



China CITIC Bank International Limited
中信銀行(國際)有限公司

Regulatory Disclosure Statement

31 December 2020
(Unaudited)

**These disclosures are prepared under
the Banking (Disclosure) Rules**

Regulatory Disclosure Statement

CONTENTS	PAGE
Part I: Overview of risk management, key prudential ratios and Risk-Weighted Asset (RWA)	
OVA: Overview of risk management.	1
KM1: Key prudential ratios.	2
OV1: Overview of RWAs.	3
Part II: Linkages between financial statements and regulatory exposures	
LI1: Differences between accounting and regulatory scopes of consolidation and mapping of financial statement categories with regulatory risk categories	4
LI2: Main sources of differences between regulatory exposure amounts and carrying values in financial statements	5
LIA: Explanations of differences between accounting and regulatory exposure amounts.	5
PV1: Prudent valuation adjustments.	6
Part IIA: Composition of regulatory capital	
CC1: Composition of regulatory capital.	7-12
CC2: Reconciliation of regulatory capital to balance sheet	13
CCA: Main features of regulatory capital instruments	14-16
Part IIB: Macroprudential supervisory measures	
CCyB1: Geographical distribution of credit exposures used in countercyclical capital buffer	17
Part IIC: Leverage ratio	
LR1: Summary comparison of accounting assets against leverage ratio exposure measure	17
LR2: Leverage ratio.	18
Part IID: Liquidity	
LIQA: Liquidity risk management	19-21
LIQ1: Liquidity Coverage Ratio – for category 1 institution.	22
LIQ2: Net Stable Funding Ratio – for category 1 institution.	23-24
Part III: Credit risk for non-securitization exposures	
CRA: General information about credit risk	25
CR1: Credit quality of exposures	26
CR2: Changes in defaulted loans and debt securities	26
CRB: Additional disclosure related to credit quality of exposures	26-28
CRC: Qualitative disclosures related to credit risk mitigation.	29
CR3: Overview of recognised credit risk mitigation.	29
CRD: Qualitative disclosures on use of ECAI ratings under STC approach	29
CR4: Credit risk exposures and effects of recognised credit risk mitigation – for STC approach.	30
CR5: Credit risk exposures by asset classes and by risk weights – for STC approach	31

Regulatory Disclosure Statement (continued)

CONTENTS	PAGE
Part IV: Counterparty credit risk	
CCRA: Qualitative disclosures related to counterparty credit risk (including those arising from clearing through CCPs)	32
CCR1: Analysis of counterparty default risk exposures (other than those to CCPs) by approaches	33
CCR2: CVA capital charge	33
CCR3: Counterparty default risk exposures (other than those to CCPs) by asset classes and by risk weights – STC approach	34
CCR5: Composition of collateral for counterparty default risk exposures (including those for contracts or transactions cleared through CCPs)	35
CCR8: Exposures to CCPs	35
Part V: Market risk	
MRA: Qualitative disclosures related to market risk	36-38
MR1: Market risk under STM approach	39
Part VI: Interest rate risk in banking book	
IRRBBA: Interest rate risk in banking book – risk management objectives and policies	40
IRRB1: Quantitative information on interest rate risk in banking book	41
Part VII: Remuneration	
REMA: Remuneration policy	42-43
REM1: Remuneration awarded during financial year	44
REM2: Special payments	44
REM3: Deferred remuneration	45

Regulatory Disclosure Statement (continued)

The information contained in this regulatory disclosure statement is for China CITIC Bank International Limited (“the Bank”) and its subsidiaries (together “the Group”), and is prepared in accordance with the Banking (Disclosure) Rules and the disclosure templates issued by the Hong Kong Monetary Authority (“HKMA”). It should be read in conjunction with the Group’s 2020 Annual Report. These regulatory disclosures are governed by the Group’s disclosure policy, which set out the governance, control and assurance requirements for publication of the document. Certain comparative figures have been restated in conformity with the latest books and records of the Group.

PART I: OVERVIEW OF RISK MANAGEMENT, KEY PRUDENTIAL RATIOS AND RISK-WEIGHTED ASSET (RWA)

OVA: Overview of risk management

The Group has the fundamental goal of executing our strategy while managing our risks in a comprehensive and integrated manner. The Risk Appetite Statement and Risk Appetite Framework are key components within the risk management framework which describes the types and levels of risk that we are prepared to accept in the pursuit of our goals. The Group has a robust infrastructure to facilitate identifying, quantifying, monitoring and mitigating all risk types in our business activities. A comprehensive overview of our risk management framework including the management and mitigation of key risks facing the Group is set out in the *Financial Risk Management Section of the Annual Report 2020*.

The Board has the primary responsibility for the effective management of risks. The Board approves the Risk Appetite Statement and ensures that it is consistent with our strategic, business, capital and financial plans, as well as the risk-taking capacity and remuneration system. The Board has established the Credit & Risk Management Committee (“CRMC”) to oversee and manage the Bank’s risk related matters, including but not limited to the risk strategy, risk appetite/tolerance, profile, policies (including key risk procedures), fair value practices, capital adequacy, risk culture, systems, and various risk-related initiatives and projects. The CRMC carries out its oversight function on the Group’s risk management through various committees at the management level, including the Credit Committee, Market Risk Committee, Non-Performing Loans Committee, Investment Review Committee, Asset and Liability Committee, Operational Risk Management Committee, New Product Committee, Compliance and AML Committee and Management Committee. Further information on the risk governance structure is set out in the Corporate Governance and Other Information Section of the Annual Report 2020.

The Group adopts a Three Lines of Defence model in risk management. As the first line of defence, the primary responsibility of managing risks rests with the line management of the respective business lines, functional units and subsidiaries. For reporting of quantifiable risks that are measured against approved limits, limits initiated by business units shall be subject to independent monitoring and control by various risk management and compliance functions as the second line of defence. Furthermore, the second line of defence establishes relevant risk governance and framework to ensure the level of risks are properly managed. As the third line of defence, the Internal Audit Group shall conduct regular audits on the risk areas to ascertain the effectiveness of the system in risk measurement, reporting and monitoring.

The Group’s Bank Culture Reform (“BCR”) Taskforce convened to review and drive continuously the various bank-wide and group-level BCR initiatives which included refining the bank-wide Bank Culture Indicators (“BCI”) dashboard; producing group-level BCI dashboards; including senior management training as part of leadership development programme supplementing bank-wide and group-level Risk Appetite Statement with summary sheets alongside summary sheets of Code of Conduct and General Compliance Manual; and incorporating BCR as a standing agenda item in Management Committee meetings. In July, the Bank completed the HKMA BCR self-assessment. A culture-centric 4C Strategic Development Focuses Framework was also formulated with a series of bank-wide communications.

Our risk measurement and reporting systems are dedicated to deliver comprehensive and management information in support of business strategy and solutions to evolving regulatory reporting requirements. The Group maintains adequate tools/techniques and management information systems to identify, measure, monitor and mitigate all relevant quantifiable and material risks and to provide our management with timely and accurate reports on the financial condition, operating performance and risk exposure of the Group. Risk management tools/techniques include but not limited to quantitative models, portfolio and limit management tools, early alert tools, stress testing, etc. to ensure that the risks are evaluated and quantified in a multi-dimensional and scientific manner. The Group continually seeks to enhance our risk management practices and methodologies in alignment with international best practices. A number of key initiatives and projects to enhance risk database, data governance, system and infrastructure, and work towards meeting the Basel Committee and other applicable regulatory requirements are in progress.

The Group operates a robust and comprehensive stress testing programme that supports our risk management and capital planning. Stress testing also assesses our capital strength and enhances our resilience to adverse events. It also gives an insight into the potential impact of the Group risk taking positions and how it could be mitigated. Apart from regulatory driven stress tests, the Group also conducts internal stress tests. Our stress testing is supported by dedicated teams and infrastructure. The Board delegated committees oversees the stress testing programme, and the stress test results are regularly reported to the management level committees for approval and course of action, where appropriate. The Group uses a range of stress testing techniques to achieve a comprehensive coverage across our business activities. A comprehensive overview on stress testing over different risk classes is set out in the *Financial Risk Management Section of the Annual Report 2020*.

Regulatory Disclosure Statement (continued)

PART I: OVERVIEW OF RISK MANAGEMENT, KEY PRUDENTIAL RATIOS AND RISK-WEIGHTED ASSET (RWA)

KM1: Key prudential ratios

		At 31 December 2020	At 30 September 2020	At 30 June 2020	At 31 March 2020	At 31 December 2019
		(a)	(b)	(c)	(d)	(e)
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	Regulatory capital					
1	Common Equity Tier 1 (CET1)	36,932,733	37,309,461	37,595,770	38,063,930	37,430,332
2	Tier 1	44,704,793	45,081,521	45,367,830	45,835,990	45,202,392
3	Total capital	51,893,699	52,308,479	52,120,354	53,146,712	52,476,903
	RWA					
4	Total RWA	299,316,537	297,678,424	272,597,282	270,651,826	262,432,341
	Risk-based regulatory capital ratios (as a percentage of RWA)					
5	CET1 ratio (%)	12.3%	12.5%	13.8%	14.1%	14.3%
6	Tier 1 ratio (%)	14.9%	15.1%	16.6%	16.9%	17.2%
7	Total capital ratio (%)	17.3%	17.6%	19.1%	19.6%	20.0%
	Additional CET1 buffer requirements (as a percentage of RWA)					
8	Capital conservation buffer requirement (%)	2.500%	2.500%	2.500%	2.500%	2.500%
9	Countercyclical capital buffer requirement (%)	0.561%	0.585%	0.593%	0.584%	1.119%
10	Higher loss absorbency requirements (%) (applicable only to G-SIBs or D-SIBs)	N/A	N/A	N/A	N/A	N/A
11	Total AI-specific CET1 buffer requirements (%)	3.061%	3.085%	3.093%	3.084%	3.619%
12	CET1 available after meeting the AI's minimum capital requirements (%)	7.8%	8.0%	9.3%	9.6%	9.8%
	Basel III leverage ratio					
13	Total leverage ratio (LR) exposure measure	413,136,530	418,199,262	381,002,257	363,317,478	386,117,348
14	LR (%)	10.8%	10.8%	11.9%	12.6%	11.7%
	Liquidity Coverage Ratio (LCR)/Liquidity Maintenance Ratio (LMR)					
	Applicable to category 1 institution only:					
15	Total high quality liquid assets (HQLA)	53,443,312	45,423,352	42,386,001	47,011,755	35,466,051
16	Total net cash outflows	25,357,457	19,029,738	19,066,123	17,320,289	15,795,753
17	LCR (%)	217%	240%	224%	272%	226%
	Applicable to category 2 institution only:					
17a	LMR (%)	N/A	N/A	N/A	N/A	N/A
	Net Stable Funding Ratio (NSFR)/Core Funding Ratio (CFR)					
	Applicable to category 1 institution only:					
18	Total available stable funding	247,594,441	247,414,150	236,248,495	231,887,605	240,558,288
19	Total required stable funding	192,719,256	185,268,561	169,746,648	167,984,804	166,254,122
20	NSFR (%)	128%	134%	139%	138%	145%
	Applicable to category 2A institution only:					
20a	CFR (%)	N/A	N/A	N/A	N/A	N/A

N/A – Not Applicable

Regulatory Disclosure Statement (continued)

PART I: OVERVIEW OF RISK MANAGEMENT, KEY PRUDENTIAL RATIOS AND RISK-WEIGHTED ASSET (RWA)

OV1: Overview of RWA

The following table provides an overview of the Bank's RWA by various risk types and the corresponding minimum capital requirements (i.e. 8% of RWA), as required by the HKMA.

		(a)	(b)	(c)	
		RWAs			Minimum capital requirements
		At 31 December 2020	At 30 September 2020	At 31 December 2020	
		HK\$'000	HK\$'000	HK\$'000	
1	Credit risk for non-securitization exposures	250,056,083	250,724,328	20,004,487	
2	<i>Of which STC approach</i>	250,056,083	250,724,328	20,004,487	
2a	<i>Of which BSC approach</i>	-	-	-	
3	<i>Of which foundation IRB approach</i>	-	-	-	
4	<i>Of which supervisory slotting criteria approach</i>	-	-	-	
5	<i>Of which advanced IRB approach</i>	-	-	-	
6	Counterparty default risk and default fund contributions	10,942,955	9,642,452	875,436	
7	<i>Of which SA-CCR*</i>	Not applicable	Not applicable	Not applicable	
7a	<i>Of which CEM</i>	10,466,530	9,414,133	837,322	
8	<i>Of which IMM (CCR) approach</i>	-	-	-	
9	<i>Of which others</i>	476,425	228,319	38,114	
10	CVA risk	6,678,775	6,421,763	534,302	
11	Equity positions in banking book under the simple risk-weight method and internal models method	-	-	-	
12	Collective investment scheme ("CIS") exposures – LTA*	Not applicable	Not applicable	Not applicable	
13	CIS exposures – MBA*	Not applicable	Not applicable	Not applicable	
14	CIS exposures – FBA*	Not applicable	Not applicable	Not applicable	
14a	CIS exposures – combination of approaches*	Not applicable	Not applicable	Not applicable	
15	Settlement risk	-	-	-	
16	Securitization exposures in banking book	-	-	-	
17	<i>Of which SEC-IRBA</i>	-	-	-	
18	<i>Of which SEC-ERBA (including IAA)</i>	-	-	-	
19	<i>Of which SEC-SA</i>	-	-	-	
19a	<i>Of which SEC-FBA</i>	-	-	-	
20	Market risk	15,406,250	14,538,238	1,232,500	
21	<i>Of which STM approach</i>	15,406,250	14,538,238	1,232,500	
22	<i>Of which IMM approach</i>	-	-	-	
23	Capital charge for switch between exposures in trading book and banking book (not applicable before the revised market risk framework takes effect)*	Not applicable	Not applicable	Not applicable	
24	Operational risk	15,050,538	15,228,275	1,204,043	
24a	Sovereign concentration risk	-	-	-	
25	Amounts below the thresholds for deduction (subject to 250% RW)	1,277,538	1,277,538	102,203	
26	Capital floor adjustment	-	-	-	
26a	Deduction to RWA	95,602	154,170	7,648	
26b	<i>Of which portion of regulatory reserve for general banking risks and collective provisions which is not included in Tier 2 Capital</i>	-	52,212	-	
26c	<i>Of which portion of cumulative fair value gains arising from the revaluation of land and buildings which is not included in Tier 2 Capital</i>	95,602	101,958	7,648	
27	Total	299,316,537	297,678,424	23,945,323	

Remark:

Items marked with an asterisk (*) will be applicable only after their respective policy frameworks take effect. Until then, "Not applicable" is reported in the rows.

