



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 3RD 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
		30/9/2019	30/6/2019	30/9/2019
1	Credit risk for non-securitization exposures	587,482,660	591,189,338	46,998,613
2	Of which STC approach	587,482,660	591,189,338	46,998,613
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	12,893,413	12,756,030	1,031,473
7	Of which SA-CCR	N/A	N/A	N/A
7a	Of which CEM	10,373,067	10,090,522	829,845
8	Of which IMM(CCR) approach	N/A	N/A	N/A
9	Of which others	2,520,346	2,665,508	201,628
10	CVA risk	6,106,263	5,855,400	488,501
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 (Including IAA)	-	-	-
19	Of which SEC-SA	-	-	-
19a	Of which SEC-FBA	-	-	-
20	Market risk	20,982,888	21,742,350	1,678,631
21	Of which STM approach	20,982,888	21,742,350	1,678,631
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	26,311,400	25,731,438	2,104,912

		(HK\$'000)		
		(a)	(b)	(c)
		RWA		Minimum capital requirements
		30/9/2019	30/6/2019	30/9/2019
24a	Sovereign concentration risk	N/A	N/A	N/A
25	Amounts below the thresholds for deduction (subject to 250% RW)	1,862,308	1,856,218	148,985
26	Capital floor adjustment	-	-	-
26a	Deduction to RWA	346,587	349,723	27,727
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	346,587	349,723	27,727
27	Total	655,292,345	658,781,051	52,423,388

The Group is in compliance with the Banking (Capital) Rules to calculate 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 dates. There was neither regulatory reserve nor collective provision which needed to be deducted from RWA. There was no RWA capital floor adjustment. The RWA items only had small or moderate fluctuations as business development.

KM1: Key prudential ratios

		(HK\$'000)				
		(a)	(b)	(c)	(d)	(e)
		30/9/2019	30/6/2019	31/3/2019	31/12/2018	30/09/2018
Regulatory capital (amount)						
1	Common Equity Tier 1 (CET1)	98,546,660	97,243,266	87,240,964	83,758,638	81,016,715
2	Tier 1	126,256,729	124,836,699	114,986,024	111,439,018	108,675,358
3	Total capital	132,475,576	131,117,393	125,286,922	122,647,581	123,832,810
RWA (amount)						
4	Total RWA	655,292,345	658,781,051	649,954,945	621,102,763	641,201,309
Risk-based regulatory capital ratios (as a percentage of RWA)						
5	CET1 ratio (%)	15.04%	14.76%	13.42%	13.49%	12.64%
6	Tier 1 ratio (%)	19.27%	18.95%	17.69%	17.94%	16.95%
7	Total capital ratio (%)	20.22%	19.90%	19.28%	19.75%	19.31%
Additional CET1 buffer requirements (as a percentage of RWA)						
8	Capital conservation buffer requirement (%)	2.50%	2.50%	2.50%	1.88%	1.88%
9	Countercyclical capital buffer requirement (%)	1.47%	1.43%	1.46%	1.11%	1.09%
10	Higher loss absorbency requirements (%) (applicable only to G-SIBs or D-SIBs)	1.00%	1.00%	1.00%	1.00%	N/A
11	Total AI-specific CET1 buffer requirements (%)	4.97%	4.93%	4.96%	3.99%	2.97%
12	CET1 available after meeting the AI's minimum capital requirements (%)	9.41%	9.14%	7.80%	7.85%	7.00%
Basel III leverage ratio						
13	Total leverage ratio (LR) exposure measure	983,598,512	1,008,248,331	970,830,470	954,169,051	983,523,454
14	LR (%)	12.84%	12.38%	11.84%	11.68%	11.05%
Liquidity Coverage Ratio (LCR) / Liquidity Maintenance Ratio (LMR)						
Applicable to category 1 institution only:						
15	Total high quality liquid assets (HQLA)	104,475,382	89,084,968	71,532,834	72,846,277	70,385,574
16	Total net cash outflows	58,935,245	42,735,113	38,832,316	39,346,587	43,480,966
17	LCR (%)	182.72%	210.62%	184.02%	185.90%	162.07%
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	540,023,701	557,437,022	534,852,915	529,123,985	531,644,002
19	Total required stable funding	453,605,598	468,093,817	473,250,523	446,290,441	443,864,921

		(HK\$'000)				
		(a)	(b)	(c)	(d)	(e)
		30/9/2019	30/6/2019	31/3/2019	31/12/2018	30/09/2018
20	NSFR (%)	119.05%	119.09%	113.02%	118.56%	119.78%
	Applicable to category 2A institution only:					
20a	CFR (%)	N/A	N/A	N/A	N/A	N/A

