



**INDUSTRIAL AND COMMERCIAL BANK OF CHINA (ASIA)
LIMITED**

中國工商銀行（亞洲）有限公司

(Incorporated in Hong Kong with limited liability)

Regulatory Disclosure Statement

2019 2ND QUARTER

Purpose and Basis of Consolidation

The information contained in this Regulatory Disclosure Statement (the “Statement”) is for Industrial and Commercial Bank of China (Asia) Limited and its subsidiaries to comply with the Banking (Disclosure) Rules (“BDR”) (Cap. 155M) and does not constitute statutory financial statements.

While the Statement is not required to be subject to external audit, it has been reviewed and verified in accordance with the Group’s governance processes over financial reporting and policies on disclosures.

Except where indicated otherwise, the financial information contained in this Statement has been prepared on the basis of regulatory scope of consolidation specified by the Hong Kong Monetary Authority (“HKMA”) to the Bank.

OV1: Overview of RWA

		(HK\$'000)		
		(a)	(b)	(c)
		RWA		Minimum capital requirements
		6/30/2019	3/31/2019	6/30/2019
1	Credit risk for non-securitization exposures	591,189,338	587,112,626	47,295,147
2	Of which STC approach	591,189,338	587,112,626	47,295,147
2a	Of which BSC approach	-	-	-
3	Of which foundation IRB approach	-	-	-
4	Of which supervisory slotting criteria approach	-	-	-
5	Of which advanced IRB approach	-	-	-
6	Counterparty default risk and default fund contributions	12,756,030	11,845,775	1,020,483
7	Of which SA-CCR	N/A	N/A	N/A
7a	Of which CEM	10,090,522	9,179,856	807,242
8	Of which IMM(CCR) approach	N/A	N/A	N/A
9	Of which others	2,665,508	2,665,919	213,241
10	CVA risk	5,855,400	5,705,638	468,432
11	Equity positions in banking book under the simple risk-weight method and internal models method	-	-	-
12	Collective investment scheme ("CIS") exposures – LTA	N/A	N/A	N/A
13	CIS exposures – MBA	N/A	N/A	N/A
14	CIS exposures – FBA	N/A	N/A	N/A
14a	CIS exposures – combination of approaches	N/A	N/A	N/A
15	Settlement risk	-	-	-
16	Securitization exposures in banking book	-	-	-
17	Of which SEC-IRBA	-	-	-
18	Of which SEC-ERBA	-	-	-
19	Of which SEC-SA	-	-	-
19a	Of which SEC-FBA	-	-	-
20	Market risk	21,742,350	19,282,238	1,739,388
21	Of which STM approach	21,742,350	19,282,238	1,739,388
22	Of which IMM approach	-	-	-
23	Capital charge for switch between exposures in trading book and banking book (not applicable before the revised market risk framework takes effect)	N/A	N/A	N/A
24	Operational risk	25,731,438	25,213,388	2,058,515
25	Amounts below the thresholds for deduction (subject to 250% RW)	1,856,218	1,139,633	148,497
26	Capital floor adjustment	-	-	-
26a	Deduction to RWA	349,723	344,353	27,978

OV1: Overview of RWA (continued)

		(HK\$'000)		
		(a)	(b)	(c)
		RWA		Minimum capital requirements
		6/30/2019	3/31/2019	6/30/2019
26b	Of which portion of regulatory reserve for general banking risks and collective provisions which is not included in Tier 2 Capital	-	-	-
26c	Of which portion of cumulative fair value gains arising from the revaluation of land and buildings which is not included in Tier 2 Capital	349,723	344,353	27,978
27	Total	658,781,051	649,954,945	52,702,484

The Group is in compliance with the Banking (Capital) Rules in calculating the risk-weighted assets (RWA). The Group adopts the standardized (credit risk) approach (STC) for the non-securitization credit risk RWA (including equity exposure and CIS exposure) calculation, the current exposure method (CEM) for the counterparty credit risk RWA calculation, standardized CVA method for the CVA risk RWA calculation, the standardized (market risk) approach (STM) for the market risk RWA calculation, the basic indicator approach (BIA) for the operational risk RWA calculation. There was no settlement risk, nor securitization exposure RWA on the reporting date. There was neither regulatory reserve nor collective provision which needed to be deducted from RWA. There was no RWA capital floor adjustment. The RWA of "Amounts below the thresholds for deduction (subject to 250% RW)" increased by 63% amounting HKD 717 million in Q2 2019, is primarily attributable to the new capital injection into a financial institution subsidiary during the period. The other RWA items only shows small or moderate fluctuations as business development.

KM1: Key prudential ratios

		(HK\$'000)				
		(a)	(b)	(c)	(d)	(e)
		6/30/2019	3/31/2019	31/12/18	30/09/18	30/06/18
	Regulatory capital (amount)					
1	Common Equity Tier 1 (CET1)	97,243,266	87,240,964	83,758,638	81,016,715	80,184,650
2	Tier 1	124,836,699	114,986,024	111,439,018	108,675,358	107,919,636
3	Total capital	131,117,393	125,286,922	122,647,581	123,832,810	123,282,400
	RWA (amount)					
4	Total RWA	658,781,051	649,954,945	621,102,763	641,201,309	673,325,490
	Risk-based regulatory capital ratios (as a percentage of RWA)					
5	CET1 ratio (%)	14.76%	13.42%	13.49%	12.64%	11.91%
6	Tier 1 ratio (%)	18.95%	17.69%	17.94%	16.95%	16.03%
7	Total capital ratio (%)	19.90%	19.28%	19.75%	19.31%	18.31%
	Additional CET1 buffer requirements (as a percentage of RWA)					
8	Capital conservation buffer requirement (%)	2.50%	2.50%	1.88%	1.88%	1.88%
9	Countercyclical capital buffer requirement (%)	1.43%	1.46%	1.11%	1.09%	1.08%
10	Higher loss absorbency requirements (%) (applicable only to G-SIBs or D-SIBs)	1.00%	1.00%	1.00%	N/A	N/A
11	Total AI-specific CET1 buffer requirements (%)	4.93%	4.96%	3.99%	2.97%	2.95%
12	CET1 available after meeting the AI's minimum capital requirements (%)	9.14%	7.80%	7.85%	7.00%	6.28%
	Basel III leverage ratio					
13	Total leverage ratio (LR) exposure measure	1,008,248,331	970,830,470	954,169,051	983,523,454	1,041,366,278
14	LR (%)	12.38%	11.84%	11.68%	11.05%	10.36%
	Liquidity Coverage Ratio (LCR) / Liquidity Maintenance Ratio (LMR)					
	Applicable to category 1 institution only:					
15	Total high quality liquid assets (HQLA)	89,084,968	71,532,834	72,846,277	70,385,574	74,826,216
16	Total net cash outflows	42,735,113	38,832,316	39,346,587	43,480,966	50,127,499
17	LCR (%)	210.62%	184.02%	185.90%	162.07%	150.74%
	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	557,437,022	534,852,915	529,123,985	531,644,002	552,428,403
19	Total required stable funding	468,093,817	473,250,523	446,290,441	443,864,921	449,835,014
20	NSFR (%)	119.09%	113.02%	118.56%	119.78%	122.81%
	Applicable to category 2A institution only:					
20a	CFR (%)	N/A	N/A	N/A	N/A	N/A

CC1: Composition of regulatory capital

		(HK\$'000)	
		(a)	(b)
		Amount	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
	CET1 capital: instruments and reserves		
1	Directly issued qualifying CET1 capital instruments plus any related share premium	44,187,631	(8)
2	Retained earnings	53,449,365	(9)
3	Disclosed reserves	3,105,775	(10) + (11) + (12) + (13) + (14)
4	<i>Directly issued capital subject to phase-out arrangements from CET1 (only applicable to non-joint stock companies)</i>	Not applicable	Not applicable
5	Minority interests arising from CET1 capital instruments issued by consolidated bank subsidiaries and held by third parties (amount allowed in CET1 capital of the consolidation group)	-	
6	CET1 capital before regulatory deductions	100,742,771	
	CET1 capital: regulatory deductions		
7	Valuation adjustments	4,017	(15)
8	Goodwill (net of associated deferred tax liabilities)	980,154	(1)
9	Other intangible assets (net of associated deferred tax liabilities)	15,996	(2)
10	Deferred tax assets (net of associated deferred tax liabilities)	453,484	(3)
11	Cash flow hedge reserve	(101,233)	(12)
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	-	(18)
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