The Bank has adopted the "standardised approach" for calculating the risk-weighted amount for credit risk and market risk and the "basic indicator approach" for calculating operational risk.

Total RWA increased mainly due to an increase in RWA for counterparty default risk, which was also driven by an increase in amount of default risk exposures calculated under the CEM.

Regulatory Disclosure Statement (continued)

PART II: LINKAGES BETWEEN FINANCIAL STATEMENTS AND REGULATORY EXPOSURES

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

	(a)	(b)	(c)	(d)	(e)	(f)	(g)
	Carrying values as reported in published financial statements	Carrying values under scope of regulatory consolidation	Carrying values of items:				
subject to credit risk framework			subject to counterparty credit risk framework	subject to the securitization framework	subject to market risk framework		
At 31 December 2020	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Assets							
Cash and balances with banks, central banks and other financial institutions	32,783,916	32,672,289	32,672,289	–	–	–	–
Placements with and advances to banks, central banks and other financial institutions	28,969,830	28,969,830	28,969,830	546,176	–	–	–
Financial assets at fair value through profit or loss	2,649,076	2,201,704	–	–	–	2,201,704	–
Derivative financial instruments	14,378,601	14,378,601	–	14,378,601	–	14,378,601	–
Loans and advances to customers and other accounts	226,789,958	227,297,903	227,297,903	1,005,905	–	–	–
Financial assets at fair value through other comprehensive income	84,950,868	84,950,868	84,950,868	–	–	–	–
Amortised cost investments	48,493	48,493	48,493	–	–	–	–
Property and equipment							
– Investment properties	254,830	254,830	254,830	–	–	–	–
– Other premises and equipment	511,806	507,529	507,529	–	–	–	–
Right-of-use assets	696,653	696,653	696,653	–	–	–	–
Intangible assets	635,101	635,101	–	–	–	–	635,101
Tax recoverable	55,449	55,449	55,449	–	–	–	–
Deferred tax assets	174,107	174,107	–	–	–	–	174,107
Total assets	392,898,688	392,843,357	375,453,844	15,930,682	–	16,580,305	809,208
Liabilities							
Deposits and balances of banks and other financial institutions	5,326,408	5,201,552	–	–	–	–	5,201,552
Deposits from customers	309,877,016	309,877,016	–	–	–	–	309,877,016
Derivative financial instruments	15,160,283	15,160,205	–	15,160,205	–	15,160,205	–
Financial liabilities at fair value through profit or loss	290,185	290,185	–	–	–	290,185	–
Current tax liabilities	19,656	19,656	–	–	–	–	19,656
Deferred tax liabilities	904	904	–	–	–	–	904
Other liabilities	10,078,174	10,064,013	–	–	–	–	10,064,013
Lease liabilities	722,894	722,894	–	–	–	–	722,894
Loan capital	3,855,374	3,865,542	–	–	–	–	3,865,542
Total liabilities	345,330,894	345,201,967	–	15,160,205	–	15,450,390	329,751,577

Regulatory Disclosure Statement (continued)

PART II: LINKAGES BETWEEN FINANCIAL STATEMENTS AND REGULATORY EXPOSURES

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

		(a)	(b)	(c)	(d)	(e)
		Total	Items subject to:			
			credit risk framework	securitization framework	counterparty credit risk framework	market risk framework
At 31 December 2020		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
1	Asset carrying value amount under scope of regulatory consolidation (as per template LI1)	392,034,149	375,453,844	–	15,930,682	16,580,305
2	Liabilities carrying value amount under regulatory scope of consolidation (as per template LI1)	15,450,390	–	–	15,160,205	15,450,390
3	Total net amount under regulatory scope of consolidation	376,583,759	375,453,844	–	770,477	1,129,915
4	Off-balance sheet amounts	119,499,526	18,396,401	–	–	–
5	Differences in valuations	(70,152)	(70,152)	–	–	–
6	Differences due to consideration of provisions	–	1,181,116	–	1,181,116	–
7	Differences due to potential exposures for counterparty credit risk	–	–	–	17,256,336	–
	Exposure amounts considered for regulatory purposes	496,013,133	394,961,209	–	19,207,929	1,129,915

LIA: Explanations of differences between accounting and regulatory exposure amounts

- (1) The difference between column (a) and column (b) of Template LI 1 are due to the consolidation basis for accounting includes the Bank and all its subsidiaries whereas the consolidation basis for regulatory purposes includes the Bank and only some of the Group's subsidiaries but excluded nominee services companies, investment holding company, investment fund company and asset management company.
- (2) The main driver for the differences between accounting values and amounts considered for regulatory purposes is the application of credit conversion factor ("CCF") on off-balance sheet amounts for counterparty risk.

Regulatory Disclosure Statement (continued)

PART II: LINKAGES BETWEEN FINANCIAL STATEMENTS AND REGULATORY EXPOSURES

PV1: Prudent valuation adjustments

		(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
								Of which:	Of which:
At 31 December 2020 (HK\$'000)		Equity	Interest rates	FX	Credit	Commodities	Total	In the trading book	In the banking book
1	Close-out uncertainty, of which:	-	26,117	-	-	-	26,117	-	26,117
2	<i>Mid-market value</i>	-	-	-	-	-	-	-	-
3	<i>Close-out costs</i>	-	26,117	-	-	-	26,117	-	26,117
4	<i>Concentration</i>	-	-	-	-	-	-	-	-
5	Early termination	-	-	-	-	-	-	-	-
6	Model risk	-	-	-	-	-	-	-	-
7	Operational risks	-	-	-	-	-	-	-	-
8	Investing and funding costs						-	-	-
9	Unearned credit spreads						-	-	-
10	Future administrative costs	-	-	-	-	-	-	-	-
11	Other adjustments	-	-	-	-	-	-	-	-
12	Total adjustments	-	26,117	-	-	-	26,117	-	26,117

Regulatory Disclosure Statement (continued)

PART IIA: COMPOSITION OF REGULATORY CAPITAL

CC1: Composition of regulatory capital

		(a)	(b)
		Amount	Source based on reference number of the balance sheet under the regulatory scope of consolidation
At 31 December 2020		HK\$'000	
CET1 capital: instruments and reserves			
1	Directly issued qualifying CET1 capital instruments plus any related share premium	18,404,013	(3)+(4)
2	Retained earnings	20,416,204	(7)
3	Disclosed reserves	1,050,761	(5)
4	<i>Directly issued capital subject to phase out from CET1 capital (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	39,870,978	
CET1 capital: regulatory deductions			
7	Valuation adjustments	26,117	(10)
8	Goodwill (net of associated deferred tax liabilities)	–	
9	Other intangible assets (net of associated deferred tax liabilities)	635,101	
10	Deferred tax assets (net of deferred tax liabilities)	174,107	(1)
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	2,330	(2)
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	<i>of which: significant investments in the ordinary share of financial sector entities</i>	Not applicable	Not applicable
24	<i>of which: mortgage servicing rights</i>	Not applicable	Not applicable
25	<i>of which: deferred tax assets arising from temporary differences</i>	Not applicable	Not applicable
26	National specific regulatory adjustments applied to CET1 capital	2,100,590	
26a	Cumulative fair value gains arising from the revaluation of land and buildings (own-use and investment properties)	173,822	(6)+(9)
26b	Regulatory reserve for general banking risks	1,926,768	(8)
26c	Securitization exposures specified in a notice given by the Monetary Authority	–	
26d	Cumulative losses below depreciated cost arising from the institution's holdings of land and buildings	–	
26e	Capital shortfall of regulated non-bank subsidiaries	–	

Regulatory Disclosure Statement (continued)

PART IIA: COMPOSITION OF REGULATORY CAPITAL

CC1: Composition of regulatory capital (continued)

		(a)	(b)
		Amount	Source based on reference number of the balance sheet under the regulatory scope of consolidation
At 31 December 2020		HK\$'000	
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	2,938,245	
29	CET1 capital	36,932,733	
AT1 capital: instruments			
30	Qualifying AT1 capital instruments plus any related share premium	7,772,060	(11) + (12)
31	<i>of which: classified as equity under applicable accounting standards</i>	7,772,060	
32	<i>of which: classified as liabilities under applicable accounting standards</i>	-	
33	<i>Capital instruments subject to phase out arrangements from AT1 capital</i>	-	
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	7,772,060	
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	7,772,060	
45	Tier 1 capital (Tier 1 = CET1 + AT1)	44,704,793	

Regulatory Disclosure Statement (continued)

PART IIA: COMPOSITION OF REGULATORY CAPITAL

CC1: Composition of regulatory capital (continued)

		(a)	(b)
		Amount	Source based on reference number of the balance sheet under the regulatory scope of consolidation
At 31 December 2020		HK\$'000	
Tier 2 capital: instruments and provisions			
46	Qualifying Tier 2 capital instruments plus any related share premium	3,876,149	(14)
47	<i>Capital instruments subject to phase out arrangements from Tier 2 capital</i>	–	(13)
48	Tier 2 capital instruments issued by consolidated bank subsidiaries and held by third parties (amount allowed in Tier 2 capital of the consolidation group)	–	
49	<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	3,234,537	
51	Tier 2 capital before regulatory deductions	7,110,686	
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 s2(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	(78,220)	
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	(78,220)	[(6) + (9)] x 45%
56b	Regulatory deductions applied to Tier 2 capital to cover the required deductions falling within s48(1)(g) of BCR	–	
57	Total regulatory deductions to Tier 2 capital	(78,220)	
58	Tier 2 capital (T2)	7,188,906	
59	Total regulatory capital (TC = T1 + T2)	51,893,699	
60	Total RWA	299,316,537	
Capital ratios (as a percentage of RWA)			
61	CET1 capital ratio	12.3%	
62	Tier 1 capital ratio	14.9%	
63	Total capital ratio	17.3%	
64	Institution – specific buffer requirement (capital conservation buffer plus countercyclical capital buffer plus higher loss absorbency requirements)	3.06%	
65	<i>of which: capital conservation buffer requirement</i>	2.50%	
66	<i>of which: bank specific countercyclical capital buffer requirement</i>	0.56%	
67	<i>of which: higher loss absorbency requirements</i>	0.00%	
68	CET1 (as a percentage of RWA) available after meeting minimum capital requirements	7.84%	

Regulatory Disclosure Statement (continued)

PART IIA: COMPOSITION OF REGULATORY CAPITAL

CC1: Composition of regulatory capital (continued)

		(a)	(b)
		Amount	Source based on reference number of the balance sheet under the regulatory scope of consolidation
At 31 December 2020		HK\$'000	
National minima (if different from Basel III minimum)			
69	National CET1 minimum ratio	Not applicable	Not applicable
70	National Tier 1 minimum ratio	Not applicable	Not applicable
71	National Total capital minimum ratio	Not applicable	Not applicable
Amounts below the thresholds for deduction (before risk weighting)			
72	Insignificant 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	110,068	
73	Significant LAC investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	511,015	
74	Mortgage servicing rights (net of associated deferred tax liability)	Not applicable	Not applicable
75	Deferred tax assets arising from temporary differences (net of associated deferred tax liability)	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)	3,234,537	
77	Cap on inclusion of provisions in Tier 2 under the BSC approach, or the STC approach, and SEC-ERBA, SEC-SA and SEC-FBA	3,276,382	
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 2019 and 1 Jan 2022)			
80	<i>Current cap on CET1 capital instruments subject to phase out arrangements</i>	Not applicable	Not applicable
81	<i>Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)</i>	Not applicable	Not applicable
82	<i>Current cap on AT1 capital instruments subject to phase out arrangements</i>	–	
83	<i>Amount excluded from AT1 capital due to cap (excess over cap after redemptions and maturities)</i>	–	
84	<i>Current cap on Tier 2 capital instruments subject to phase out arrangements</i>	–	
85	<i>Amount excluded from Tier 2 capital due to cap (excess over cap after redemptions and maturities)</i>	–	

Regulatory Disclosure Statement (continued)

PART IIA: COMPOSITION OF REGULATORY CAPITAL

CC1: Composition of regulatory capital (continued)

Row No.	Description	Hong Kong basis	Basel III basis
9	Other intangible assets (net of associated deferred tax liability)	635,101	635,101
	<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)	174,107	174,107
	<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>		

Regulatory Disclosure Statement (continued)

PART IIA: COMPOSITION OF REGULATORY CAPITAL

CC1: Composition of regulatory capital (continued)

Row No.	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:</p> <p>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

