539,362 |
| Spot liabilities | (67,858,497) | (139,984,231) | (18,967,029) | (226,809,757) |
| Forward purchases | 34,378,358 | 60,066,039 | 7,650,950 | 102,095,347 |
| Forward sales | (32,620,164) | (55,710,754) | (17,385,400) | (105,716,318) |
| Net (short) / long position (note 2) | <u>(22,376,577)</u> | <u>484,672</u> | <u>539</u> | <u>(21,891,366)</u> |

There was no net option position as at 30 June 2021.

Note 1: The Group's foreign exchange exposures in the table above are prepared in accordance with the HKMA 'Return of Foreign Currency Position - (MA(BS)6)'.

Note 2: The RMB spot liabilities include the RMB17.6 billion share capital (HK\$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.

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Glossary

| <u>Abbreviations</u> | <u>Descriptions</u> |
|----------------------|--|
| 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 |
| N/A | Not Applicable |
| 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 |