CC1: Composition of regulatory capital

		(HK\$'000)	
		(a)	(b)
		Amount	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
22	Amount exceeding the 15% threshold	Not applicable	Not applicable
23	of which: significant investments in the ordinary share of financial sector entities	Not applicable	Not applicable
24	of which: mortgage servicing rights	Not applicable	Not applicable
25	of which: deferred tax assets arising from temporary differences	Not applicable	Not applicable
26	National specific regulatory adjustments applied to CET1 capital	2,147,087	
26a	Cumulative fair value gains arising from the revaluation of land and buildings (own-use and investment properties)	635,861	(10)+(16)
26b	Regulatory reserve for general banking risks	1,510,967	(17)
26c	Securitization exposures specified in a notice given by the MA	-	
26d	Cumulative losses below depreciated cost arising from the institution's holdings of land and buildings	259	
26e	Capital shortfall of regulated non-bank subsidiaries	-	
26f	Capital investment in a connected company which is a commercial entity (amount above 15% of the reporting institution's capital base)	-	
27	Regulatory deductions applied to CET1 capital due to insufficient AT1 capital and Tier 2 capital to cover deductions	-	
28	Total regulatory deductions to CET1 capital	3,499,505	
29	CET1 capital	97,243,266	
AT1 capital: instruments			
30	Qualifying AT1 capital instruments plus any related share premium	27,593,433	(19)
31	of which: classified as equity under applicable accounting standards	27,593,433	
32	of which: classified as liabilities under applicable accounting standards	-	
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	27,593,433	
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)	-	

CC1: Composition of regulatory capital

		(HK\$'000)	
		(a)	(b)
		Amount	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
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	27,593,433	
45	Tier 1 capital (T1 = CET1 + AT1)	124,836,699	
Tier 2 capital: instruments and provisions			
46	Qualifying Tier 2 capital instruments plus any related share premium	-	
47	<i>Capital instruments subject to phase-out arrangements from Tier 2 capital</i>	1,165,050	(6) & (7)
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	4,829,506	=[(5) - (17)] and limited to 1.25% of risk-weighted amount for credit risks related to STC approach
51	Tier 2 capital before regulatory deductions	5,994,556	
Tier 2 capital: regulatory deductions			
52	Investments in own Tier 2 capital instruments	-	
53	Reciprocal cross-holdings in Tier 2 capital instruments and non-capital LAC liabilities	-	
54	Insignificant LAC investments in Tier 2 capital instruments issued by, and non-capital LAC liabilities of, financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold and, where applicable, 5% threshold)	-	
54a	Insignificant LAC investments in non-capital LAC liabilities of financial sector entities that are outside the scope of regulatory consolidation (amount formerly designated for the 5% threshold but no longer meets the conditions) (for institutions defined as "section 2 institution" under §2(1) of Schedule 4F to BCR only)	-	
55	Significant LAC investments in Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-	

CC1: Composition of regulatory capital

		(HK\$'000)	
		(a)	(b)
		Amount	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
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	(286,138)	
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	(286,138)	=[(10)+(16)]*45%
56b	Regulatory deductions applied to Tier 2 capital to cover the required deductions falling within §48(1)(g) of BCR	-	
57	Total regulatory adjustments to Tier 2 capital	(286,138)	
58	Tier 2 capital (T2)	6,280,694	
59	Total regulatory capital (TC = T1 + T2)	131,117,393	
60	Total RWA	658,781,051	
Capital ratios (as a percentage of RWA)			
61	CET1 capital ratio	14.76%	
62	Tier 1 capital ratio	18.95%	
63	Total capital ratio	19.90%	
64	Institution-specific buffer requirement (capital conservation buffer plus countercyclical capital buffer plus higher loss absorbency requirements)	4.93%	
65	of which: capital conservation buffer requirement	2.50%	
66	of which: bank specific countercyclical capital buffer requirement	1.43%	
67	of which: higher loss absorbency requirement	1.00%	
68	CET1 (as a percentage of RWA) available after meeting minimum capital requirements	9.14%	
National minima (if different from Basel 3 minimum)			
69	National CET1 minimum ratio	Not applicable	Not applicable
70	National Tier 1 minimum ratio	Not applicable	Not applicable
71	National Total capital minimum ratio	Not applicable	Not applicable
Amounts below the thresholds for deduction (before risk weighting)			
72	Insignificant 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	6,038,757	
73	Significant LAC investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	892,487	

CC1: Composition of regulatory capital

		(HK\$'000)	
		(a)	(b)
		Amount	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
74	Mortgage servicing rights (net of associated deferred tax liabilities)	Not applicable	Not applicable
75	Deferred tax assets arising from temporary differences (net of associated deferred tax liabilities)	Not applicable	Not applicable
Applicable caps on the inclusion of provisions in Tier 2 capital			
76	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to the BSC approach, or the STC approach and SEC-ERBA, SEC-SA and SEC-FBA (prior to application of cap)	4,829,506	
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	7,555,167	
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)	Not applicable	
79	Cap for inclusion of provisions in Tier 2 under the IRB approach and SEC-IRBA	Not applicable	
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2018 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>	1,165,050	
85	<i>Amount excluded from Tier 2 capital due to cap (excess over cap after redemptions and maturities)</i>	2,733,963	

Notes to the Template

	Description	Hong Kong basis	Basel III basis
9	Other intangible assets (net of associated deferred tax liabilities)	15,996	15,996
	<u>Explanation</u> 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		

CC1: Composition of regulatory capital

	Description	Hong Kong basis	Basel III basis
	in CET1 capital instruments issued by financial sector entities (excluding those that are loans, facilities or other credit exposures to connected companies) under Basel III.		
10	Deferred tax assets (net of associated deferred tax liabilities)	453,484	-
	<u>Explanation</u> As set out in paragraphs 69 and 87 of the Basel III text issued by the Basel Committee (December 2010), DTAs of the bank to be realized are to be deducted, whereas DTAs which relate to temporary differences may be given limited recognition in CET1 capital (and hence be excluded from deduction from CET1 capital up to the specified threshold). In Hong Kong, an AI is required to deduct all DTAs in full, irrespective of their origin, from CET1 capital. Therefore, the amount to be deducted as reported in row 10 may be greater than that required under Basel III. The amount reported under the column "Basel III basis" in this box represents the amount reported in row 10 (i.e. the amount reported under the "Hong Kong basis") adjusted by reducing the amount of DTAs to be deducted which relate to temporary differences to the extent not in excess of the 10% threshold set for DTAs arising from temporary differences and the aggregate 15% threshold set for MSRs, DTAs arising from temporary differences and significant investments in CET1 capital instruments issued by financial sector entities (excluding those that are loans, facilities or other credit exposures to connected companies) under Basel III.		
18	Insignificant LAC investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-	-
	<u>Explanation</u> 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.		
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)	-	-
	<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.		
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)	-	-

CC1: Composition of regulatory capital

	Description	Hong Kong basis	Basel III basis
	<p><u>Explanation</u></p> <p>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	<p>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>	-	-
	<p><u>Explanation</u></p> <p>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>			

CC2: Reconciliation of regulatory capital to balance sheet

	(HK\$'000)		(c)
	(a)	(b)	
	Balance sheet as in published financial statements 30/06/2019	Under regulatory scope of consolidation 30/06/2019	Reference
Assets			
Cash and balances with banks and other financial institutions	122,690,985	122,585,390	
Placements with banks and other financial institutions	138,467,288	138,467,288	
Financial assets held for trading	2,647,851	2,647,851	
Financial assets at fair value through profit or loss	5,157,164	601,140	
Derivative financial instruments	9,748,408	9,748,408	
Advances and other accounts	477,657,641	477,657,641	
of which: collective impairment allowances reflected in regulated capital	-	(3,318,539)	(5)
Financial investments:	177,778,477	177,589,688	
– measured at fair value through other comprehensive income	129,425,525	129,185,457	
– measured at amortised cost	48,352,952	48,404,231	
Investment in an associate	194,094	194,105	
Investment in subsidiaries	-	5,035,943	
Goodwill and other intangible assets	1,017,606	980,154	
of which: goodwill	-	980,154	(1)
of which: other intangible asset	-	15,996	(2)
Investment properties	140,135	140,135	
of which: cumulative revaluation gain on investment properties	-	44,129	(16)
Property, plant and equipment	1,991,923	1,988,433	
Current income tax asset	-	-	
Deferred income tax assets	453,484	453,484	(3)
Other assets	13,363,116	13,491,614	
Total assets	951,308,172	951,581,274	
Liabilities			
Deposits from banks and other financial institutions	194,249,495	194,249,495	
Derivative financial instruments	7,726,023	7,726,023	
of which: debit valuation adjustments in respect of derivative contracts	-	4,017	(15)
Deposits from customers	561,548,542	562,988,126	
Certificates of deposit issued at amortised cost	12,353,273	12,353,273	