Regulatory Disclosure Statement (continued)

PART IIA: COMPOSITION OF REGULATORY CAPITAL

CC2: Reconciliation of regulatory capital to balance sheet

	At 31 December 2020		
	Balance sheet as in published financial statements	Under regulatory scope of consolidation	Reference
	HK\$'000	HK\$'000	
Assets			
Cash and balances with banks, central banks and other financial institutions	32,783,916	32,672,289	
Placements with and advances to banks, central banks and other financial institutions	28,969,830	28,969,830	
Financial assets at fair value through profit or loss	2,649,076	2,201,704	
Derivative financial instruments	14,378,601	14,378,601	
Loans and advances to customers and other accounts	226,789,958	227,297,903	
<i>of which: collective impairment allowances reflected in regulatory capital</i>	–	1,166,712	
Financial assets at fair value through other comprehensive income	84,950,868	84,950,868	
Amortised cost investments	48,493	48,493	
Property and equipment			
– Investment property	254,830	254,830	
– Other property and equipment	511,806	507,529	
Right-of-use assets	696,653	696,653	
Intangible assets	635,101	635,101	
Tax recoverable	55,449	55,449	
Deferred tax assets	174,107	174,107	(1)
Total Assets	392,898,688	392,843,357	
Liabilities			
Deposits and balances of banks and other financial institutions	5,326,408	5,201,552	
Deposits from customers	309,877,016	309,877,016	
Financial liabilities at fair value through profit or loss	290,185	290,185	
Derivative financial instruments	15,160,283	15,160,205	
<i>of which: Debit valuation adjustments in respect of derivative contracts</i>	–	2,330	(2)
Current tax liabilities	19,656	19,656	
Deferred tax liabilities	904	904	
Other liabilities	10,078,174	10,064,013	
Lease liabilities	722,894	722,894	
Loan capital	3,855,374	3,865,542	
<i>of which: Loan capital not eligible for inclusion in regulatory capital</i>	–	–	(13)
<i>Loan capital eligible for inclusion in regulatory capital</i>	–	3,876,149	(14)
Total Liabilities	345,330,894	345,201,967	
Equity			
Total shareholders' equity	39,797,382	39,870,978	
<i>of which: Paid-in share capital</i>	18,404,013	18,404,013	(3)
<i>of which: non-qualifying CET1 Capital</i>	–	–	(4)
Other Reserves	1,047,496	1,050,761	(5)
<i>of which: Regulatory reserve of properties</i>	134,931	134,931	(6)
Retained earnings	20,345,873	20,416,204	(7)
<i>of which: Regulatory reserve earmarked</i>	–	1,926,768	(8)
<i>of which: Cumulative retained earnings for investment properties</i>	–	38,891	(9)
<i>of which: Valuation Adjustments</i>	–	26,117	(10)
Additional equity instruments	7,770,412	7,770,412	(11)
<i>of which: Transaction costs for additional equity instruments</i>	–	1,648	(12)
Total Equity	47,567,794	47,641,390	
Total Equity and Liabilities	392,898,688	392,843,357	

Regulatory Disclosure Statement (continued)

PART IIA: COMPOSITION OF REGULATORY CAPITAL

CCA: Main features of regulatory capital instruments

		Share Capital	Subordinated notes (due 2029) with US\$500 million at 4.625% per annum
(1)	Issuer	China CITIC Bank International Limited	China CITIC Bank International Limited
(2)	Unique identifier	N/A	XS1897158892
(3)	Governing law(s) of the instrument	Hong Kong laws	English laws (subordination governed by Hong Kong laws)
	<i>Regulatory treatment</i>		
(4)	– Transitional Basel III rules (1)	N/A	N/A
(5)	– Post-transitional Basel III rules (2)	Common Equity Tier 1	Tier 2
(6)	– Eligible at solo/group/group and solo	Group and solo	Group and solo
(7)	– Instrument type (types to be specified by each jurisdiction)	Ordinary Shares	Debt instruments
(8)	Amount recognised in regulatory capital (Currency in million, as of most recent reporting date)	HK\$18,404.01 million	HK\$3,876.15 million
(9)	Par value of instrument	N/A	US\$500.00 million
(10)	Accounting classification	Shareholders' equity	Liability – amortised cost
(11)	Original date of issuance	10 December 1954	28 February 2019
(12)	Perpetual or dated	Perpetual	Dated
(13)	– Original maturity date	No maturity	28 February 2029
(14)	Issuer call subject to prior supervisory approval	N/A	Yes
(15)	– Optional call date, contingent call dates and redemption amount	N/A	– 28 February 2024 (Call Date). Included tax and regulatory call options. – Redemption at par, subject to adjustment following the occurrence of a Non-Viability Event.
(16)	– Subsequent call dates, if applicable	N/A	N/A
	<i>Coupons/dividends</i>		
(17)	– Fixed or floating dividend/coupon	N/A	Fixed
(18)	– Coupon rate and any related index	N/A	At a fixed rate of 4.625% per annum until (but excluding) 28 February 2024 and thereafter reset at then prevailing five-year U.S. Treasury rate plus the initial spread of 2.25% per annum.
(19)	– Existence of a dividend stopper	N/A	No
(20)	– Fully discretionary, partially discretionary or mandatory	Fully discretionary	Mandatory
(21)	– Existence of step up or other incentive to redeem	No	No
(22)	– Non-cumulative or cumulative	Non-cumulative	Cumulative
(23)	<i>Convertible or non-convertible</i>	Non-convertible	Non-convertible
(24)	– If convertible, conversion trigger(s)	N/A	N/A
(25)	– If convertible, fully or partially	N/A	N/A
(26)	– If convertible, conversion rates	N/A	N/A
(27)	– If convertible, mandatory or optional conversion	N/A	N/A
(28)	– If convertible, specify instrument type convertible into	N/A	N/A
(29)	– If convertible, specify issuer of instrument if converts into	N/A	N/A
(30)	Write-down feature	No	Yes
(31)	– If write-down, write-down trigger(s)	N/A	Upon the occurrence of a Non-Viability Event, the Issuer shall, upon the provision of a Non-Viability Event Notice, irrevocably reduce the then prevailing principal amount and cancel any accrued but unpaid interest of each Note in whole or in part. “Non-Viability Event” means the earlier of: (a) the Hong Kong Monetary Authority (the “HKMA”) notifying the Issuer in writing that the HKMA is of the opinion that a write-off or conversion is necessary, without which the Issuer would become non-viable; and (b) the HKMA notifying the Issuer in writing that a decision has been made by the government body, a government officer or other relevant regulatory body with the authority to make such a decision, that a public sector injection of capital or equivalent support is necessary, without which the Issuer would become non-viable.
(32)	– If write-down, full or partial	N/A	Full or partial
(33)	– If write-down, permanent or temporary	N/A	Permanent
(34)	– If temporary write-down, description of write-up mechanism	N/A	N/A
(35)	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument in the insolvency creditor hierarchy of the legal entity concerned).	N/A	Immediately subordinated to indebtedness/unsecured senior notes
(36)	Non-compliant transitioned features	No	No
(37)	If yes, specify non-compliant features	N/A	N/A

N/A – Not Applicable

Footnotes:

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

Full terms and conditions of regulatory capital instruments can be viewed in the Regulatory Disclosures section of the Bank's corporate website www.cncbinternational.com.

Regulatory Disclosure Statement (continued)

PART IIA: COMPOSITION OF REGULATORY CAPITAL

CCA: Main features of regulatory capital instruments (continued)

		Undated Non-Cumulative Subordinated Additional Tier 1 Capital Securities with US\$500 million at 4.25% per annum
(1)	Issuer	China CITIC Bank International Limited
(2)	Unique identifier	XS1499209861
(3)	Governing law(s) of the instrument	English laws (subordination governed by Hong Kong laws)
		<i>Regulatory treatment</i>
(4)	– Transitional Basel III rules (1)	N/A
(5)	– Post-transitional Basel III rules (2)	Additional Tier 1
(6)	– Eligible at solo/group/group and solo	Group and solo
(7)	– Instrument type (types to be specified by each jurisdiction)	Undated Non-Cumulative Subordinated Capital Securities
(8)	Amount recognised in regulatory capital (Currency in million, as of most recent reporting date)	HK\$3,863.55 million
(9)	Par value of instrument	US\$500.00 million
(10)	Accounting classification	Equity – par value
(11)	Original date of issuance	11 October 2016
(12)	Perpetual or dated	Perpetual
(13)	– Original maturity date	No maturity
(14)	Issuer call subject to prior supervisory approval	Yes
(15)	– Optional call date, contingent call dates and redemption amount	– 11 October 2021 (First Call Date) – No fixed redemption date. – Optional Redemption (on a designated date in 2021 or on any Distribution Payment Date thereafter), Tax or Regulatory Redemption are all subject to prior written consent of the HKMA and satisfying any conditions that the HKMA may impose at that time. Redemption amount will be the outstanding principal amount together with distributions accrued to the date of redemption.
(16)	– Subsequent call dates, if applicable	N/A
		<i>Coupons/dividends</i>
(17)	– Fixed or floating dividend/coupon	Fixed
(18)	– Coupon rate and any related index	– At a fixed rate of 4.25% per annum until (but excluding) 11 October 2021. – On the First Call Date and each anniversary falling five years thereafter, the Distribution Rate will reset by reference to the then-prevailing five year U.S. Treasury Rate plus 3.107% per annum. – Any distributions are subject to there being no Mandatory Distribution Cancellation Event or Optional Distribution Cancellation Event.
(19)	– Existence of a dividend stopper	Yes
(20)	– Fully discretionary, partially discretionary or mandatory	Fully Discretionary
(21)	– Existence of step up or other incentive to redeem	No
(22)	– Non-cumulative or cumulative	Non-cumulative
(23)	<i>Convertible or non-convertible</i>	Non-convertible
(24)	– If convertible, conversion trigger(s)	N/A
(25)	– If convertible, fully or partially	N/A
(26)	– If convertible, conversion rates	N/A
(27)	– If convertible, mandatory or optional conversion	N/A
(28)	– If convertible, specify instrument type convertible into	N/A
(29)	– If convertible, specify issuer of instrument if converts into	N/A
(30)	Write-down feature	Yes
(31)	– If write-down, write-down trigger(s)	Upon the occurrence of a Non-Viability Event, the Issuer shall, upon the provision of a Non-Viability Event Notice, irrevocably reduce the then prevailing principal amount and cancel any accrued but unpaid distribution of each Capital Security in whole or in part. “Non-Viability Event” means the earlier of: (a) the HKMA notifying the Issuer in writing that the HKMA is of the opinion that a write-off or conversion is necessary, without which the Issuer would become non-viable; and (b) the HKMA notifying the Issuer in writing that a decision has been made by the government body, a government officer or other relevant regulatory body with the authority to make such a decision, that a public sector injection of capital or equivalent support is necessary, without which the Issuer would become non-viable. At the sole discretion of the relevant Hong Kong Resolution Authority following a non-viability event, the outstanding amount of AT1 Capital Securities can be adjusted upon the exercise of Hong Kong Resolution Authority Power in accordance with the Hong Kong Financial Institutions (Resolution) Ordinance (Cap.628).
(32)	– If write-down, full or partial	Full or partial
(33)	– If write-down, permanent or temporary	Permanent
(34)	– If temporary write-down, description of write-up mechanism	N/A
(35)	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument in the insolvency creditor hierarchy of the legal entity concerned).	Subordinated to the claims of: (i) all unsubordinated creditors (including depositors), (ii) creditors in respect of Tier 2 Capital Securities, and (iii) all other Subordinated Creditors whose claims are stated to rank senior to the Capital Securities or rank senior to the Capital Securities by operations of law or contract.
(36)	Non-compliant transitioned features	No
(37)	If yes, specify non-compliant features	N/A

N/A – Not Applicable

Regulatory Disclosure Statement (continued)

PART IIA: COMPOSITION OF REGULATORY CAPITAL

CCA: Main features of regulatory capital instruments (continued)