LR2: Leverage ratio ("LR")

		(a)	(b)
		(HK\$'000)	
		30/9/2019	30/6/2019
On-balance sheet exposures			
1	On-balance sheet exposures (excluding those arising from derivative contracts and SFTs, but including collateral)	896,798,757	918,442,812
2	Less: Asset amounts deducted in determining Tier 1 capital	(3,173,515)	(3,041,745)
3	Total on-balance sheet exposures (excluding derivative contracts and SFTs)	893,625,242	915,401,067
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)	10,353,496	8,462,519
5	Add-on amounts for PFE associated with all derivative contracts	11,934,095	12,927,917
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	(6,045,099)	(4,762,486)
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	16,242,492	16,627,950
Exposures arising from SFTs			
12	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	24,067,119	30,942,099
13	Less: Netted amounts of cash payables and cash receivables of gross SFT assets	-	-
14	CCR exposure for SFT assets	1,707,512	2,851,069
15	Agent transaction exposures	-	-
16	Total exposures arising from SFTs	25,774,631	33,793,168
Other off-balance sheet exposures			
17	Off-balance sheet exposure at gross notional amount	223,353,886	224,382,620
18	Less: Adjustments for conversion to credit equivalent amounts	(168,822,619)	(175,866,510)
19	Off-balance sheet items	54,531,267	48,516,110
Capital and total exposures			
20	Tier 1 capital	126,256,729	124,836,699
20a	Total exposures before adjustments for specific and collective provisions	990,173,632	1,014,338,295
20b	Adjustments for specific and collective provisions	(6,575,120)	(6,089,964)
21	Total exposures after adjustments for specific and collective provisions	983,598,512	1,008,248,331
Leverage ratio			
22	Leverage ratio	12.84%	12.38%

LR2: Leverage ratio ("LR") (continued)

For item 4: Due to the increase amount in exchange rate contracts and interest rate contracts, the replacement cost associated with all derivative contracts has raised by HKD 1,891 million (+22.35%).

For item 7: Due to the increase in clearing settlement account balance, the receivables assets for cash variation margin provided under derivative contracts has raised by HKD 1,283 million (+26.93%).

For item 16 (include 12 and 14): Due to the Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions and CCR exposure for SFT assets are decreased by HKD 6,875 million (-22.22%) and HKD 1,144 million (-40.11%) respectively, the total exposure arising from SETs has decreased by HKD 8,019 million (-23.73%).

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: (77)		(HK\$'000)	
		(a)	(b)
Basis of disclosure: consolidated		Unweighted value (average)	Weighted value (average)
A. HQLA			
1	Total HQLA		104,475,382
B. Cash outflows			
2	Retail deposits and small business funding, of which:	176,062,604	16,984,466
3	<i>Stable retail deposits and stable small business funding</i>	8,882,789	266,484
4	<i>Less stable retail deposits and less stable small business funding</i>	167,179,815	16,717,982
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:	294,448,272	153,521,713
6	<i>Operational deposits</i>	47,248,760	11,728,443
7	<i>Unsecured wholesale funding (other than small business funding) not covered in row 6</i>	245,684,076	140,277,834
8	<i>Debt securities and prescribed instruments issued by the AI and redeemable within the LCR period</i>	1,515,436	1,515,436
9	Secured funding transactions (including securities swap transactions)		2,021,287
10	Additional requirements, of which:	52,747,589	9,150,993
11	<i>Cash outflows arising from derivative contracts and other transactions, and additional liquidity needs arising from related collateral requirements</i>	4,930,049	4,282,885
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>	47,817,540	4,868,108
14	Contractual lending obligations (not otherwise covered in Section B) and other contractual cash outflows	969,609	969,609
15	Other contingent funding obligations (whether contractual or non-contractual)	597,343,762	820,757
16	Total Cash Outflows		183,468,825
C. Cash Inflows			
17	Secured lending transactions (including securities swap transactions)	599,924	4,406
18	Secured and unsecured loans (other than secured lending transactions covered in row 17) and operational deposits placed at other financial institutions	155,781,630	122,120,369
19	Other cash inflows	82,619,606	3,696,730
20	Total Cash Inflows	239,001,160	125,821,505
D. Liquidity Coverage Ratio			
21	Total HQLA		104,475,382
22	Total Net Cash Outflows		58,935,245
23	LCR (%)		182.72%

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

Liquidity Coverage Ratio

The Liquidity Coverage Ratio (“LCR”) throughout the third 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 changes of HQLA position, as well as mature of various kinds of asset and liability.

(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 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.