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

	(HK\$'000)		
	(a)	(b)	(c)
	Balance sheet as in published financial statements 30/06/2019	Under regulatory scope of consolidation 30/06/2019	Reference
Debt securities in issue	23,346,883	23,346,883	
- Designated at fair value through profit or loss	3,248,299	3,248,299	
- At amortised cost	20,098,584	20,098,584	
of which: gains due to changes in own credit risk on fair valued liabilities	-	-	(18)
Current income tax liabilities	1,121,341	1,121,341	
Deferred income tax liabilities	-	-	
Subordinated debts measured at amortised cost	3,899,013	3,899,013	
of which: subordinate debts not eligible for inclusion in regulatory capital	-	-	(6)
of which: subordinate debt eligible for inclusion in regulatory capital	-	1,165,050	(7)
Other liabilities	17,186,359	17,400,478	
Total liabilities	821,430,929	823,084,632	
Shareholders' equity			
Share capital	44,187,631	44,187,631	(8)
Retained earnings	54,820,925	53,449,365	(9)
of which: regulatory reserve for general banking risks	-	1,510,967	(17)
Other reserves	3,232,980	3,266,213	
of which: bank premises revaluation reserve	-	591,732	(10)
of which: investment revaluation reserve	-	(580,278)	(11)
of which: cash flow hedge reserve	-	(101,233)	(12)
of which: exchange reserve	-	(29,043)	(13)
of which: general reserve	-	3,224,597	(14)
Additional equity instruments	27,635,707	27,593,433	(19)
Total shareholders' equity	129,877,243	128,496,642	
Total shareholders' equity and liabilities	951,308,172	951,581,274	

CCA: Main features of regulatory capital instruments

Main Features Template – Ordinary Shares

1	Issuer	Industrial and Commercial Bank of China (Asia) Limited
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	N/A
3	Governing law(s) of the instrument	Hong Kong Companies Ordinance
	Regulatory treatment	
4	Transitional Basel III rules#	Common Equity Tier 1
5	Post-transitional Basel III rules+	Common Equity Tier 1
6	Eligible at solo*/group/group & solo	Solo and Group
7	Instrument type (types to be specified by each jurisdiction)	Ordinary shares
8	Amount recognised in regulatory capital (Currency in million, as of most recent reporting date)	HK\$44,188 million
9	Par value of instrument	N/A
10	Accounting classification	Shareholders' equity
11	Original date of issuance	Since incorporation
12	Perpetual or dated	Perpetual
13	Original maturity date	N/A
14	Issuer call subject to prior supervisory approval	No
15	Optional call date, contingent call dates and redemption amount	N/A
16	Subsequent call dates, if applicable	N/A
	Coupons/dividends	
17	Fixed or floating dividend/coupon	N/A
18	Coupon rate and any related index	N/A
19	Existence of a dividend stopper	No
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	Convertible or non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	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 it converts into	N/A
30	Write-down feature	No
31	If write-down, write-down trigger(s)	N/A
32	If write-down, full or partial	N/A
33	If write-down, permanent or temporary	N/A
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).	Depositors, bank's creditors, holders' of certificates of deposit issued, debt securities in issue and subordinated debts in issue.
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	N/A

CCA: Main features of regulatory capital instruments

Main Features Template – USD Non-Cumulative Subordinated Additional Tier 1 Capital

Securities with perpetual maturity (callable on 21 July 2021)

1	Issuer	Industrial and Commercial Bank of China (Asia) Limited
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	XS1449306064
3	Governing law(s) of the instrument	The Capital Securities are governed by and shall be construed in accordance with English Law, except that the subordination provisions are governed by and shall be construed in accordance with Hong Kong law.
	<i>Regulatory treatment</i>	
4	Transitional Basel III rules*	N/A
5	Post-transitional Basel III rules*	Additional Tier 1
6	Eligible at solo*/group/group & solo	Solo and Group
7	Instrument type (types to be specified by each jurisdiction)	Additional Tier 1 capital instruments
8	Amount recognised in regulatory capital (Currency in million, as of most recent reporting date)	HK\$7,795 million
9	Par value of instrument	USD 1 billion
10	Accounting classification	Equity instruments
11	Original date of issuance	21 July 2016
12	Perpetual or dated	Perpetual
13	Original maturity date	N/A
14	Issuer call subject to prior supervisory approval	Yes
15	Optional call date, contingent call dates and redemption amount	First call date: 21 July 2021 (Redemptions in whole at 100%)
16	Subsequent call dates, if applicable	any distribution payment date thereafter
	<i>Coupons/dividends</i>	
17	Fixed or floating dividend/coupon	Fixed
18	Coupon rate and any related index	Year 1-5: 4.25% per annum payable semi-annually in arrear; Year 5 onwards: resettable on year 5 and every 5 years thereafter at then prevailing 5-year US Treasury yield plus a fixed initial spread
19	Existence of a dividend stopper	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	Convertible or non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	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 it 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
32	If write-down, full or partial	full
33	If write-down, permanent or temporary	permanent
34	If temporary write-down, description of write-up	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).	Depositors, bank's creditors, creditors of Tier 2 capital and all other subordinated indebtedness of the bank.
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	N/A

CCA: Main features of regulatory capital instruments

Main Features Template – USD Non-Cumulative Subordinated Additional Tier 1 Capital

Securities with perpetual maturity (callable on 21 March 2023)

1	Issuer	Industrial and Commercial Bank of China (Asia) Limited
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	N/A
3	Governing law(s) of the instrument	The Capital Securities are governed by and shall be construed in accordance with Hong Kong law
	Regulatory treatment	
4	Transitional Basel III rules#	N/A
5	Post-transitional Basel III rules+	Additional Tier 1
6	Eligible at solo*/group/group & solo	Solo and Group
7	Instrument type (types to be specified by each jurisdiction)	Additional Tier 1 capital instruments
8	Amount recognised in regulatory capital (Currency in million, as of most recent reporting date)	HK\$19,798 million
9	Par value of instrument	USD 2.536 billion
10	Accounting classification	Equity instruments
11	Original date of issuance	21 March 2018
12	Perpetual or dated	Perpetual
13	Original maturity date	N/A
14	Issuer call subject to prior supervisory approval	Yes
15	Optional call date, contingent call dates and redemption amount	21 March 2023(Redemptions in whole at 100%)
16	Subsequent call dates, if applicable	any distribution payment date thereafter
	Coupons/dividends	
17	Fixed or floating dividend/coupon	Fixed
18	Coupon rate and any related index	Year 1-5: 4.90% per annum payable semi-annually in arrear; Year 5 onwards: resettable on year 5 and every 5 years thereafter at then prevailing 5-year US Treasury yield plus a fixed initial spread
19	Existence of a dividend stopper	Yes
20	Fully discretionary, partially discretionary or mandatory	Partially discretionary
21	Existence of step up or other incentive to redeem	No
22	Non-cumulative or cumulative	Non-cumulative
23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion trigger (s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	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 it 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
32	If write-down, full or partial	May be written-down partially
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).	Depositors and all other unsubordinated creditors of the Issuer, creditors in respect of Tier 2 Capital Instruments and all other Subordinated Indebtedness of the Issuer.
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	N/A

CCA: Main features of regulatory capital instruments

Main Features Template – USD subordinated note with a final maturity on 30 November 2020

1	Issuer	Industrial and Commercial Bank of China (Asia) Limited
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	XS0563742138
3	Governing law(s) of the instrument	The Notes and any non- contractual obligations arising out of or in connection with the Notes will be governed by, and shall be construed in accordance with, English law, except that the provisions of the Notes relating to subordination shall be governed by, and construed in accordance with, the laws of Hong Kong.
	Regulatory treatment	
4	Transitional Basel III rules#	Tier 2
5	Post-transitional Basel III rules+	Ineligible
6	Eligible at solo*/group/group & solo	Solo and Group
7	Instrument type (types to be specified by each jurisdiction)	Other Tier 2 instruments
8	Amount recognised in regulatory capital (Currency in million, as of most recent reporting date)	HK\$1,165 million
9	Par value of instrument	USD500 million
10	Accounting classification	Liability – amortised cost
11	Original date of issuance	30 November 2010
12	Perpetual or dated	Dated
13	Original maturity date	30 November 2020
14	Issuer call subject to prior supervisory approval	No
15	Optional call date, contingent call dates and redemption amount	N/A
16	Subsequent call dates, if applicable	N/A
	Coupons/dividends	
17	Fixed or floating dividend/coupon	Fixed
18	Coupon rate and any related index	5.125% per annum
19	Existence of a dividend stopper	No
20	Fully discretionary, partially discretionary or mandatory	Mandatory
21	Existence of step up or other incentive to redeem	No
22	Non-cumulative or cumulative	Cumulative
23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion trigger (s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	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 it converts into	N/A
30	Write-down feature	No
31	If write-down, write-down trigger(s)	N/A
32	If write-down, full or partial	N/A
33	If write-down, permanent or temporary	N/A
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).	Depositors, bank's creditors, holders' of certificates of deposit issued and debt securities in issue.
36	Non-compliant transitioned features	Yes
37	If yes, specify non-compliant features	The terms and conditions of the instrument do not contain a provision requiring the instrument to be written down, or converted, into ordinary shares, at the point of non-viability.