		Undated Non-Cumulative Subordinated Additional Tier 1 Capital Securities with US\$500 million at 7.10% per annum
(1)	Issuer	China CITIC Bank International Limited
(2)	Unique identifier	XS1897158546
(3)	Governing law(s) of the instrument	English laws (subordination governed by Hong Kong laws)
<i>Regulatory treatment</i>		
(4)	– Transitional Basel III rules (1)	N/A
(5)	– Post-transitional Basel III rules (2)	Additional Tier 1
(6)	– Eligible at solo/group/group and solo	Group and solo
(7)	– Instrument type (types to be specified by each jurisdiction)	Undated Non-Cumulative Subordinated Capital Securities
(8)	Amount recognised in regulatory capital (Currency in million, as of most recent reporting date)	HK\$3,908.51 million
(9)	Par value of instrument	US\$500.00 million
(10)	Accounting classification	Equity – par value
(11)	Original date of issuance	6 November 2018
(12)	Perpetual or dated	Perpetual
(13)	– Original maturity date	No maturity
(14)	Issuer call subject to prior supervisory approval	Yes
(15)	– Optional call date, contingent call dates and redemption amount	– 6 November 2023 (First Call Date) – No fixed redemption date. – Optional Redemption (on a designated date in 2023 or on any Distribution Payment Date thereafter), Tax or Regulatory Redemption are all subject to prior written consent of the HKMA and satisfying any conditions that the HKMA may impose at that time. Redemption amount will be the outstanding principal amount together with distributions accrued to the date of redemption.
(16)	– Subsequent call dates, if applicable	N/A
<i>Coupons/dividends</i>		
(17)	– Fixed or floating dividend/coupon	Fixed
(18)	– Coupon rate and any related index	– At a fixed rate of 7.10% per annum until (but excluding) 6 November 2023. – On the First Call Date and each anniversary falling five years thereafter, the Distribution Rate will reset by reference to the then-prevailing five year U.S. Treasury Rate plus 4.151% per annum. – Any distributions are subject to there being no Mandatory Distribution Cancellation Event or Optional Distribution Cancellation Event.
(19)	– Existence of a dividend stopper	Yes
(20)	– Fully discretionary, partially discretionary or mandatory	Fully Discretionary
(21)	– Existence of step up or other incentive to redeem	No
(22)	– Non-cumulative or cumulative	Non-cumulative
(23)	<i>Convertible or non-convertible</i>	Non-convertible
(24)	– If convertible, conversion trigger(s)	N/A
(25)	– If convertible, fully or partially	N/A
(26)	– If convertible, conversion rates	N/A
(27)	– If convertible, mandatory or optional conversion	N/A
(28)	– If convertible, specify instrument type convertible into	N/A
(29)	– If convertible, specify issuer of instrument if converts into	N/A
(30)	Write-down feature	Yes
(31)	– If write-down, write-down trigger(s)	Upon the occurrence of a Non-Viability Event, the Issuer shall, upon the provision of a Non-Viability Event Notice, irrevocably reduce the then prevailing principal amount and cancel any accrued but unpaid distribution of each Capital Security in whole or in part. “Non-Viability Event” means the earlier of: (a) the HKMA notifying the Issuer in writing that the HKMA is of the opinion that a write-off or conversion is necessary, without which the Issuer would become non-viable; and (b) the HKMA notifying the Issuer in writing that a decision has been made by the government body, a government officer or other relevant regulatory body with the authority to make such a decision, that a public sector injection of capital or equivalent support is necessary, without which the Issuer would become non-viable. At the sole discretion of the relevant Hong Kong Resolution Authority following a non-viability event, the outstanding amount of AT1 Capital Securities can be adjusted upon the exercise of Hong Kong Resolution Authority Power in accordance with the Hong Kong Financial Institutions (Resolution) Ordinance (Cap.628).
(32)	– If write-down, full or partial	Full or partial
(33)	– If write-down, permanent or temporary	Permanent
(34)	– If temporary write-down, description of write-up mechanism	N/A
(35)	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument in the insolvency creditor hierarchy of the legal entity concerned).	Subordinated to the claims of: (i) all unsubordinated creditors (including depositors), (ii) creditors in respect of Tier 2 Capital Securities, and (iii) all other Subordinated Creditors whose claims are stated to rank senior to the Capital Securities or rank senior to the Capital Securities by operations of law or contract.
(36)	Non-compliant transitioned features	No
(37)	If yes, specify non-compliant features	N/A

N/A – Not Applicable

Regulatory Disclosure Statement (continued)

PART IIB: MACROPRUDENTIAL SUPERVISORY MEASURES

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

		At 31 December 2020			
		a	b	c	d
Geographical breakdown by Jurisdiction (J)		Applicable JCCyB ratio in effect	RWA used in computation of CCyB ratio	AI-specific CCyB ratio	CCyB amount
			<i>HK\$'000</i>		<i>HK\$'000</i>
1	Hong Kong SAR	1.0000%	125,802,296		
2	Luxembourg	0.5000%	66,765		
3	Norway	1.0000%	990		
Sum (Remark 1)			125,870,051		
Total (Remark 2)			224,315,545	0.561%	1,679,108

Remark:

- (1) This represents the sum of RWAs for the private sector credit exposures in jurisdictions with a non-zero countercyclical buffer rate.
- (2) The total RWAs used in the computation of the CCyB ratio in column (b) represents the total RWAs for the private sector credit exposures in all jurisdictions to which the banks is exposed, including jurisdictions with no countercyclical buffer rate or with a countercyclical buffer rate set at zero. The CCyB amount in column (d) represents the Group's total RWAs multiplied by the Group specific CCyB ratio in column (c).
- (3) In accordance with the announcements made by the HKMA, the CCyB ratio for Hong Kong was 2.5% of risk-weighted amounts effective from 1 January 2019, reduced to 2.0% effective from 14 October 2019 and was further reduced to 1.0% effective from 16 March 2020.

PART IIC: LEVERAGE RATIO

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

Item		Value under the LR framework At 31 December 2020
		<i>HK\$'000</i>
1	Total consolidated assets as per published financial statements	392,898,688
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	(70,152)
3	Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting standard but excluded from the LR exposure measure	-
4	Adjustments for derivative contracts	(2,637,518)
5	Adjustment for SFTs (i.e. repos and similar secured lending)	-
6	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	27,332,649
6a	Adjustment for specific and collective provisions that are allowed to be excluded from exposure measure	(127,436)
7	Other adjustments	(4,259,701)
8	Leverage ratio exposure measure	413,136,530

Regulatory Disclosure Statement (continued)

PART IIC: LEVERAGE RATIO

LR2: Leverage ratio

		(a)	(b)
		At 31 December 2020	At 30 September 2020
		<i>HK\$'000</i>	<i>HK\$'000</i>
On-balance sheet exposures			
1	On-balance sheet exposures (excluding those arising from derivative contracts and SFTs, but including collateral)	375,547,950	393,253,887
2	Less: Asset amounts deducted in determining Tier 1 capital	(2,909,797)	(2,862,665)
3	Total on-balance sheet exposures (excluding derivative contracts and SFTs)	372,638,153	390,391,222
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)	5,682,530	4,842,093
5	Add-on amounts for PFE associated with all derivative contracts	8,703,792	8,423,279
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework	–	–
7	Less: Deductions of receivables assets for cash variation margin provided under derivative contracts	(2,645,239)	(1,668,966)
8	Less: Exempted CCP leg of client-cleared trade exposures	–	–
9	Adjusted effective notional amount of written credit derivative contracts	–	–
10	Less: Adjusted effective notional offsets and add-on deductions for written credit derivative contracts	–	–
11	Total exposures arising from derivative contracts	11,741,083	11,596,406
Exposures arising from SFTs			
12	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	1,552,081	332,032
13	Less: Netted amounts of cash payables and cash receivables of gross SFT assets	–	–
14	CCR exposure for SFT assets	–	–
15	Agent transactions exposures	–	–
16	Total exposures arising from SFTs	1,552,081	332,032
Other off-balance sheet exposures			
17	Off-balance sheet exposure at gross notional amount	119,499,524	107,063,503
18	Less: Adjustments for conversion to credit equivalent amounts	(92,166,875)	(91,103,166)
19	Off-balance sheet items	27,332,649	15,960,337
Capital and total exposures			
20	Tier 1 capital	44,704,793	45,081,521
20a	Total exposures before adjustments for specific and collective provisions	413,263,966	418,279,997
20b	Adjustments for specific and collective provisions	(127,436)	(80,735)
21	Total exposures after adjustments for specific and collective provisions	413,136,530	418,199,262
Leverage ratio			
22	Leverage ratio	10.8%	10.8%

Regulatory Disclosure Statement (continued)

PART IID: LIQUIDITY

LIQA: Liquidity risk management

Liquidity risk is the risk that the Group may not be able to fund an increase in assets or meet obligations as they fall due without incurring unacceptable losses. Such funding liquidity risk arises from the maturity mismatch of the assets and liabilities that the Group manages. Market liquidity risk is a risk that occurs when additional costs are involved in disposing of a position in the market under abnormal or stressed market conditions. Under these conditions, the bid-ask spreads for the position are much wider than usual or there could even be an extreme lack of buyers. As a result, the Bank will incur extra costs to dispose of the position.

The liquidity risk management framework is as follows:

- The management of the Group’s liquidity risk is governed by the Liquidity Management Policy, concurred by the Asset and Liability Committee (“ALCO”) and the CRMC, and approved by the Board of Directors.
- The CRMC is delegated by the Board of Directors to oversee the Group’s liquidity risk management. Its main responsibilities are to review and approve policies, set strategies, and define risk appetite and tolerance limits.
- The ALCO is established by the Chief Executive Officer and ratified by the CRMC as the governing body responsible for formulating and implementing policies, strategies, guidelines and limit structures. It also identifies, measures and monitors the Group’s liquidity risk profile to ensure current and future funding requirements are met. In addition, the ALCO monitors a set of risk indicators for liquidity risk. Daily liquidity stress testing, which includes market general, bank-specific and combined (market general and bank-specific) stress scenarios, is conducted by the Risk Management Group, and the stress results are regularly reviewed by the ALCO to assess the current risk tolerance level and the level of the liquidity cushion. A Contingency Funding Plan is established which sets out the strategies for addressing liquidity stress situations. The plan contains a set of policies, procedures and action plans, with clearly established lines of responsibility, as well as invocation and escalation procedures. This plan is reviewed and approved by the ALCO on a regular basis.
- Daily liquidity management is managed by the Central Treasury Unit to monitor funding requirements. This unit is supported by other functional departments including the Financial Management Group and Risk Management Group, which monitor the liquidity risk and provide regular reports to the management, committees and local regulatory bodies. Limits for net cash flow per different time bucket under stress scenarios have been set to ensure that adequate funding and liquid assets are available to meet liquidity needs. Moreover, limits, triggers or alerts are set for other liquidity risk indicators such as the statutory liquidity ratios, the loan-to-deposit ratio, the currency mismatch ratio and the maturity mismatch ratio. Both quantitative and qualitative measures are employed to identify and measure market liquidity risk. Limits and alert levels related to market and funding liquidity risk are monitored and reported by the Financial Management Group or Risk Management Group to the ALCO to review and approve on a regular basis. The Audit Department performs periodic reviews to ensure liquidity risk management functions are carried out effectively.

Liquidity management is conducted at the Group and the Bank levels, and at individual overseas branches and subsidiaries. Financial subsidiaries and overseas branches are responsible for implementing their own liquidity management policies under the framework established by the ALCO and local regulatory requirements, taking into account their different liquidity risk characteristics. The liquidity situation of overseas branches and subsidiaries falls under the overall supervision of the ALCO. Policy and respective counterparty limits are set for overseas branches and subsidiaries in respect of the funding support extended from the head office, with details shown in the below. The Group expects all business units to contribute to the success of managing liquidity under normal and contingency situations by maintaining a rapport with depositors, customers, interbank counterparties, related companies and the HKMA.

Regulatory Disclosure Statement (continued)

PART IID: LIQUIDITY

LIQA: Liquidity risk management (continued)

	Intragroup Money Market Funding Limit for the year ended 31 December 2020
	<i>HK\$ million</i>
<i>Subsidiaries</i>	
CITIC Bank International (China) Limited	1,500
HKCB Finance Limited	6,100
<i>Overseas Branches</i>	
Singapore	15,505
New York	9,303
Los Angeles	5,427
Macau	5,427

The objective of liquidity management is to meet obligations payable under normal and emergency circumstances, to fund asset growth and to comply with the statutory liquidity requirements. To achieve this, the following liquidity management processes are in place:

- Projecting cash flows in normal and various stress scenarios, using the net mismatch gap between assets and liabilities to estimate the prospective net funding requirement;
- Factoring potential drawdown on irrevocable committed facilities into our normal and stress scenarios to cater for contingent liquidity risk;
- Monitoring the statutory liquidity ratios, the loan-to-deposit ratio, the currency mismatch ratio and the maturity mismatch ratio against internal and/or regulatory requirements;
- Ensuring a sound and diversified range of funding sources, through monitoring the structure and the stability of the deposit portfolio;
- Projecting the statutory liquidity ratios regularly for the short to medium term to permit early detection of liquidity issues and to ensure the ratios are within statutory requirements and internal triggers;
- Projecting a high-level funding requirement and funding structure during the annual budget process to ensure sufficient funding and an appropriate funding mix;
- Conducting liquidity risk assessment before launching a new product;
- Maintaining High Quality Liquid Assets (“HQLA”) comprising cash and investment grade securities as a cushion against unexpected funding needs. The amount of HQLA that the Group maintains is determined with reference to the statutory requirement and the results of the liquidity stress tests;
- Maintaining access to the interbank money market;

Regulatory Disclosure Statement (continued)

PART IID: LIQUIDITY

LIQA: Liquidity risk management (continued)

- Maintaining a funding programme to tap debt funding on a regular basis;
- Monitoring the Group’s collateral requirement. Periodically assess and review the additional collateral required under derivative contracts and credit downgrade events. Based on the positions at 31 December 2020, in the event of a 2-notch downgrade, the impact on the Group’s additional collateral requirement is minimal; and
- Maintaining a Contingency Funding Plan, which integrates with the results of the scenarios and assumptions used in the stress test, including setting early warning indicators (including internal and market indicators), and describing actions to be taken in the event of a stress crisis, so as to minimise adverse long-term implications for business.

The Group funds its operations through a diversified funding source, primarily from the retail and corporate customer deposits. At the same time, it also participates in the wholesale funding market through the issuance of certificates of deposit (“CDs”), with the size no more than HKD25 billion, to secure another source of term funding and to enable diversification of funding sources. Deposit tenor mix and debt maturities are regularly monitored to ensure there is an appropriate funding maturity mix.

Under the Banking (Liquidity) Rules, the Group being a Category 1 institution is required to maintain a Liquidity Coverage Ratio (“LCR”) and Net Stable Funding Ratio (“NSFR”) above the statutory minimum requirements, which also serve as the Group’s assessment tools on the future cash flows and liquidity positions. Please refer to the LIQ1 and LIQ2 of the Regulatory Disclosures for details.

The following maturity profile is based on the remaining period at the end of the reporting period date to the contractual maturity date:

	31 December 2020			
	Repayable within one year	Repayable within one to five years	Repayable over five years	Undated
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Total on-balance sheet assets	232,943,141	120,148,516	27,986,966	11,820,065
Total on-balance sheet liabilities	330,249,659	8,463,771	1,096,633	5,520,831
Net liquidity gap	(97,306,518)	111,684,745	26,890,333	6,299,234

The net liquidity gap of off-balance sheet items is mainly within one year.

Regulatory Disclosure Statement (continued)

PART IID: LIQUIDITY

LIQ1: Liquidity Coverage Ratio – for category 1 institution

Number of data points used in calculating the average value of the LCR and related components set out in this template		For the quarter ended 31 December 2020: (73 data points)		For quarter ended 30 September 2020: (78 data points)	
Basis of disclosure: Consolidated		UNWEIGHTED AMOUNT (Average)	WEIGHTED AMOUNT (Average)	UNWEIGHTED AMOUNT (Average)	WEIGHTED AMOUNT (Average)
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
A. High Quality Liquid Assets (HQLA)					
1	Total HQLA		53,443,312		45,423,352
B. Cash outflows					
2	Retail deposits and small business funding, of which	144,338,404	10,461,469	142,898,113	10,491,116
3	<i>Stable retail deposits and stable small business funding</i>	10,454,016	522,701	10,527,792	526,390
4	<i>Less stable retail deposits and less stable small business funding</i>	64,890,981	6,489,098	66,924,201	6,692,420
4a	<i>Retail term deposits and small business term funding</i>	68,993,407	3,449,670	65,446,120	3,272,306
5	Unsecured wholesale funding (other than small business funding), and debt securities and prescribed instruments issued by the AI, of which:	114,626,182	65,608,465	98,640,724	55,825,039
6	Operational deposits	–	–	–	–
7	<i>Unsecured wholesale funding (other than small business funding) not covered in Row 6</i>	114,626,182	65,608,465	98,640,724	55,825,039
8	<i>Debt securities and prescribed instruments issued by the AI and redeemable within the LCR period</i>	–	–	–	–
9	Secured funding transactions (including securities swap transactions)		1,562		1,274
10	Additional requirements, of which	14,557,303	4,657,719	13,199,708	4,233,315
11	<i>Cash outflows arising from derivative contracts and other transactions, and additional liquidity needs arising from related collateral requirements</i>	3,191,063	3,186,065	2,790,950	2,786,873
12	<i>Cash outflows arising from obligations under structured financing transactions and repayment of funding obtained from such transactions</i>	–	–	–	–
13	<i>Potential drawdown of undrawn committed facilities (including committed credit facilities and committed liquidity facilities)</i>	11,366,240	1,471,654	10,408,758	1,446,442
14	Contractual lending obligations (not otherwise covered in Section B) and other contractual cash outflows	6,831,558	6,831,558	5,235,415	5,235,415
15	Other contingent funding obligations (without contractual or non-contractual)	95,452,130	344,789	93,969,938	332,792
16	Total cash outflows		87,905,562		76,118,951
C. Cash Inflows					
17	Secured lending transactions (including securities swap transactions)	1,203,970	323,949	445,314	288,020
18	Secured and unsecured loans (other than secured lending transactions covered in row 17) and operational deposits placed at other financial institutions	85,706,715	62,900,595	93,157,971	74,459,033
19	Other cash inflows	5,990,745	5,978,085	4,259,869	4,220,977
20	Total cash inflows	92,901,430	69,202,629	97,863,154	78,968,030
D. Liquidity Coverage Ratio					
21	Total HQLA		53,443,312		45,423,352
22	Total Net Cash Outflows		25,357,457		19,029,738
23	LCR (%)		217%		240%

Regulatory Disclosure Statement (continued)

PART IID: LIQUIDITY

LIQ2: Net Stable Funding Ratio – for category 1 institution

Basis of disclosure: Consolidated		For the quarter ended 31 December 2020				
		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	48,471,442	–	–	3,865,542	52,336,984
2	<i>Regulatory capital</i>	48,471,442	–	–	3,865,542	52,336,984
2a	<i>Minority interests not covered by row 2</i>	–	–	–	–	–
3	<i>Other capital instruments</i>	–	–	–	–	–
4	Retail deposits and small business funding:	–	140,172,754	4,170,452	113,676	130,553,656
5	<i>Stable deposits</i>		10,478,235	143,667	690	10,091,497
6	<i>Less stable deposits</i>		129,694,519	4,026,785	112,986	120,462,159
7	Wholesale funding:	–	167,042,582	4,580,162	1,088,054	64,703,801
8	<i>Operational deposits</i>		–	–	–	–
9	<i>Other wholesale funding</i>	–	167,042,582	4,580,162	1,088,054	64,703,801
10	Liabilities with matching interdependent assets	–	–	–	–	–
11	Other liabilities:	5,041,529	779,413	–	–	–
12	<i>Net derivative liabilities</i>	–				
13	<i>All other funding and liabilities not included in the above categories</i>	5,041,529	779,413	–	–	–
14	Total ASF					247,594,441
B.	Required stable funding (“RSF”) item					
15	Total HQLA for NSFR purposes		57,309,207			10,949,702
16	Deposits held at other financial institutions for operational purposes	–	–	–	–	–
17	Performing loans and securities:	1,138,385	149,003,320	41,139,558	127,887,916	172,500,564
18	<i>Performing loans to financial institutions secured by Level 1 HQLA</i>	–	1,229,280	–	–	122,928
19	<i>Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions</i>	–	78,495,698	6,542,110	8,284,208	23,329,618
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>	1,138,385	60,156,580	26,644,248	77,617,532	109,995,133
21	<i>With a risk-weight of less than or equal to 35% under the STC approach</i>	1	1,356,295	882,748	1,739,051	2,249,905
22	<i>Performing residential mortgages, of which:</i>	–	674,099	664,836	25,080,539	16,988,221
23	<i>With a risk-weight of less than or equal to 35% under the STC approach</i>	–	671,998	662,802	24,998,528	16,916,444
24	<i>Securities that are not in default and do not qualify as HQLA, including exchange-traded equities</i>	–	8,447,663	7,288,364	16,905,637	22,064,664
25	Assets with matching interdependent liabilities	–	–	–	–	–
26	Other assets	8,203,769	3,441,929	45,948	–	8,361,274
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>	701,898				596,613
29	<i>Net derivative assets</i>	538,732				538,732
30	<i>Total derivative liabilities before deduction of variation margin posted</i>	–				–
31	<i>All other assets not included in the above categories</i>	6,963,139	3,441,929	45,948	–	7,225,929
32	Off-balance sheet items			106,579,286		493,303
33	Total derivative liabilities				8,288,253	414,413
34	Total RSF					192,719,256
35	Net Stable Funding Ratio (%)					128%

Regulatory Disclosure Statement (continued)

PART IID: LIQUIDITY

LIQ2: Net Stable Funding Ratio – for category 1 institution (continued)

Basis of disclosure: Consolidated		For the quarter ended 30 September 2020				
		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	48,882,418	–	–	3,863,352	52,745,770
2	<i>Regulatory capital</i>	48,882,418	–	–	3,863,352	52,745,770
2a	<i>Minority interests not covered by row 2</i>	–	–	–	–	–
3	<i>Other capital instruments</i>	–	–	–	–	–
4	Retail deposits and small business funding:	–	138,529,171	4,006,876	138,373	128,938,187
5	<i>Stable deposits</i>		10,217,005	130,395	1,470	9,831,501
6	<i>Less stable deposits</i>		128,312,166	3,876,481	136,903	119,106,686
7	Wholesale funding:	–	183,296,018	3,281,501	1,036,768	65,730,193
8	<i>Operational deposits</i>		–	–	–	–
9	<i>Other wholesale funding</i>	–	183,296,018	3,281,501	1,036,768	65,730,193
10	Liabilities with matching interdependent assets	–	–	–	–	–
11	Other liabilities:	5,195,414	4,090,239	–	–	–
12	<i>Net derivative liabilities</i>	731,140				
13	<i>All other funding and liabilities not included in the above categories</i>	4,464,274	4,090,239	–	–	–
14	Total ASF					247,414,150
B.	Required stable funding (“RSF”) item					
15	Total HQLA for NSFR purposes		56,586,761			9,743,301
16	Deposits held at other financial institutions for operational purposes	–	–	–	–	–
17	Performing loans and securities:	900,729	153,695,285	54,132,026	114,329,956	165,392,978
18	<i>Performing loans to financial institutions secured by Level 1 HQLA</i>	–	108,202	–	–	10,820
19	<i>Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions</i>	716	93,037,253	5,395,730	8,629,417	25,283,586
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>	900,013	52,366,645	41,682,291	60,780,930	99,277,256
21	<i>With a risk-weight of less than or equal to 35% under the STC approach</i>	–	890,369	797,836	880,071	1,416,149
22	<i>Performing residential mortgages, of which:</i>	–	669,497	641,102	24,858,057	16,829,946
23	<i>With a risk-weight of less than or equal to 35% under the STC approach</i>	–	667,404	639,107	24,773,506	16,756,034
24	<i>Securities that are not in default and do not qualify as HQLA, including exchange-traded equities</i>	–	7,513,688	6,412,903	20,061,552	23,991,370
25	Assets with matching interdependent liabilities	–	–	–	–	–
26	Other assets	9,018,192	4,099,572	57,628	–	9,201,654
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>	606,969				515,924
29	<i>Net derivative assets</i>	–				–
30	<i>Total derivative liabilities before deduction of variation margin posted</i>	–				–
31	<i>All other assets not included in the above categories</i>	8,411,223	4,099,572	57,628	–	8,685,730
32	Off-balance sheet items			106,559,320		618,482
33	Total derivative liabilities				6,242,923	312,146
34	Total RSF					185,268,561
35	Net Stable Funding Ratio (%)					134%

Regulatory Disclosure Statement (continued)

PART III: CREDIT RISK FOR NON-SECURITIZATION EXPOSURES

CRA: General information about credit risk

Risk management plays a critical role in balancing the risks and rewards of the Group's strategic goals, growth and activities. The Group's risks are managed under the oversight of the Board and its delegated Risk Management Committee, the Credit & Risk Management Committee ("CRMC"), with the fundamental objective of ensuring the Group's overall risk appetite, tolerance and risk management strategy is commensurate with the Group's strategy and direction, and therefore achieving value creation while preserving the Group's financial strength for sustainable development.

Credit risk is controlled and managed by the Risk Management Group ("RMG") under the oversight of the Credit Committee, and is reported to the CRMC at the board level on a quarterly basis. These committees provide appropriate oversight of the Group's risk management practices by defining the Group's policies and risk appetite, and providing the RMG with the means to implement measures to mitigate credit risk arising from the Group's adopted strategy.

The Group has established a comprehensive risk governance framework and risk management function comprising various risk owners and departments (including business units) that work collectively to identify, quantify, monitor and mitigate the various risks faced by the Bank. RMG is responsible for overseeing the Group's risk-taking activities and undertaking risk assessments independently from the business line. The Compliance & Control Group is responsible for monitoring compliance with laws, corporate governance rules, regulations and the Group's policies. The Internal Audit Group is responsible for providing assurance on the effectiveness of the Group's risk management framework including the risk governance arrangements.

The Group has developed risk management policies and procedures to identify, monitor and mitigate risks, to set appropriate risk limits and to monitor all relevant risk exposures by means of reliable and up-to-date management information systems. The risk management framework and risk appetite statement are approved by the Board and continually monitored and reviewed by the Board delegated committee and various management level committees, including Credit Committee, Non-Performing Loans Committee, Investment Review Committee, New Product Committee and Management Committee.

To match the standards set by the Basel Committee on Banking Supervision, the HKMA has imposed increasingly stringent requirements on the banking industry. With a view to strengthening the risk infrastructure and coping with a tighter regulatory environment, the Group implemented a number of risk management enhancement initiatives throughout the year. At the same time, by undertaking extensive preparations internally and engaging external consultants, timely completion of various regulatory projects was ensured. These projects included the new standards of the Banking (Exposure Limits) Rules ("BELR") with respect to control and monitoring of large exposure. Other key regulatory projects underway comprise HKFRS-9 model validation, initial margining for non-centrally cleared over-the-counter derivatives, standardized approach to counterparty credit risk and Basel III reform on the calculation of risk-weighted assets for credit risk.

The Group maintains robust management information and reporting systems to identify, measure, monitor and mitigate all relevant quantifiable and material risks and to provide our management with timely and accurate reports on our risk exposure, including provisions, total exposures and RWAs, as well as early alert accounts.

Regulatory Disclosure Statement (continued)

PART III: CREDIT RISK FOR NON-SECURITIZATION EXPOSURES

CR1: Credit quality of exposures

		(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		
At 31 December 2020		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
1	Loans	3,517,262	216,579,172	(2,440,456)	(1,273,744)	(1,166,712)	-	217,655,978
2	Debt securities	-	87,538,370	-	(116,259)	(42,714)	-	87,538,370
3	Off-balance sheet exposures	-	8,529,387	(126,654)	-	(126,654)	-	8,402,733
4	Total	3,517,262	312,646,929	(2,567,110)	(1,390,003)	(1,336,080)	-	313,597,081

CR2: Changes in defaulted loans and debt securities

		(a)
		Amount
At 31 December 2020		HK\$'000
1	Defaulted loans and debt securities at end of the previous reporting period	2,021,968
2	Loans and debt securities that have defaulted since the last reporting period	5,918,555
3	Returned to non-defaulted status	(609,495)
4	Amounts written off	(3,413,578)
5	Other changes (Note)	(400,188)
6	Defaulted loans and debt securities at end of the current reporting period	3,517,262

Note: Other changes mainly due to repayments from loan customers and settlement for debt securities.