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

	Geographical breakdown by Jurisdiction (J)	Applicable JCCyB ratio in effect (%)	RWA used in computation of CCyB ratio	AI-specific CCyB ratio (%)	CCyB amount
		(%)	(Amount)		
1	Hong Kong SAR	2.500%	261,372,325		
2	China	0.000%	160,256,230		
3	Australia (includes Christmas Islands, Cocos Islands, Norfolk Islands, Heard and McDonald Islands, Territory of Ashmore and Cartier Islands and Territory of Coral Sea Islands)	0.000%	4,103,651		
4	Cambodia	0.000%	56		
5	Canada	0.000%	8,333		
6	Cayman Islands	0.000%	4,172,033		
7	Chinese Taipei	0.000%	78,516		
8	France	0.000%	77,136		
9	India	0.000%	170,235		
10	Indonesia	0.000%	1,759,278		
11	Ireland	0.000%	3,240,688		
12	Italy	0.000%	22,288		
13	Luxembourg	0.000%	5,173,450		
14	Macao	0.000%	2,875,571		
15	Malaysia	0.000%	15,055		
16	Myanmar	0.000%	554,650		
17	Netherlands	0.000%	979,341		
18	New Zealand	0.000%	200,130		
19	Philippines	0.000%	204,376		
20	Qatar	0.000%	784,797		
21	Singapore	0.000%	3,932,741		
22	South Africa	0.000%	1,477		
23	South Korea	0.000%	84,463		
24	Spain	0.000%	360		
25	Switzerland	0.000%	1,061		
26	Thailand	0.000%	406,108		
27	United Arab Emirates	0.000%	390,474		
28	United Kingdom (excludes Guernsey, Isle of Man and Jersey)	1.000%	3,133,157		
29	United States (includes American Samoa, Guam, Midway Islands, Northern Mariana Islands, Puerto Rico, US Virgin Islands and Wake Islands)	0.000%	2,070,376		
30	Vietnam	0.000%	113,819		
31	West Indies UK (includes Anguilla, Antigua and Barbuda, British Virgin Islands,	0.000%	2,858,995		

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

	Montserrat and St. Christopher/St. Kitts - Nevis)				
	Sum		459,041,170		
	Total		459,041,170	1.430%	6,565,640

LR1: Summary comparison of accounting assets against leverage ratio ("LR") exposure measure

		(a)
	Item	Value under the LR framework (HK\$'000)
1	Total consolidated assets as per published financial statements	951,308,172
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	5,035,954
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	8,165,431
5	Adjustment for SFTs (i.e. repos and similar secured lending)	2,851,069
6	Adjustment for off-balance sheet ("OBS") items (i.e. conversion to credit equivalent amounts of OBS exposures)	48,516,110
6a	Adjustment for specific and collective provisions that are allowed to be excluded from exposure measure	(6,089,964)
7	Other adjustments	(1,538,441)
8	Leverage ratio exposure measure	1,008,248,331

LR2: Leverage ratio ("LR")

		(a)	(b)
		(HK\$'000)	
		30/6/2019	31/3/2019
On-balance sheet exposures			
1	On-balance sheet exposures (excluding those arising from derivative contracts and SFTs, but including collateral)	918,442,812	877,563,587
2	Less: Asset amounts deducted in determining Tier 1 capital	(3,041,745)	(3,091,939)
3	Total on-balance sheet exposures (excluding derivative contracts and SFTs)	915,401,067	874,471,648
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)	8,462,519	8,019,123
5	Add-on amounts for PFE associated with all derivative contracts	12,927,917	12,273,293
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	(4,762,486)	(3,477,542)
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	16,627,950	16,814,874
Exposures arising from SFTs			
12	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	30,942,099	28,340,718
13	Less: Netted amounts of cash payables and cash receivables of gross SFT assets	-	-
14	CCR exposure for SFT assets	2,851,069	2,491,327
15	Agent transaction exposures	-	-
16	Total exposures arising from SFTs	33,793,168	30,832,045
Other off-balance sheet exposures			
17	Off-balance sheet exposure at gross notional amount	224,382,620	236,720,716
18	Less: Adjustments for conversion to credit equivalent amounts	(175,866,510)	(182,574,104)
19	Off-balance sheet items	48,516,110	54,146,612
Capital and total exposures			
20	Tier 1 capital	124,836,699	114,986,024
20a	Total exposures before adjustments for specific and collective provisions	1,014,338,295	976,265,179
20b	Adjustments for specific and collective provisions	(6,089,964)	(5,434,709)
21	Total exposures after adjustments for specific and collective provisions	1,008,248,331	970,830,470
Leverage ratio			
22	Leverage ratio	12.38%	11.84%

LR2: Leverage ratio ("LR")

Due to the increase in clearing settlement account balance, the receivables assets for cash variation margin provided under derivative contracts has raised by HKD 1,285 million (+36.95%).

LIQ1: Liquidity Coverage Ratio ("LCR") – 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: (71)		(HK\$'000)	
		(a)	(b)
Basis of disclosure: consolidated		Unweighted value (average)	Weighted value (average)
A. HQLA			
1	Total HQLA		89,116,781
B. Cash outflows			
2	Retail deposits and small business funding, of which:	173,381,137	16,695,508
3	<i>Stable retail deposits and stable small business funding</i>	9,180,615	275,324
4	<i>Less stable retail deposits and less stable small business funding</i>	164,200,522	16,420,184
4a	<i>Retail term deposits and small business term funding</i>	-	-
5	Unsecured wholesale funding (other than small business funding), and debt securities and prescribed instruments issued by the AI, of which:	264,394,378	130,522,306
6	<i>Operational deposits</i>	39,773,839	9,854,662
7	<i>Unsecured wholesale funding (other than small business funding) not covered in row 6</i>	221,658,900	117,696,425
8	<i>Debt securities and prescribed instruments issued by the AI and redeemable within the LCR period</i>	2,961,639	2,971,219
9	Secured funding transactions (including securities swap transactions)		1,870,218
10	Additional requirements, of which:	54,363,817	8,537,920
11	<i>Cash outflows arising from derivative contracts and other transactions, and additional liquidity needs arising from related collateral requirements</i>	4,418,661	3,449,723
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>	49,945,156	5,088,197
14	Contractual lending obligations (not otherwise covered in Section B) and other contractual cash outflows	1,339,060	1,334,753
15	Other contingent funding obligations (whether contractual or non-contractual)	655,643,861	774,991
16	Total Cash Outflows		159,735,696
C. Cash Inflows			
17	Secured lending transactions (including securities swap transactions)	402,706	71,035
18	Secured and unsecured loans (other than secured lending transactions covered in row 17) and operational deposits placed at other financial institutions	158,865,508	123,755,570
19	Other cash inflows	80,670,717	4,657,152
20	Total Cash Inflows	239,938,931	128,483,757
D. Liquidity Coverage Ratio			
		Adjusted value	
21	Total HQLA		89,084,968
22	Total Net Cash Outflows		42,735,113
23	LCR (%)		210.62%

Liquidity Coverage Ratio

The Liquidity Coverage Ratio ("LCR") throughout the second quarter of 2019 meets regulatory requirement and maintains at a high level.

(i) Main drivers of its LCR results

The change in Bank's LCR is mainly due to increase in HQLA, as well as maturing of various kinds of asset and liability. Currently, the high LCR level is due to the higher increase in HQLA than that in net cash outflow within 30 days. The increase in operational deposits is the major factor for increase in outflow. Although the secured lending transactions and other cash inflows vary by more than 20%, the changes in their absolute amount are less significant than those in secured and unsecured loans to other financial institution due to extended translation tenor.

(ii) Composition of High Quality Liquid Assets ("HQLA")

The Bank holds a portfolio of unencumbered HQLA which can be readily liquidated to meet cash flow obligations under stress scenarios, as defined in the LCR rules. These liquid assets consist primarily of Level 1 HQLA, such as the Hong Kong Exchange Fund bills and notes as well as the US Treasuries, supplemented by Level 2A and 2B HQLA, such as bonds issued by highly rated corporate issuers.

(iii) Concentration of funding sources

The Bank maintains a diversified funding base composed mainly by retail and corporate customer deposits, supplemented by wholesale funding including but not limited to issuance of certificates of deposit and term debts. Short-term interbank money market borrowing is also used from time to time to meet temporary funding need.

The Bank continues to expand and diversify its deposit base, and to increase the proportion of stable deposits in its overall funding pool.

(iv) Derivative Exposures

The Bank closely monitors all its exchange traded and over-the-counter derivative exposures arising from customer transactions and their corresponding hedging activities. Such derivative contracts comprise mainly of foreign exchange forwards, interest rate and cross

LIQ1: Liquidity Coverage Ratio ("LCR") – for category 1 institution (continued)

currency swaps. Collateral may be required to be posted to counterparties depending on the marked-to-market of the derivative contracts.

(v) Currency mismatch

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

On the other hand, as the supply of HKD denominated HQLA is relatively limited, the Bank covers its HKD mismatch by holding HQLA denominated in USD when necessary. This is in line with the LCR alternative liquidity approach option elected by the HKMA.

(vi) Centralization of liquidity management

The Bank has a wholly owned subsidiary in the Mainland China, namely China Mercantile Bank ("CMB"), which has set up its own liquidity risk management policy and managed liquidity risk in accordance with its local regulatory requirements. CMB calculates its own LCR, which would then be consolidated with the Bank's LCR to reflect the liquidity position on a Group basis.

(vii) Approach to liquidity risk management

The Bank has established a comprehensive liquidity risk management framework in accordance with the HKMA requirements and BCBS guidance. The Board is ultimately responsible for liquidity risk management, with the support from Board-level Risk Management Committee, senior management committees including the Risk Management Committee and the Asset and Liability Management Committee. Policies and procedures are in place, with properly approved limits and indicators in order to identify, measure and monitor liquidity risk. Stress tests are conducted regularly, and the Bank has readied the Contingent Funding Plan which details the procedures in dealing with a potential liquidity crisis.

LIQ2: Net Stable Funding Ratio – for category 1 institution

		30/06/2019				
		(HK\$'000)				
		(a)	(b)	(c)	(d)	(e)
Basis of disclosure: consolidated		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:	131,940,881	-	-	3,883,500	135,824,381
2	Regulatory capital	131,940,881	-	-	-	131,940,881
2a	Minority interests not covered by row 2	-	-	-	-	-
3	Other capital instruments	-	-	-	3,883,500	3,883,500
4	Retail deposits and small business funding:	-	177,509,742	22,777	-	160,228,891
5	Stable deposits		8,991,899	568	-	8,542,844
6	Less stable deposits		168,517,843	22,209	-	151,686,047
7	Wholesale funding:	-	483,682,479	61,000,392	36,286,259	239,258,311
8	Operational deposits		39,487,690	-	-	19,743,845
9	Other wholesale funding	-	444,194,789	61,000,392	36,286,259	219,514,466
10	Liabilities with matching interdependent assets	-	-	-	-	-
11	Other liabilities:	9,964,944	13,724,499	2,823,386	20,713,746	22,125,439
12	Net derivative liabilities	-				
13	All other funding and liabilities not included in the above categories	9,964,944	13,724,499	2,823,386	20,713,746	22,125,439
14	Total ASF					557,437,022
B. Required stable funding ("RSF") item						
15	Total HQLA for NSFR purposes	119,889,345				15,747,604
16	Deposits held at other financial institutions for operational purposes	-	548,091	-	-	274,046
17	Performing loans and securities:	6,781,354	327,099,700	120,440,617	314,767,645	412,424,576
18	Performing loans to financial institutions secured by Level 1 HQLA	-	-	-	-	-
19	Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	-	226,722,897	69,769,405	18,151,661	87,044,798
20	Performing loans, other than performing residential mortgage, to non-financial corporate clients, retail and small business customers, sovereigns, the Monetary Authority for the account of the Exchange Fund, central banks and PSEs, of which:	6,781,354	94,474,281	42,777,558	214,543,313	256,213,064

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

		30/06/2019				
		(HK\$'000)				
		(a)	(b)	(c)	(d)	(e)
Basis of disclosure: consolidated		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	
21	<i>With a risk-weight of less than or equal to 35% under the STC approach</i>	-	65,914	399,922	2,694,113	1,984,091
22	<i>Performing residential mortgages, of which:</i>	-	1,234,720	502,892	49,719,407	35,637,156
23	<i>With a risk-weight of less than or equal to 35% under the STC approach</i>	-	891,067	396,514	37,465,732	24,996,516
24	<i>Securities that are not in default and do not qualify as HQLA, including exchange-traded equities</i>	-	4,667,802	7,390,762	32,353,264	33,529,556
25	Assets with matching interdependent liabilities	-	-	-	-	-
26	Other assets:	30,674,343	9,050,745	4,272,349	16,880,168	37,188,902
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>	123,222				104,739
29	<i>Net derivative assets</i>	6,294,511				6,294,511
30	<i>Total derivative liabilities before deduction of variation margin posted</i>	7,721,207				-
31	<i>All other assets not included in the above categories</i>	16,535,403	12,846,150	4,272,349	17,134,215	30,789,651
32	Off-balance sheet items				-	2,458,691
33	Total RSF					468,093,817
34	Net Stable Funding Ratio (%)					119.09%

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

		31/03/2019				
		(HK\$'000)				
		(a)	(b)	(c)	(d)	(e)
Basis of disclosure: consolidated		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	
C. Available stable funding ("ASF") item						
1	Capital:	122,406,301	-	3,924,975	3,904,840	128,273,629
2	Regulatory capital	122,406,301	-	3,924,975	-	124,368,789
2a	Minority interests not covered by row 2	-	-	-	-	-
3	Other capital instruments	-	-	-	3,904,840	3,904,840
4	Retail deposits and small business funding:	-	172,149,038	-	-	155,389,329
5	Stable deposits		9,103,904	-	-	8,648,709
6	Less stable deposits		163,045,134	-	-	146,740,620
7	Wholesale funding:	-	449,722,281	62,919,864	31,619,261	227,416,791
8	Operational deposits		34,433,807	-	-	17,216,904
9	Other wholesale funding	-	415,288,474	62,919,864	31,619,261	210,199,887
10	Liabilities with matching interdependent assets	-	-	-	-	-
11	Other liabilities:	18,511,594	24,526,839	172,042	23,687,145	23,773,166
12	Net derivative liabilities	-				
13	All other funding and liabilities not included in the above categories	18,511,594	24,526,839	172,042	23,687,145	23,773,166
14	Total ASF					534,852,915
D. Required stable funding ("RSF") item						
15	Total HQLA for NSFR purposes	111,134,928				15,230,720
16	Deposits held at other financial institutions for operational purposes	-	632,139	-	-	316,070
17	Performing loans and securities:	6,539,728	307,374,650	100,696,666	330,458,199	418,781,909
18	Performing loans to financial institutions secured by Level 1 HQLA	-	1,128,832	-	-	112,883
19	Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	-	191,486,414	55,766,341	24,327,978	80,934,111

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

		31/03/2019				
		(HK\$'000)				
		(a)	(b)	(c)	(d)	(e)
Basis of disclosure: consolidated		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	
20	Performing loans, other than performing residential mortgage, to non-financial corporate clients, retail and small business customers, sovereigns, the Monetary Authority for the account of the Exchange Fund, central banks and PSEs, of which:	6,539,728	106,263,041	35,543,896	220,535,200	263,316,212
21	With a risk-weight of less than or equal to 35% under the STC approach	-	39,779	57,551	3,004,725	2,001,736
22	Performing residential mortgages, of which:	-	1,265,447	976,541	47,671,618	34,363,409
23	With a risk-weight of less than or equal to 35% under the STC approach	-	914,372	771,219	36,392,308	24,497,796
24	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	-	7,230,916	8,409,888	37,923,403	40,055,295
25	Assets with matching interdependent liabilities	-	-	-	-	-
26	Other assets:	30,778,488	13,744,122	3,839,049	9,743,297	36,419,849
27	Physical traded commodities, including gold	-				-
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs	123,222				104,739
29	Net derivative assets	5,266,486				5,266,486
30	Total derivative liabilities before deduction of variation margin posted	6,564,262				-
31	All other assets not included in the above categories	18,824,518	13,979,604	3,839,049	10,083,771	31,048,624
32	Off-balance sheet items					2,501,975
33	Total RSF					473,250,523
34	Net Stable Funding Ratio (%)					113.02%

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

During the second quarter of 2019, net stable funding ratio of the bank satisfied regulatory requirements and continuously maintained at prudent levels.