CRB: Additional disclosure related to credit quality of exposures

Loans and advances past due up to 90 days and not otherwise classified as impaired are separately classified as “past due but not impaired”. “Past due but not impaired” gross financial instruments are those loans where, although customers have failed to make payments in accordance with the contractual terms of their facilities, they do not exhibit any objective evidence of impairment. Impaired loans and advances are loans which exhibit objective evidence of impairment, and the borrower is either unlikely to pay their credit obligations in full without recourse to security, or is more than 90 days past due on any material credit obligation. Objective evidence for impairment is described in the Significant Accounting Policies Note 2 of the Annual Report 2020. The accounting definition of past due and the regulatory definition of default are generally aligned.

The Hong Kong Financial Reporting Standard 9 (“HKFRS 9”) requires the consideration of changes in economic factors in ECL calculation, which would be determined on a probability-weighted basis. The Group has an effective credit risk rating process in place which captures the varying level, nature and drivers of credit risk of all in-scope assets in order to reasonably ensure that the corresponding ECL are appropriately measured. ECL must be updated on a timely basis to reflect changes in credit risk quality for all in-scope assets. The models used in the ECL computation process are reviewed regularly.

Loans and receivables with renegotiated terms are loans that have been restructured due to (i) deterioration in the borrower’s financial position or the borrower’s inability to meet the original repayment schedule; and (ii) for which the revised repayment terms, either of interest or of repayment period, are “non-commercial” to the Group. Renegotiated loans and receivables are subject to ongoing monitoring to determine whether they remain impaired or past due.

Regulatory Disclosure Statement (continued)

PART III: CREDIT RISK FOR NON-SECURITIZATION EXPOSURES

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

(a) Breakdown of exposures by geographical areas

		31 December 2020
		<i>HK\$'000</i>
1	Hong Kong	170,282,996
2	Mainland China	95,886,375
3	United States	11,565,213
4	Singapore	11,539,373
5	Others	26,890,234
6	Total	316,164,191

(b) Breakdown of exposures by industry

		31 December 2020
		<i>HK\$'000</i>
Debt securities and loan for use in Hong Kong		
Industrial, commercial and financial		
	– Property development	14,610,041
	– Property investment	13,736,927
	– Financial concerns	63,056,363
	– Stockbrokers	4,177,209
	– Wholesale and retail trade	10,391,308
	– Manufacturing	10,456,464
	– Transport and transport equipment	6,661,812
	– Recreational activities	1,891,488
	– Information technology	6,773,965
	– Others	47,947,159
Individuals		37,781,566
Trade finance		5,441,544
Debt securities and loan for use outside Hong Kong		93,238,345
Total		316,164,191

(c) Breakdown of exposures by residual maturity

		31 December 2020
		<i>HK\$'000</i>
1	Less than 1 year	163,765,202
2	1 to 5 years	121,321,615
3	More than 5 years	27,263,281
4	Undated	3,814,093
5	Total	316,164,191

Regulatory Disclosure Statement (continued)

PART III: CREDIT RISK FOR NON-SECURITIZATION EXPOSURES

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

(d) Impaired exposures, related allowances and write-offs by geographical areas

		31 December 2020		
		Impaired exposures	Related allowances	Write-offs
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
1	Hong Kong	2,910,148	996,222	2,974,758
2	Mainland China	595,434	191,534	23,317
4	Singapore	–	–	450,724
5	Others	125,594	85,988	–
6	Total	3,631,176	1,273,744	3,448,799

(e) Impaired exposures, related allowances and write-offs by industry

		31 December 2020		
		Impaired exposures	Related allowances	Write-offs
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
1	Wholesale and retail trade	197,481	46,795	17,401
2	Manufacturing	35,794	22,070	–
3	Property investment	272,556	145,453	728,800
4	Individuals	39,143	15,397	19,351
5	Loans for use outside Hong Kong	2,679,495	981,748	2,100,653
6	Others	406,707	62,281	582,594
7	Total	3,631,176	1,273,744	3,448,799

(f) Aging analysis of accounting past due exposures

		31 December 2020
		<i>HK\$'000</i>
Loans overdue for:		
	– 6 months or less but over 3 months	66,950
	– 1 year or less but over 6 months	2,610,339
	– over 1 year	839,973
	Total	3,517,262

(g) Rescheduled loans

		31 December 2020
		<i>HK\$'000</i>
1	Impaired exposures	4,903
2	Not impaired exposures	–
	Total	4,903

Regulatory Disclosure Statement (continued)

PART III: CREDIT RISK FOR NON-SECURITIZATION EXPOSURES

CRC: Qualitative disclosures related to credit risk mitigation

The Group focuses on assessing the repayment ability of individual customers or counterparties rather than just solely relying on securities. Mitigation of credit risk is a key aspect of effective risk management process that takes many forms. The Group has guidelines on the acceptability of specific classes of collateral or credit risk enhancements accompanied by the determination of valuation parameters. Such parameters are expected to be reviewed regularly. Security structures and covenants (financial and non-financial) are subject to regular review to ensure they comply with the stipulated conditions.

The Group enters into enforceable master netting arrangements with counterparties. If an event of default occurs, all outstanding transactions with the counterparty are terminated and all amounts outstanding are settled on a net basis. Except for the event of default, all outstanding transactions with the counterparty are settled on a gross basis and generally do not result in offsetting the assets and liabilities in the statement of financial position. The Group discloses information to evaluate the effect or potential effect of netting arrangements, including the rights of set-off associated with the Group's recognised financial assets and recognised financial liabilities, on the Group's financial position.

The Group establishes policies and procedures to govern the credit risk mitigations including acceptability and management of collateral, valuation practices, valuer's competency and documentations. Collateral should be revalued on a regular basis, though the frequency may vary with the type of collateral involved, the nature and the internal credit rating of the underlying credit.

The most common form of mitigating credit risk is to take collateral. The principal collateral received to secure loans and advances includes mortgages, cash collateral, equities listed on a main index/recognised exchanges, accounts receivable assignments, standby letters of credit and listed debt securities acceptable to the Group. The main types of provider of guarantees are banks, sovereigns and other financial institutions and corporates. The creditworthiness of guarantee providers is thoroughly assessed and ideally independent of the financial position of the borrower.

CR3: Overview of recognised credit risk mitigation

		(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
At 31 December 2020		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
1	Loans	211,609,749	6,046,229	3,973,706	2,072,523	-
2	Debt securities	87,538,370	-	-	-	-
3	Total	299,148,119	6,046,229	3,973,706	2,072,523	-
4	Of which defaulted	1,920,229	585,409	584,882	527	-

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

The standardized approach requires banks to use risk assessments prepared by external credit assessment institutions ("ECAIs"), including Standard & Poor's, Moody's and Fitch's, to determine the risk weights applied to exposures. There has been no change on the ECAIs over the current reporting period.

ECAI risk assessments are used within the Group as part of the determination of risk rating for the following exposure classes:

- a) Sovereigns
- b) Domestic Public Sector Entities
- c) Banks
- d) Corporates

The Group adopts standardized approach for credit risk. The risk weights are assigned to exposures according to Banking (Capital) Rule. When calculating risk-weighted amount, risk systems look up the available ECAI ratings to derive relevant risk weights.

Regulatory Disclosure Statement (continued)

PART III: CREDIT RISK FOR NON-SECURITIZATION EXPOSURES

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

		(a)	(b)	(c)	(d)	(e)	(f)
		Exposures pre-CCF and pre-CRM		Exposures post-CCF and post-CRM		RWA and RWA density	
At 31 December 2020		On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	%
	Exposure classes						
1	Sovereign exposures	27,728,239	–	27,740,997	–	1,229,265	4%
2	PSE exposures	3,006,267	1,853,000	3,294,743	–	652,973	20%
2a	Of which: domestic PSEs	2,976,387	1,853,000	3,264,863	–	652,973	20%
2b	Of which: foreign PSEs	29,880	–	29,880	–	–	–
3	Multilateral development bank exposures	–	–	–	–	–	–
4	Bank exposures	80,471,258	12,914,675	84,022,009	12,933,355	25,745,622	27%
5	Securities firm exposures	2,968,532	5,451,604	2,968,532	62,500	1,519,525	50%
6	Corporate exposures	201,993,404	72,472,966	195,045,253	4,864,838	187,833,463	94%
7	CIS exposures	–	–	–	–	–	–
8	Cash items	212,233	–	3,801,276	508,606	82,340	2%
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	9,405,149	22,840,401	9,272,162	21,539	6,970,275	75%
11	Residential mortgage loans	26,444,913	–	26,178,373	–	9,237,954	35%
12	Other exposures which are not past due exposures	13,455,447	3,966,880	13,362,097	5,563	13,363,210	100%
13	Past due exposures	2,507,290	–	2,507,290	–	3,421,456	136%
14	Significant exposures to commercial entities	–	–	–	–	–	–
15	Total	368,192,732	119,499,526	368,192,732	18,396,401	250,056,083	65%

Regulatory Disclosure Statement (continued)

PART III: CREDIT RISK FOR NON-SECURITIZATION EXPOSURES

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

At 31 December 2020		(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(ha)	(i)	(j)
Exposure class	Risk Weight											Total credit risk exposures amount (post CCF and post CRM)
		0%	10%	20%	35%	50%	75%	100%	150%	250%	Others	
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
1	Sovereign exposures	21,594,674	-	6,146,323	-	-	-	-	-	-	-	27,740,997
2	PSE exposures	29,880	-	3,264,863	-	-	-	-	-	-	-	3,294,743
2a	Of which: domestic PSEs	-	-	3,264,863	-	-	-	-	-	-	-	3,264,863
2b	Of which: foreign PSEs	29,880	-	-	-	-	-	-	-	-	-	29,880
3	Multilateral development bank exposures	-	-	-	-	-	-	-	-	-	-	-
4	Bank exposures	-	-	76,535,923	-	19,962,009	-	457,432	-	-	-	96,955,364
5	Securities firm exposures	-	-	-	-	3,023,014	-	8,018	-	-	-	3,031,032
6	Corporate exposures	-	-	1,693,089	-	25,060,401	-	169,540,515	3,616,086	-	-	199,910,091
7	CIS exposures	-	-	-	-	-	-	-	-	-	-	-
8	Cash items	3,964,482	-	328,823	-	-	-	16,577	-	-	-	4,309,882
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	-	-	-	-	-	9,293,701	-	-	-	-	9,293,701
11	Residential mortgage loans	-	-	-	26,047,005	-	39,464	91,904	-	-	-	26,178,373
12	Other exposures which are not past due exposures	-	-	5,563	-	-	-	13,362,097	-	-	-	13,367,660
13	Past due exposures	45,527	-	527	-	-	-	541,007	1,920,229	-	-	2,507,290
14	Significant exposures to commercial entities	-	-	-	-	-	-	-	-	-	-	-
15	Total	25,634,563	-	87,975,111	26,047,005	48,045,424	9,333,165	184,017,550	5,536,315	-	-	386,589,133

Regulatory Disclosure Statement (continued)

PART IV: COUNTERPARTY CREDIT RISK

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

Counterparty Credit Risk (“CCR”) has two components, namely pre-settlement risk and settlement risk. Pre-settlement risk which comprises counterparty default risk and credit valuation adjustment (CVA) risk, is the risk of loss due to default, or deterioration of the credit quality, of the counterparty to a transaction before the final settlement of the transaction. Settlement risk is the risk of loss during the settlement process due to a counterparty’s failure to perform its obligation after the Bank has performed its obligation in a transaction at the settlement date. For counterparty default risk, an economic loss would only occur if the transaction with the counterparty has a positive economic value at the time of default, which vary in value by reference to a market factor, such as an interest rate, exchange rate or asset price. Counterparty credit risk relates to derivative contracts (including over-the-counter (“OTC”) derivatives and exchange-traded derivatives), securities financing transactions (“SFTs”), and long settlement transactions in either the trading or the non-trading book.

Counterparty credit risk for treasury transactions is managed in the same way as the Group manages its lending risk. Policies are established and implemented to effectively assess and control credit limits and tenors made available to the counterparty. Limits are based on the credit quality of the counterparty and aligned with the Group’s risk appetite.

Counterparty credit exposures are mitigated to the extent possible by various means including requiring and accepting collateral or cash margining or other forms of mitigation including but not limited to guarantee from third parties and/or incorporation of measures such as set-off rights, option to terminate and material change triggers or financial covenants. Payment netting and closeout netting, where proper documentation is in place will also mitigate counterparty credit risk. Industry standard documentation (for example, International Swaps and Derivatives Association master agreements for derivatives and Global Master Repurchase Agreements for SFTs) is executed for clients prior to trading. The Bank establishes a guideline for Credit Support Annex (“CSA”) requirement criteria, collateral threshold amounts, minimum transfer amounts, minimum haircuts and collateral eligibility criteria, and call frequency. Where netting is not enforceable, exposures are shown gross, and where netting and collateral enforceability criteria are not fulfilled, exposure is assumed to be uncollateralized.

Wrong-way risk represents the risk of loss that arises when the risk factors driving the exposure to a counterparty are positively correlated with the probability of default of that counterparty, i.e. the size of the exposure increases at the same time as the risk of the counterparty being unable to meet that obligation increases. The Group also manages its exposure to wrong-way risk under a risk management framework incorporating transactional approvals, controls, excesses, limits and regular monitoring, where appropriate.

A credit rating downgrade threshold clause in a CSA is designed for the Group to trigger an action if the credit rating of the affected party falls below a prescribed level, which may include the requirement to pay or increase collateral, the reduction of threshold amount, the termination of transactions or the assignment of transactions. Upon the new Variation Margin requirement, most of the CSA entered with banks had been updated with zero threshold.

Regulatory Disclosure Statement (continued)

PART IV: COUNTERPARTY CREDIT RISK

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

		(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
At 31 December 2020		HK\$'000	HK\$'000	HK\$'000		HK\$'000	HK\$'000
1	SA-CCR (for derivative contracts)	–	–		1.4	–	–
1a	CEM	10,922,936	9,275,259		–	20,198,195	10,466,530
2	IMM (CCR) approach			–	–	–	–
3	Simple Approach (for SFTs)					1,552,081	310,416
4	Comprehensive Approach (for SFTs)					–	–
5	VaR (for SFTs)					–	–
6	Total						10,776,946

Remark:

Prior to the implementation of SA-CCR, exposures corresponding to the counterparty credit risk reported here are calculated using current exposure method.

CCR2: CVA capital charge

		(a)	(b)
		EAD post CRM	RWA
At 31 December 2020		HK\$'000	HK\$'000
	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	27,113,604	6,678,775
4	Total	27,113,604	6,678,775

Regulatory Disclosure Statement (continued)

PART IV: COUNTERPARTY CREDIT RISK

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

At 31 December 2020		(a)	(b)	(c)	(ca)	(d)	(e)	(f)	(g)	(ga)	(h)	(i)
Exposure class	Risk Weight											Total default risk exposure after CRM
		0%	10%	20%	35%	50%	75%	100%	150%	250%	Others	
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
1	Sovereign exposures	-	-	-	-	-	-	-	-	-	-	-
2	PSE exposures	-	-	-	-	-	-	-	-	-	-	-
2a	<i>Of which: domestic PSEs</i>	-	-	-	-	-	-	-	-	-	-	-
2b	<i>Of which: foreign PSEs</i>	-	-	-	-	-	-	-	-	-	-	-
3	Multilateral development bank exposures	-	-	-	-	-	-	-	-	-	-	-
4	Bank exposures	-	-	3,231,391	-	13,117,025	-	38,726	-	-	-	16,387,142
5	Securities firm exposures	-	-	-	-	917,271	-	4,362	-	-	-	921,633
6	Corporate exposures	22,770	-	-	-	3,182	-	2,692,763	32,472	-	-	2,751,187
7	CIS exposures	-	-	-	-	-	-	-	-	-	-	-
8	Regulatory retail exposures	-	-	-	-	-	20	-	-	-	-	20
9	Residential mortgage loans	-	-	-	-	-	-	-	-	-	-	-
10	Other exposures which are not past due exposures	121,276	-	-	-	-	-	16,937	-	-	-	138,213
11	Significant exposures to commercial entities	-	-	-	-	-	-	-	-	-	-	-
12	Total	144,046	-	3,231,391	-	14,037,478	20	2,752,788	32,472	-	-	20,198,195

Regulatory Disclosure Statement (continued)

PART IV: COUNTERPARTY CREDIT RISK

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

	(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		
At 31 December 2020	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Cash – domestic currency	4,771	–	349,240	–	–	–
Cash – other currencies	758	243,140	91,700	353,140	–	–
Total	5,529	243,140	440,940	353,140	–	–

CCR8: Exposures to CCPs

		(a)	(b)
		Exposure after CRM	RWA
At 31 December 2020		<i>HK\$'000</i>	<i>HK\$'000</i>
1	Exposures of the AI as clearing member or client to qualifying CCPs (total)		166,009
2	Default risk exposures to qualifying CCPs (excluding items disclosed in rows 7 to 10), of which:	7,365,707	147,314
3	(i) OTC derivative transactions	7,365,707	147,314
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	615,370	12,307
9	Funded default fund contributions	86,526	6,388
10	Unfunded default fund contributions	–	–
11	Exposures of the AI as clearing member or 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	–	–

Regulatory Disclosure Statement (continued)

PART V: MARKET RISK

MRA: Qualitative disclosures related to market risk

Overview of Market Risk

Market risk is the risk of loss caused by an adverse change in valuation associated with holding either long or short market positions. The risk arises as a result of market making, underwriting, principal position taking and asset/liability management in interest rate, foreign exchange, equity, credit and commodity markets and their associated derivatives instruments. The Group manages its market risk exposures mainly through its trading and treasury business. The trading business is to facilitate customer activities, but as a result, takes on principal positions. The treasury business performs asset/liability management function including liquidity risk management, with securities positions intended for liquidity management and investment purposes under non-trading portfolio (debt securities measured at fair value through other comprehensive income).

The objective of market risk management is to consistently measure and monitor market risk on a timely and unbiased basis in order to better manage the portfolios and, by doing so, optimise financial performance. The business is responsible for managing market risks to meet corporate performance objectives within the market risk limit parameters. The Risk Management Group (“RMG”) is responsible to independently monitor and report all market risks.

Market Risk Management and Governance Structure

The Board of the Group allocates capital or risk appetite through the limit process. The Board delegates Credit & Risk Management Committee (“CRMC”) to establish limits for the different businesses. CRMC further delegates market risk limit establishment to the Market Risk Committee (“MRC”) and then to RMG. RMG is responsible for designing and drafting the market risk limits and framework and reviewing and updating the limits on a regular basis. The market risk limits are to be approved by MRC and endorsed by CRMC. In addition, the Board also establishes a set of risk indicators under the risk appetite statement (“RAS”) in measuring different types of risks including market risk.

RMG is an independent function reporting to the Chief Risk Officer (“CRO”). RMG uses both quantitative and qualitative measures in analysing market risk. The analysis includes, but not limited to, Value-at-Risk (“VaR”), stress testing, risk sensitivities, market events, product liquidity and volatility, underlying quality, hedging strategy, performance including profit and loss, accuracy of valuations and balance sheet and capital consumptions. The results are regularly reported to senior management and CRO and to MRC and CRMC.

Regulatory Disclosure Statement (continued)

PART V: MARKET RISK

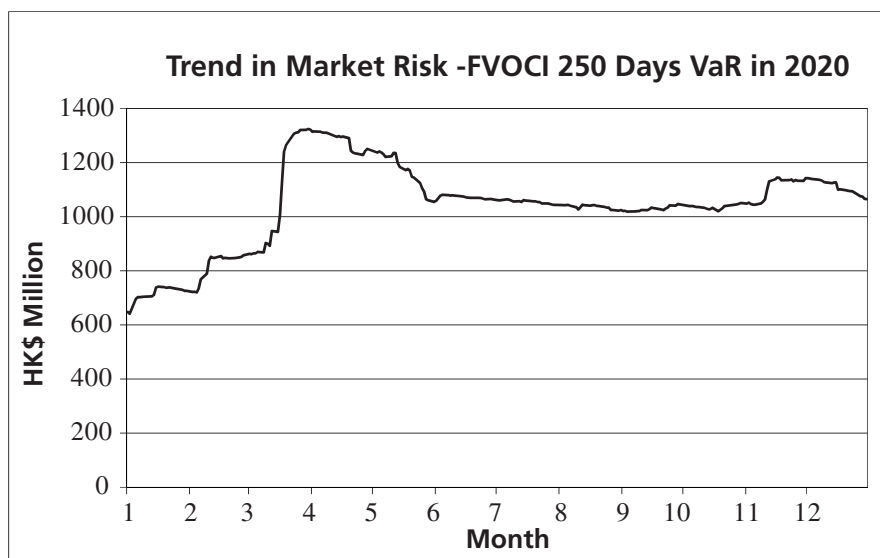
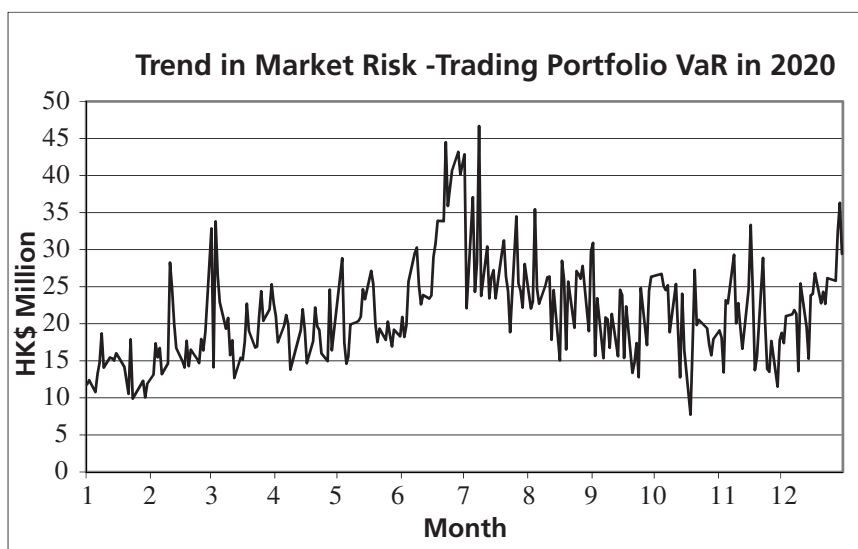
MRA: Qualitative disclosures related to market risk (continued)

Value at Risk (“VaR”)

VaR is a technique in estimating the potential losses that could occur on market risk-taking positions due to market rates and prices movement under normal market conditions over a specified time horizon. The model is designed to capture different types of risk including interest rate risk, foreign exchange risk, credit spread risk, equity risk, commodity risk and volatility risk.

The VaR model used by the Group is based on the historical simulation technique. The technique predicts the value at risk by simulating or constructing position returns over time arise from the historical changes in rates and prices in the interest rate, foreign exchange, equity, credit and commodity markets. The calculation that the Group has adopted for VaR is based on Historical method that includes the following:

- Period of observations of market data – based on 2 years of historical data
- Confidence level – set at 99%
- Time horizons – 1-day & 10-day for trading book portfolio; 250-day for FVOCI portfolio debt securities and related positions



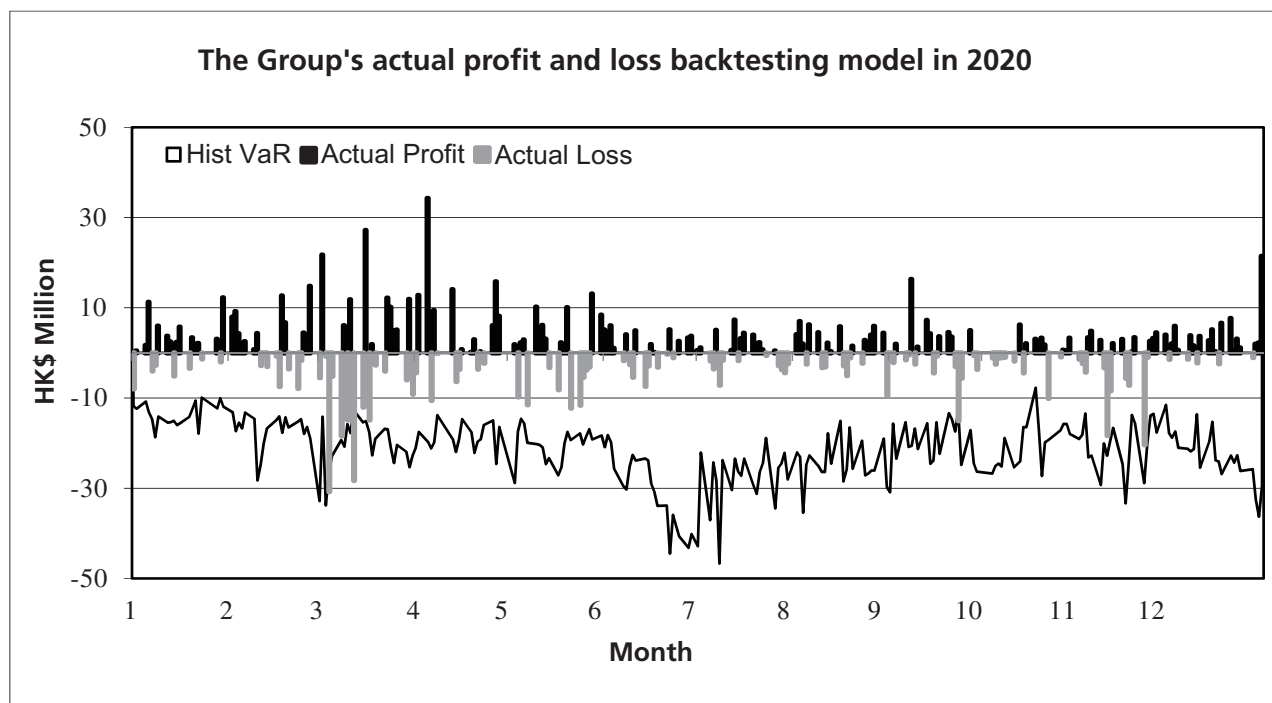
Regulatory Disclosure Statement (continued)

PART V: MARKET RISK

MRA: Qualitative disclosures related to market risk (continued)

Back Testing

The Group back-tests the accuracy of its VaR model by comparing the actual and hypothetical daily profit and loss, adjusted for items including fees and commissions, against the corresponding VaR figures. For the period from 1 January 2020 to 31 December 2020, there were 3 exceptions in the back-testing results, which corresponds to the green zone specified by the HKMA and the international Basel principles.