(i) Major Factors Affecting NSFR

Factors including asset and liability structure and the change of total assets essentially contribute to outcomes of the net stable funding ratio. In terms of liability, as of now the bank's liability is primarily composed of customer deposits, which have remained relatively steady and exerted positive influence on stabilizing the net stable funding ratio. In terms of asset, steady-growing customer loans make up the majority of assets and high quality liquid assets account for sizeable portion. All above mentioned factors collectively lead to the bank's stable NSFR and safe liquidity condition.

(ii) Centralization of Liquidity Management

As the Chinese Mercantile Bank (CMB) is one of the bank's subsidiaries, an independent liquidity management policy has been established according to the state's regulatory requirement. CMB calculates the NSFR separately for consolidation at the group level to reflect the group's overall liquidity risk condition.

CR1: Credit quality of exposures

		(HK\$'000)						
		(a)	(b)	(c)	(d)	(e)	(f)	(g)
		Gross carrying amounts of		Allowances / impairments	Of which ECL accounting provisions for credit losses on STC approach exposures		Of which ECL accounting provisions for credit losses on IRB approach exposures	Net values (a+b-c)
		Defaulted exposures	Non- defaulted exposures		Allocated in regulatory category of specific provisions	Allocated in regulatory category of collective provisions		
1	Loans	3,945,794	728,008,151	5,912,496	2,889,589	3,022,907	-	726,041,449
2	Debt securities	-	178,119,323	157,621	-	157,621	-	177,961,702
3	Off-balance sheet exposures	-	224,382,620	102,886	-	102,886	-	224,279,734
4	Total	3,945,794	1,130,510,094	6,173,003	2,889,589	3,283,414	-	1,128,282,885

CR2: Changes in defaulted loans and debt securities

		(HK\$'000)
		(a)
		Amount
1	Defaulted loans and debt securities at end of the previous reporting period	3,699,407
2	Loans and debt securities that have defaulted since the last reporting period	1,446,766
3	Returned to non-defaulted status	-
4	Amounts written off	(2,503)
5	Other changes	(1,197,876)
6	Defaulted loans and debt securities at end of the current reporting period	3,945,794

Loans and debt securities that have defaulted since the last reporting period amounted to HKD1.45 billion. This was mainly represented by one loan with outstanding amount of HKD1.43 billion. Since the loan has property as collateral and sufficient provision has been made based on assessments of the aforesaid defaulted loans, risk is considered as controllable. Other changes was amounted to HKD1.20 billion and was mainly attributed by the full recovery of a loan amounted to HKD1.24 billion. The rest of other changes was mainly due to partial settlement of the defaulted loans and exchange rate difference, etc. During the period, six loans amounted HKD2.5 million were written off.

CR3: Overview of recognized credit risk mitigation

		(HK\$'000)				
		(a)	(b1)	(b)	(d)	(f)
		Exposures unsecured: carrying amount	Exposures to be secured	Exposures secured by recognized collateral	Exposures secured by recognized guarantees	Exposures secured by recognized credit derivative contracts
1	Loans	678,287,605	47,753,844	13,463,490	34,290,354	-
2	Debt securities	177,961,702	-	-	-	-
3	Total	856,249,307	47,753,844	13,463,490	34,290,354	-
4	Of which defaulted	3,945,794	1,121,599	1,083,860	37,739	-

The Group adopts the standardized (credit risk) approach (STC) for all the non-securitization credit risk RWA, and the simply approach in treatment of recognized collateral for the purpose of calculating RWA. Meanwhile, the recognized collateral and the recognized guarantees were used as risk mitigation measures to manage the credit risk exposure, without involving any recognized credit derivative contract. There is no material movement of CR3 template compared with 31 December 2018.

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

		(HK\$'000)					%
		(a)	(b)	(c)	(d)	(e)	(f)
		Exposures pre-CCF and pre-CRM		Exposures post-CCF and post-CRM		RWA and RWA density	
	Exposure classes	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
1	Sovereign exposures	49,998,418	-	66,678,325	1,763	185,233	0%
2	PSE exposures	5,596,370	414,000	7,502,478	157,000	1,355,737	18%
2a	Of which: domestic PSEs	787,416	414,000	2,693,524	157,000	570,105	20%
2b	Of which: foreign PSEs	4,808,954	-	4,808,954	-	785,632	16%
3	Multilateral development bank exposures	2,977,697	-	2,977,697	-	-	0%
4	Bank exposures	333,250,738	156,141	369,447,291	191,785	132,858,318	36%
5	Securities firm exposures	185,240	1,692,244	185,240	-	92,620	50%
6	Corporate exposures	445,337,158	186,211,687	380,413,718	26,227,611	385,100,324	95%
7	CIS exposures	6,665,373	6,438,966	6,665,373	3,219,483	9,884,856	100%
8	Cash items	561,216	-	12,950,443	2,452,426	1,192,985	8%
9	Exposures in respect of failed delivery on transactions entered into on a basis other than a delivery-versus-payment basis	-	-	-	-	-	NA
10	Regulatory retail exposures	20,654,807	28,583,667	20,481,111	25,077	15,379,641	75%
11	Residential mortgage loans	49,062,597	-	47,157,930	-	22,510,873	48%
12	Other exposures which are not past due exposures	21,166,904	585,915	20,996,912	5	20,996,917	100%
13	Past due exposures	1,465,887	-	1,465,887	-	1,631,834	111%
14	Significant exposures to commercial entities	-	-	-	-	-	NA
15	Total	936,922,405	224,082,620	936,922,405	32,275,150	591,189,338	61%

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

Owing to the new purchases of bonds guaranteed by Sovereign, the on-balance sheet amount of "Exposures post-CCF and post-CRM" to sovereign uplifted 22.1% in the first half of 2019, resulting the rise of HKD 12 billion. Due to the increase of HKD 1.4 billion investment to foreign PSEs, the on-balance sheet amounts of "Exposures pre-CCF and pre-CRM", "Exposures post-CCF and post-CRM" and the RWA to foreign PSEs increased by HKD 1.4 billion, 1.4 billion and 326 million on 30 June 2019 compared with 31 December 2018, which also was the main reason of uplift of on-balance sheet amounts of "Exposures pre-CCF and pre-CRM", "Exposures post-CCF and post-CRM" and the RWA to PSE exposure in the same reporting period. Due to the HKD 963 million decreasing of multilateral development bank bond investment in the first half of 2019, the on-balance sheet amount of "Exposures post-CCF and post-CRM" to "Multilateral development bank exposures" decreased by 24.5% simultaneously. As the direct credit substitutes to banks dropped HKD 357 million in the first half of 2019, the off-balance sheet amounts of "Exposures pre-CCF and pre-CRM" and "Exposures post-CCF and post-CRM" to banks decreased by 69.55% and 69.22% respectively. Compared with 31 December 2018, the HKD 55.8 billion increase of the money market placement on 30 June 2019 was the main reason of 22.8% uplift of the RWA to bank exposures. As the principal amounts of loans to securities firms decreased by HKD 241 million in the first half of 2019, the on-balance sheet amounts of "Exposures pre-CCF and pre-CRM", "Exposures post-CCF and post-CRM" and the RWA to securities firm exposures decreased by 56.5% compared with 31 December 2018. Due to the decrease of commitments to securities firms that are unconditionally cancellable without prior notice, the off-balance sheet amounts of "Exposures pre-CCF and pre-CRM" to securities firms exposure decreased by 27.3% in the first half of 2019. With the expansion in asset management business, on-balance sheet amounts of "Exposures pre-CCF and pre-CRM", "Exposures post-CCF and post-CRM" and the RWA to CIS exposures uplifted 54.9%, 54.9%, and 28.8% respectively, resulting the rise of HKD 2.4 billion, 2.4 billion, and 2.2 billion on 30 June 2019 compared with 31 December 2018. As the decreased off-balance sheet exposure that is mitigated by cash collateral, the off-balance sheet amounts of "Exposures post-CCF and post-CRM" and the RWA to cash items decreased by HKD 2.4 billion and HKD 383 million respectively, which attributed to 49.7% and 24.3% drop in the first half of 2019. Mainly due to the new purchased TLAC bond issued by financial institutions amounting HKD 5.8 billion in the first half of 2019, the on-balance sheet amount of "Exposures pre-CCF and pre-CRM", "Exposures post-CCF and post-CRM" and the RWA to "Other exposures which are not past due exposures" uplifted 56.6%, 56.7%, 56.7% respectively on 30 June 2019 compared with 31 December 2018. Due to the decrease of commitments that are unconditionally cancellable without prior notice to individuals whom was not been classified as regulatory retail decreased by HKD 242 million in the first half of 2019, the off-balance sheet amount of "Exposures pre-CCF and pre-CRM" to "Other exposures which are not past due exposures" dropped 29.2% compared with 31 December 2018. With the decrease of loan amount which was past due over 90 days, the on-balance sheet amount of "Exposures pre-CCF and pre-CRM", "Exposures post-CCF and post-CRM" and the RWA to past due exposures uplifted 20.2%, 20.2% and 21.0% in the first half of 2019.

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

		(HK\$'000)										
		(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(ha)	(i)	(j)
	<div>Risk Weight</div> <div>Exposure class</div>	0%	10%	20%	35%	50%	75%	100%	150%	250%	Others	Total credit risk exposures amount (post CCF and post CRM)
1	Sovereign exposures	65,753,925	-	926,163	-	-	-	-	-	-	-	66,680,088
2	PSE exposures	880,795	-	6,778,683	-	-	-	-	-	-	-	7,659,478
2a	Of which: domestic PSEs	-	-	2,850,524	-	-	-	-	-	-	-	2,850,524
2b	Of which: foreign PSEs	880,795	-	3,928,159	-	-	-	-	-	-	-	4,808,954
3	Multilateral development bank exposures	2,977,697	-	-	-	-	-	-	-	-	-	2,977,697
4	Bank exposures	-	-	174,632,779	-	194,149,068	-	857,229	-	-	-	369,639,076
5	Securities firm exposures	-	-	-	-	185,240	-	-	-	-	-	185,240
6	Corporate exposures	-	-	1,402,951	-	40,837,288	-	364,401,090	-	-	-	406,641,329
7	CIS exposures	-	-	-	-	-	-	9,884,856	-	-	-	9,884,856
8	Cash items	9,437,939	-	5,964,930	-	-	-	-	-	-	-	15,402,869
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	-	-	-	-	-	20,506,188	-	-	-	-	20,506,188
11	Residential mortgage loans	-	-	-	36,160,801	-	4,570,150	6,426,979	-	-	-	47,157,930
12	Other exposures which are not past due exposures	-	-	-	-	-	-	20,996,917	-	-	-	20,996,917

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

		(HK\$'000)										
		(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(ha)	(i)	(j)
	<div><div>Risk Weight</div><div>Exposure class</div></div>	0%	10%	20%	35%	50%	75%	100%	150%	250%	Others	Total credit risk exposures amount (post CCF and post CRM)
13	Past due exposures	6,198	-	-	-	-	-	1,115,400	344,289	-	-	1,465,887
14	Significant exposures to commercial entities	-	-	-	-	-	-	-	-	-	-	-
15	Total	79,056,554	-	189,705,506	36,160,801	235,171,596	25,076,338	403,682,471	344,289	-	-	969,197,555

Owing to the new purchases of bond investment HKD 16.3 billion which was guaranteed by the high external rating governments, the Sovereign exposures with 0% risk weight uplifted 22.5% in the first half of 2019. As the Group decreased the bond investment HKD 274 million in the sovereign foreign PSEs, the PSE exposures of which foreign PSEs with 0% risk weight dropped 23.7% on 30 June 2019 compared with 31 December 2018. With the increased bond investment HKD 1.6 billion in the 20% risk weight foreign PSEs by the Group, the PSE exposures of which foreign PSEs with 20% risk weight uplifted 71% in the first half of 2019, which also attributed to the 36.4% increase of PSE exposures with 20% risk weight. Due to the HKD 963 million decrease of multilateral development bank bond investment, the multilateral development bank exposures with 0% risk weight dropped 24.5% compared with 31 December 2018. Mostly due to the HKD 55.8 billion increase of the money market placement on 30 June 2019, the bank exposures with 50% risk weight increased by 53.1% compared with the end of 2018. Due to the decrease in exposure to banks with lower external ratings, the bank exposures with 100% risk weight decreased HKD 1.7 billion, which attributed to the 68.5% drop in bank exposures with 100% risk weight in the first half of 2019. As the principal amounts of loans to securities firms decreased HKD 241 million in the first half of 2019, the securities firms with 50% risk weight dropped 56.5% compared with the end of 2018. Owing to the decrease in investment in the corporate bond with relevant high external ratings to HKD 436 million in the first half of 2019, the corporate exposures with 20% risk weight decreased by 23.7% compared with 31 December 2018. Due to the decrease of the on-balance sheet exposures mitigated by cash collateral on which the 20% risk weight applied, the cash items with 20% risk weight decreased by HKD 1.8 billion, which attributed to 24.3% drop of cash items with 20% risk weight in the first half of 2019. Following the expansion of residential mortgage business, there is a total increase in exposures to residential mortgage loans with 35%, 75%, and 100% risk weight by HKD 2.8 billion in the first half of 2019. Mainly due to the newly purchased TLAC bond issued by financial institutions amounting HKD 5.8 billion in the first half of 2019, the other exposures which are not past due exposures uplifted 56.7% on 30

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

June 2019 compared with 31 December 2018. With the decreasing of loan amount HKD 371 million which was past due over 90 days, the past due exposures with 150% risk weight dropped 27.3% in the first half of 2019.

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

		(HK\$'000)					
		(a)	(b)	(c)	(d)	(e)	(f)
		Replacement cost (RC)	PFE	Effective EPE	Alpha (α) used for computing default risk exposure	Default risk exposure after CRM	RWA
1	SA-CCR (for derivative contracts)	-	-		1.4	-	-
1a	CEM	7,335,613	10,958,874		-	18,294,487	10,090,522
2	IMM (CCR) approach			-	-	-	-
3	Simple Approach (for SFTs)					30,942,099	1,277,260
4	Comprehensive Approach (for SFTs)					-	-
5	VaR (for SFTs)					-	-
6	Total						11,367,782

Compared with 31 December 2018, the overall CEM RWA increased by 26% from HKD 8 billion to 10 billion. The current exposure of interest rates and equity contracts increased HKD 1.3 billion, which contributed to HKD 1.1 billion RWA increase. In addition, the overall position increase in foreign exchange and commodities derivative contracts contributed additional HKD 0.5 billion and HKD 0.4 billion RWA respectively.

CCR2: CVA capital charge

		(HK\$'000)	
		(a)	(b)
		EAD post CRM	RWA
	Netting sets for which CVA capital charge is calculated by the advanced CVA method	-	-
1	(i) VaR (after application of multiplication factor if applicable)		-
2	(ii) Stressed VaR (after application of multiplication factor if applicable)		-
3	Netting sets for which CVA capital charge is calculated by the standardized CVA method	21,390,435	5,855,400
4	Total	21,390,435	5,855,400

On 30 June 2019, there was no material movement of CCR2 template compared with 31 December 2018.

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

		(HK\$'000)										
		(a)	(b)	(c)	(ca)	(d)	(e)	(f)	(g)	(ga)	(h)	(i)
	<div>Risk Weight</div> <div>Exposure class</div>	0%	10%	20%	35%	50%	75%	100%	150%	250%	Others	Total default risk exposure after CRM
1	Sovereign exposures	-	-	-	-	-	-	-	-	-	-	-
2	PSE exposures	-	-	-	-	-	-	-	-	-	-	-
2a	Of which: domestic PSEs	-	-	-	-	-	-	-	-	-	-	-
2b	Of which: foreign PSEs	-	-	-	-	-	-	-	-	-	-	-
3	Multilateral development bank exposures	-	-	-	-	-	-	-	-	-	-	-
4	Bank exposures	27,862,599	-	8,710,606	-	5,379,008	-	-	-	-	-	41,952,213
5	Securities firm exposures	-	-	-	-	-	-	-	-	-	-	-
6	Corporate exposures	250,884	-	-	-	127,130	-	6,612,541	-	-	-	6,990,555
7	CIS exposures	-	-	-	-	-	-	-	-	-	-	-
8	Regulatory retail exposures	-	-	-	-	-	135,065	-	-	-	-	135,065
9	Residential mortgage loans	-	-	-	-	-	-	-	-	-	-	-
10	Other exposures which are not past due exposures	-	-	-	-	-	-	158,753	-	-	-	158,753
11	Significant exposures to commercial entities	-	-	-	-	-	-	-	-	-	-	-
12	Total	28,113,483	-	8,710,606	-	5,506,138	135,065	6,771,294	-	-	-	49,236,586

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

Compared with 31 December 2018, the overall default risk exposure increased by 20% from HKD 41.0 billion to 49.2 billion, mainly contributed by the increase in 0% risk weight exposure by HKD 6.3 billion and the 100% risk weight corporate exposure by HKD 1.8 billion. The increase was mainly contributed by overall increase in Repo business and OTC derivative contracts' default risk exposure by HKD 4.7 billion and HKD 3.6 billion respectively.