Stress Testing

Stress testing is implemented as a complement of the VaR model in order to capture remote, but plausible events. The Group uses both sensitivity-based and historical-based scenarios for market risk stress testing. The results are reported to senior management, MRC and CRMC.

Other Risk Metrics

In addition, risk sensitivities and other risk metrics are used in measuring market risk of different asset classes and products. The types of risk sensitivities include, but not limited to, foreign exchange (“FX Open”), interest rate (“PV01”), credit fixed income (“CS01”), option volatility (“vega”) and etc. The types of risk metrics such as aging for staled securities positions, tenor to control risk with respect to time and rating on the issuer of securities are also adopted.

Fair Value

The Group adopts fair value practice including independent price verification (“IPV”), model validation, valuation uncertainty (“VU”) and valuation adjustments (“VA”) in addressing uncertainties arising from different sources. They include market price uncertainty, bid-offer or position close out uncertainty, model risk, concentration risk, liquidity risk, unearned credit spreads and liquidity.

Regulatory Disclosure Statement (continued)

PART V: MARKET RISK

MR1: Market risk under STM approach

		(a)
		RWAs
At 31 December 2020		<i>HK\$'000</i>
	Outright product exposures	
1	Interest rate exposures (general and specific risk)	13,526,125
2	Equity exposures (general and specific risk)	–
3	Foreign exchange (including gold) exposures	1,793,662
4	Commodity exposures	–
	Option exposures	
5	Simplified approach	–
6	Delta-plus approach	86,463
7	Other approach	–
8	Securitization exposures	–
9	Total	15,406,250

Regulatory Disclosure Statement (continued)

PART VI: INTEREST RATE RISK IN BANKING BOOK

IRRBB: Interest rate risk in banking book – risk management objectives and policies

Interest rate risk in the banking book (“IRRBB”) is the risk to the Group’s financial condition caused by adverse movements in interest rates that affect the Group’s non-trading book activities. The impact of IRRBB could be measured both from earning or net interest income (“NII”) perspective and from economic value (“EVE”) perspective. The activities include those arise from assets, liabilities and off-balance sheet items. Excessive levels of IRRBB can pose a significant threat to earnings and capital base.

The objective of interest rate risk management at the Group’s is to consistently measure and monitor interest rate risk on a timely and unbiased manner in order to better manage risk taking and by doing so, optimize the Group’s financial performance. It is essential that the Group’s develops and establishes an effective governance structure and a system to ensure the soundness and appropriateness of interest rate risk management.

The Bank identifies, assesses and manages interest rate risk at several levels. The Board has delegated its authority in overseeing the Bank’s IRRBB to the Credit & Risk Management Committee (“CRMC”), which then delegates the authority to the Asset and Liability Committee (“ALCO”) for the control and management of IRRBB including assessment of strategies and risk profile and establishment of governance, methodologies, limits & exceptions and documentations. ALCO further delegates the day-to-day management of IRRBB to the Central Treasury Unit (“CTU”) of Treasury Management Group (“TMG”) and the Market Risk & Liquidity Modeling department (“MR&LM”) of the Risk Management Group (“RMG”). Internal Audit Group (“IAG”) is to conduct regular audits to evaluate the effectiveness of internal controls over IRRBB.

The Group applies various types of metrics including BP01, stress testing and other sensitivity, where applicable. The limit authority is at the Board level, which is then delegated to ALCO.

In managing IRRBB, both on and off-balance sheet products are used including, but not limited to, interest rate swaps and fx swaps. Hedging is entered either against individual transactions or on a portfolio basis and related hedge accounting treatment is applied under Hong Kong Financial Reporting Standard.

In measuring IRRBB, the standardized framework introduced by HKMA’s Supervisory Policy Manual module IR-1 “Interest Rate Risk in the Banking Book” (“HKMA SPM IR-1”) has been adopted by the Group. Customer behavior on products such as types of deposits and loans due to change in interest rates is also considered. The cash flows of selective instruments are adjusted accordingly to reflect the behavior of clients when calculating some of the IRRBB metrics. The method is in line with those described in the HKMA SPM IR-1:

- the commercial margins and other credit spread components are included in the cash flows used in the computation and discount rate used;
- the average repricing maturity of non-maturity deposits is determined in accordance with customer behavior derived from the Group’s historical customer data;
- the prepayment risk on loans and early withdrawal risk on deposits are based on whether significant penalty is applied on a product or not;
- the impact on EVE and NII is based on the methodology per HKMA SPM IR-1; and
- the aggregation across currencies is also based on the methodology per HKMA SPM IR-1.

The Group’s average and longest behavioral maturity of non-maturity deposits (“NMDs”) are 1 year and 4 years respectively.

A robust risk management system plays a crucial role in the effectiveness and the efficiency of the risk management process. MR&LM uses a vendor and an in-house developed system in capturing, reporting and monitoring IRRBB daily, monthly and quarterly. The system:

- evaluates IRRBB arising from the full range of assets, liabilities and off-balance sheet positions,
- employs validated and accepted financial models in measuring significant IRRBB,
- captures accurate and timely data, and
- is relatively automated to reduce administrative errors.

Regulatory Disclosure Statement (continued)

PART VI: INTEREST RATE RISK IN BANKING BOOK

IRRBB1: Quantitative information on interest rate risk in banking book

(HK\$'million)		(a)	(b)	(c)	(d)
		ΔEVE		ΔNII	
	Period	31 December 2020	31 December 2019	31 December 2020	31 December 2019
1	Parallel up	2,586	200	(985)	(1,578)
2	Parallel down	1,817	986	985	1,578
3	Steeper	1,143	67		
4	Flattener	60	125		
5	Short rate up	862	163		
6	Short rate down	1,099	495		
7	Maximum	2,586	986	985	1,578
	Period	31 December 2020		31 December 2019	
8	Tier 1 capital	44,705		45,202	

N/A – Not Applicable

Note:

(a)&(b): The change in economic value of equity (“ΔEVE”) based on the standardized framework described in the HKMA SPM IR-1 and the IRRBB return.

(c)&(d): The change in projected net interest income (“ΔNII”) over a forward-looking rolling 12-month period based on the methodology described in the HKMA SPM IR-1 and the IRRBB return.

Maximum: Refer to the maximum of economic value of equity (across interest rate shock scenarios 1 to 6 above) and net interest income (across interest rate shock scenarios 1 and 2 above). Positive values indicate losses under the alternative scenarios.

The parallel up scenario and the parallel down scenario would cause the most significant adverse impacts respectively on a decrease of 5.8% in Tier1 Capital and a decrease of 19.0% in the net interest income at the consolidated level.

Regulatory Disclosure Statement (continued)

PART VII: REMUNERATION

REMA: Remuneration Policy

In support of the Bank's sustainable development and continued business growth, the Bank has put in place a Master Remuneration Policy and a structured reward system that enable the Bank to attract and retain talents in the highly competitive manpower market, promote effective risk management, and support the Bank's business objectives. The policy is applicable to the Bank, its overseas offices and its subsidiaries.

During 2020, in executing its roles and responsibilities in supervising the Bank's remuneration policies and structure, the major work performed by the Bank's Remuneration Committee included:

- engaged an external consulting firm, Willis Towers Watson, to review the remuneration policy and systems against regulatory requirements and sound remuneration governance framework;
- updated the Master Remuneration Policy to further strengthen the Bank's governance;
- reviewed and approved the proposed variable pay for 2019 and the pay review proposal for 2020;
- determined the remuneration packages of the senior management and key personnel of the Bank;
- discussed and reviewed the fees payable to the directors and made its recommendation to the Board; and
- reviewed the Remuneration Committee's effectiveness in discharging its roles and responsibilities, and its terms of reference.

(i) *Reward System*

The reward system is designed based on the Total Compensation Framework ("TCF"). Total Compensation comprises a fixed component (Guaranteed Cash), a variable component, and benefits.

The Bank's variable remuneration includes Performance Bonus and Retention Award which mainly take the form of cash bonus, while Long-term Incentive is a form of phantom share scheme (Book Value Appreciation Rights Scheme).

Performance Bonus Scheme is intended to reward performance in the preceding year. In determination of the Performance Bonus pool of the Bank, the Remuneration Committee would consider both financial factors (including Operating Profit and other financial ratios against the market) and non-financial factors (including but not limited to compliance risk, liquidity risk and operational risk management). Unsatisfactory performance in non-financial factors will lead to reduction of Performance Bonus pool.

Allocations of Performance Bonus to individual employees are based on assessment on the achievement against key measures including financial, risk management, regulatory and compliance, growth, people and team, as well as staff competencies and behaviour. Such variable remuneration is subject to a deferral provision, under which if the variable remuneration of an employee exceeds the prescribed threshold, a portion of the variable remuneration will be deferred in order to align remuneration with the time horizon of risk and to allow their performance, including the associated risks, be validated over a period of time. The unvested deferred remuneration will be forfeited where it is later established that there has been fraud or other malfeasance on the part of the employee or violations by the employee of internal control policies.

The Retention Award is granted for retention of high-performing staff or those in key job roles. It is payable under a deferred arrangement and will be discounted or forfeited in case the employees have any material adverse findings before the Retention Award is paid.

The Long-term Incentive is aimed to motivate executives towards increasing shareholders' wealth while balancing long-term risk management. Under the Long-term Incentive Scheme, payment of incentive is determined by the appreciation in the Bank's net asset value over a 3-year period and is made at the end of the performance period. Payment is deferred until performance results create the economic value that triggers an award. It is designed to align employees' reward with long-term value creation.

Regulatory Disclosure Statement (continued)

PART VII: REMUNERATION

REMA: Remuneration Policy (continued)

(ii) Methodologies and Approaches

Methodologies and approaches applied to remuneration arrangement include but not limited to the followings:

- **Total Compensation Framework** to ensure optimal level of remuneration and to deliver balanced solution.
- **Market Benchmarking** to take into account market relativities, having regard to the need to attract, motivate and retain talents.
- **Job evaluation** to determine relative size of different position and therefore corresponding level of reward.
- **Performance Management System** linked with reward system to support performance-oriented culture.
- **Talent Identification and Classification Method** taking into account performance and potential for differentiation when granting variable rewards.
- **Promotion review mechanism** with consideration of competency requirements and performance to support the Bank's manpower plan.
- **Remuneration Committee** assists the Board in the design and operation of the remuneration system. The Committee held four meetings in 2020. Members of the Remuneration Committee are Non-executive Directors of the Bank and are paid Directors' fee.
- Engagement of external consulting firm in verification of incentive scheme to ensure effectiveness (to be commissioned by the Chairman of the Board), when necessary.

(iii) Senior Management and Key Personnel

Senior Management ("SM") is defined as heads of major functional units and Key Personnel ("KP") is defined as those whose activities involve the assumption of material risk or the taking on of material exposures on behalf of the Bank.

(iv) Staff within risk control function

Risk Control Function includes risk management, legal, compliance, audit, and financial management function.

The remuneration of Risk Control Function staff is determined by their functional job responsibilities and achievements against key measures specific to the functional role they undertake, which are independent from the performance of the business they oversee. Remuneration of Risk Control Function staff is carefully benchmarked with the market and internally to ensure that it is set at an appropriate level.

Regulatory Disclosure Statement (continued)

PART VII: REMUNERATION

REM1: Remuneration awarded during financial year

There were 7 employees being classified as Senior Management (“SM”) and 3 employees being classified as Key Personnel (“KP”) during the financial year of 2020 and aggregate quantitative information on remuneration for the 10 SM and KP is set out below:

Amounts of remuneration for the financial year 2020, split into fixed and variable remuneration:

	31 December 2020			
	Non-deferred		Deferred	
	<i>(HK\$'000)</i>		<i>(HK\$'000)</i>	
	SM	KP	SM	KP
Fixed remuneration				
– Salary and allowance	26,910	7,972	–	–
Variable remuneration				
– Performance Bonus (“PB”)	14,220	6,553	4,894	2,294
– Long-term incentive (“LTI”)	–	–	–	–

REM2: Special payments

There was no guaranteed bonus and no SM and KP has been awarded with severance payment during the financial year of 2020.

Regulatory Disclosure Statement (continued)

PART VII: REMUNERATION

REM3: Deferred remuneration

- (a) Amounts and form of outstanding deferred variable remuneration, split into (i) vested, and (ii) unvested as at 31 December 2020 are set out below:

	31 December 2020	
	SM	KP
	(HK\$'000)	(HK\$'000)
(i) Vested		
– PB	3,247	1,192
– LTI	–	–
(ii) Unvested		
– PB	14,604	7,025
– LTI	12,698	1,382

- (b) Amounts of deferred variable remuneration for the financial year 2020 for SM and KP was HK\$4,894,300 and HK\$2,294,100 respectively. The aforesaid is the Deferred Performance Bonus. For the LTI scheme, payment will be determined by achievement of the long-term goals set for the performance period of 3 years. The variable remuneration in form of LTI reported in (a)(ii) above is the target cash value at maturity upon achieving the long-term goals.
- (c) From a 2020 payment perspective, deferred variable remuneration for SM and KP amounted to HK\$3,247,483 and HK\$1,191,500 respectively was vested. No discount of deferred variable remuneration was made for performance adjustment.
- (d) Quantitative information about employee's exposure to implicit and explicit adjustments of deferred remuneration:

		2020
		(HK\$'000)
Total amount of outstanding deferred remuneration and retained remuneration exposed to ex post explicit/implicit adjustment [#]	SM	27,303
	KP	8,407

- (#): Refers to the unvested deferred variable remuneration after reduction made during the financial year due to ex post explicit/implicit adjustments. Total amount of reductions made due to ex post explicit/implicit adjustments was HK\$59,090 in 2020.