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

	(HK\$'000)					
	(a)	(b)	(c)	(d)	(e)	(f)
	Derivative contracts				SFTs	
	Fair value of recognized collateral received		Fair value of posted collateral		Fair value of recognized collateral received	Fair value of posted collateral
	Segregated	Unsegregated	Segregated	Unsegregated		
Cash - domestic currency	-	-	-	-	-	-
Cash - other currencies	303,773	-	-	-	17,095,503	448,927
Domestic sovereign debt	-	-	-	-	-	-
Other sovereign debt	-	-	-	-	-	6,977,895
Domestic PSE debt	-	-	-	-	-	384,306
Government agency debt	-	-	-	-	-	-
Corporate bonds	-	-	-	-	-	6,818,009
Bank bonds/debts	-	-	-	-	-	10,994,204
Equity securities	-	-	-	-	281,414	-
Other collateral	-	-	-	-	-	5,037,344
Total	303,773	-	-	-	17,376,917	30,660,685

The increase of collateral incurred by derivative contracts was due to the increase of replacement cost in netting set with counterparties under VMCSA contracts. In the meantime, to deal with the short term liquidity management, the Group made use of REPO and Reverse-REPO market and entered trades with original maturity less than 3 months. Thus, the distribution of collateral received and posted in SFTs would show relatively material movements in the reporting period.

CCR6: Credit-related derivatives contracts

	(HK\$'000)	
	(a)	(b)
	Protection bought	Protection sold
Notional amounts		
Single-name credit default swaps	-	-
Index credit default swaps	-	-
Total return swaps	-	-
Credit-related options	-	-
Other credit-related derivative contracts	-	-
Total notional amounts	-	-
Fair values		
Positive fair value (asset)	-	-
Negative fair value (liability)	-	-

CCR8: Exposures to CCPs

		(HK\$'000)	
		(a)	(b)
		Exposure after CRM	RWA
1	Exposures of the AI as clearing member or client to qualifying CCPs (total)		1,388,248
2	Default risk exposures to qualifying CCPs (excluding items disclosed in rows 7 to 10), of which:	3,095,949	61,919
3	(i) OTC derivative transactions	3,095,949	61,919
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	3,845,291	76,906
9	Funded default fund contributions	123,222	1,249,423
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	-	-

Compared with 31 December 2018, the CCP RWA increased from HKD 819 million to HKD 1,388 million due to more initial margin and default fund requested by the qualifying CCPs to the Group as the business development, and which contributed HKD 48 million and HKD 512 million RWA increase respectively.

SEC1: Securitization exposures in banking book

		(HK\$'000)								
		(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
		Acting as originator (excluding sponsor)			Acting as sponsor			Acting as investor		
		Traditional	Synthetic	Sub-total	Traditional	Synthetic	Sub-total	Traditional	Synthetic	Sub-total
1	Retail (total) – of which:	-	-	-	-	-	-	-	-	-
2	residential mortgage	-	-	-	-	-	-	-	-	-
3	credit card	-	-	-	-	-	-	-	-	-
4	other retail exposures	-	-	-	-	-	-	-	-	-
5	re-securitization exposures	-	-	-	-	-	-	-	-	-
6	Wholesale (total) – of which:	-	-	-	-	-	-	-	-	-
7	loans to corporates	-	-	-	-	-	-	-	-	-
8	commercial mortgage	-	-	-	-	-	-	-	-	-
9	lease and receivables	-	-	-	-	-	-	-	-	-
10	other wholesale	-	-	-	-	-	-	-	-	-
11	re-securitization exposures	-	-	-	-	-	-	-	-	-

SEC2: Securitization exposures in trading book

		(HK\$'000)								
		(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
		Acting as originator (excluding sponsor)			Acting as sponsor			Acting as investor		
		Traditional	Synthetic	Sub-total	Traditional	Synthetic	Sub-total	Traditional	Synthetic	Sub-total
1	Retail (total) – of which:	-	-	-	-	-	-	-	-	-
2	residential mortgage	-	-	-	-	-	-	-	-	-
3	credit card	-	-	-	-	-	-	-	-	-
4	other retail exposures	-	-	-	-	-	-	-	-	-
5	re-securitization exposures	-	-	-	-	-	-	-	-	-
6	Wholesale (total) – of which:	-	-	-	-	-	-	-	-	-
7	loans to corporates	-	-	-	-	-	-	-	-	-
8	commercial mortgage	-	-	-	-	-	-	-	-	-
9	lease and receivables	-	-	-	-	-	-	-	-	-
10	other wholesale	-	-	-	-	-	-	-	-	-
11	re-securitization exposures	-	-	-	-	-	-	-	-	-

SEC3: Securitization exposures in banking book and associated capital requirements – where AI acts as originator

		(HK\$'000)																
		(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)	(n)	(o)	(p)	(q)
		Exposure values (by RW bands)					Exposure values (by regulatory approach)				RWAs (by regulatory approach)				Capital charges after cap			
		≤20% RW	>20% to 50% RW	>50% to 100% RW	>100% to <1250% RW	1250% RW	SEC-IRBA	SEC-ERB A (incl. IAA)	SEC-SA	SEC-FBA	SEC-IRBA	SEC-ERB A (incl. IAA)	SEC-SA	SEC-FBA	SEC-IRBA	SEC-ERB A (incl. IAA)	SEC-SA	SEC-FBA
1	Total exposures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2	Traditional securitization	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3	Of which securitization	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4	Of which retail	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5	Of which wholesale	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6	Of which re-securitization	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
7	Of which senior	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
8	Of which non-senior	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
9	Synthetic securitization	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
10	Of which securitization	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11	Of which retail	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12	Of which wholesale	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
13	Of which re-securitization	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14	Of which senior	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
15	Of which non-senior	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

SEC4: Securitization exposures in banking book and associated capital requirements – where AI acts as investor

		(HK\$'000)																
		(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)	(n)	(o)	(p)	(q)
		Exposure values (by RW bands)					Exposure values (by regulatory approach)				RWAs (by regulatory approach)				Capital charges after cap			
		≤20% RW	>20% to 50% RW	>50% to 100% RW	>100% to <1250% RW	1250% RW	SEC-IRBA	SEC-ERB A (incl. IAA)	SEC-SA	SEC-FBA	SEC-IRBA	SEC-ERB A (incl. IAA)	SEC-SA	SEC-FBA	SEC-IRBA	SEC-ERB A (incl. IAA)	SEC-SA	SEC-FBA
1	Total exposures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2	Traditional securitization	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3	Of which securitization	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4	Of which retail	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5	Of which wholesale	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6	Of which re-securitization	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
7	Of which senior	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
8	Of which non-senior	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
9	Synthetic securitization	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
10	Of which securitization	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11	Of which retail	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12	Of which wholesale	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
13	Of which re-securitization	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14	Of which senior	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
15	Of which non-senior	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

MR1: Market risk under STM approach

		(HK\$'000)
		(a)
		RWA
	Outright product exposures	
1	Interest rate exposures (general and specific risk)	5,885,925
2	Equity exposures (general and specific risk)	-
3	Foreign exchange (including gold) exposures	13,313,262
4	Commodity exposures	2,477,300
	Option exposures	
5	Simplified approach	-
6	Delta-plus approach	65,863
7	Other approach	-
8	Securitization exposures	-
9	Total	21,742,350

Compared with 31 Dec 2018, Market risk RWA increased in 30 June 2019 as a result of the increase in Commodity risk. RWA of Commodity risk increased by HKD 1.67 billion as commodity position increased in the first half of 2019.