



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

2020 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 (collectively the “Group”) to comply with the Banking (Disclosure) Rules (“BDR”) (Cap. 155M) and Part 6 of the Financial Institutions (Resolution) (Loss-absorbing Capacity Requirements – Banking Sector) Rules, 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
		30/9/2020	30/6/2020	30/9/2020
1	Credit risk for non-securitization exposures	617,987,898	593,445,828	49,439,032
2	Of which STC approach	617,987,898	593,445,828	49,439,032
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	12,309,916	13,002,525	984,793
7	Of which SA-CCR	N/A	N/A	N/A
7a	Of which CEM	9,686,042	10,230,567	774,883
8	Of which IMM(CCR) approach	N/A	N/A	N/A
9	Of which others	2,623,874	2,771,958	209,910
10	CVA risk	4,417,113	7,255,563	353,369
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	22,502,650	21,898,938	1,800,212
21	Of which STM approach	22,502,650	21,898,938	1,800,212
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	26,805,463	26,725,938	2,144,437
24a	Sovereign concentration risk	N/A	N/A	N/A
25	Amounts below the thresholds for deduction (subject to 250% RW)	1,949,610	1,970,870	155,969

OV1: Overview of RWA (continued)

		(HK\$'000)		
		(a)	(b)	(c)
		RWA		Minimum capital requirements
		30/9/2020	30/6/2020	30/9/2020
26	Capital floor adjustment	-	-	-
26a	Deduction to RWA	133,418	134,136	10,673
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	133,418	134,136	10,673
27	Total	685,839,232	664,165,526	54,867,139

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 neither settlement risk, nor securitization exposure RWA on the reporting date. There was neither regulatory reserve for general banking risks nor collective provision which needed to be deducted from RWA. There was no RWA capital floor adjustment. The "CVA risk" decreased by 39.12%, amounting HKD 2.838 billion in Q3 2020. The difference was mainly due to OTC derivative transactions with a CCP as at 30 September 2020 being excluded in accordance with section 226N in Division 3 of Part 6A of the Banking (Capital) Rules. The other RWA items only had small or moderate fluctuations in line with business development.

KM1: Key prudential ratios

		Restated	Restated	Restated	Restated	
		(HK\$'000)				
		(a)	(b)	(c)	(d)	(e)
		30/9/2020	30/6/2020	31/3/2020	31/12/2019	30/9/2019
Regulatory capital (amount)						
1	Common Equity Tier 1 (CET1)	104,650,155	103,519,734	101,862,258	101,411,803	98,546,660
2	Tier 1	132,041,949	130,911,881	129,265,008	128,929,952	126,256,729
3	Total capital	137,632,613	136,252,629	135,284,687	134,704,110	132,475,576
RWA (amount)						
4	Total RWA	685,839,232	664,165,526	665,683,935	655,059,093	655,292,345
Risk-based regulatory capital ratios (as a percentage of RWA)						
5	CET1 ratio (%)	15.26%	15.59%	15.30%	15.48%	15.04%
6	Tier 1 ratio (%)	19.25%	19.71%	19.42%	19.68%	19.27%
7	Total capital ratio (%)	20.07%	20.51%	20.32%	20.56%	20.22%
Additional CET1 buffer requirements (as a percentage of RWA)						
8	Capital conservation buffer requirement (%)	2.50%	2.50%	2.50%	2.50%	2.50%
9	Countercyclical capital buffer requirement (%)	0.61%	0.60%	0.61%	1.18%	1.47%
10	Higher loss absorbency requirements (%) (applicable only to G-SIBs or D-SIBs)	1.00%	1.00%	1.00%	1.00%	1.00%
11	Total AI-specific CET1 buffer requirements (%)	4.11%	4.10%	4.11%	4.68%	4.97%
12	CET1 available after meeting the AI's minimum capital requirements (%)	10.76%	11.09%	10.80%	10.98%	10.54%
Basel III leverage ratio						
13	Total leverage ratio (LR) exposure measure	1,025,036,782	1,003,459,751	999,337,753	1,016,013,892	983,598,512
14	LR (%)	12.88%	13.05%	12.94%	12.69%	12.84%
Liquidity Coverage Ratio (LCR) / Liquidity Maintenance Ratio (LMR)						
Applicable to category 1 institution only:						
15	Total high quality liquid assets (HQLA)	117,152,338	98,723,133	115,697,884	118,582,276	104,475,382
16	Total net cash outflows	62,926,580	54,175,923	49,136,245	64,336,082	58,935,245
17	LCR (%)	194.37%	186.61%	239.91%	191.29%	182.72%
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	524,109,034	546,833,859	553,024,230	550,098,557	540,023,701
19	Total required stable funding	466,124,321	473,668,074	467,448,819	459,035,749	453,605,598
20	NSFR (%)	112.44%	115.45%	118.31%	119.84%	119.05%
Applicable to category 2A institution only:						
20a	CFR (%)	N/A	N/A	N/A	N/A	N/A

KM1: Key prudential ratios (continued)

The LCR as of the third quarter of 2020 increased by 7.76% compared to that as of the second quarter of 2020. Such increase was mainly due to the increase in HQLA by HKD 18.4 billion, partly offset by the increase in total net cash outflows by HKD 8.8 billion, which was resulted from the maturing impact from various kinds of asset and liability.

Item 12 "CET1 available after meeting the AI's minimum capital requirements (%)" as at 30 September 2020 is calculated based on the minimum CET1 requirement under BCR section 3B. The comparative figures have been restated based on the same calculation basis.

LR2: Leverage ratio ("LR")

		(a)	(b)
		(HK\$'000)	
		30/9/2020	30/6/2020
On-balance sheet exposures			
1	On-balance sheet exposures (excluding those arising from derivative contracts and SFTs, but including collateral)	942,546,943	917,576,608
2	Less: Asset amounts deducted in determining Tier 1 capital	(1,431,339)	(1,435,324)
3	Total on-balance sheet exposures (excluding derivative contracts and SFTs)	941,115,604	916,141,284
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)	14,465,980	13,734,695
5	Add-on amounts for PFE associated with all derivative contracts	10,342,961	10,256,557
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	(7,947,626)	(8,705,822)
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	16,861,315	15,285,430
Exposures arising from SFTs			
12	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	21,821,132	25,282,127
13	Less: Netted amounts of cash payables and cash receivables of gross SFT assets	-	-
14	CCR exposure for SFT assets	2,198,873	3,255,105
15	Agent transaction exposures	-	-
16	Total exposures arising from SFTs	24,020,005	28,537,232
Other off-balance sheet exposures			
17	Off-balance sheet exposure at gross notional amount	212,494,626	213,189,977
18	Less: Adjustments for conversion to credit equivalent amounts	(162,418,164)	(163,036,698)
19	Off-balance sheet items	50,076,462	50,153,279
Capital and total exposures			
20	Tier 1 capital	132,041,949	130,911,881
20a	Total exposures before adjustments for specific and collective provisions	1,032,073,386	1,010,117,225
20b	Adjustments for specific and collective provisions	(7,036,604)	(6,657,474)
21	Total exposures after adjustments for specific and collective provisions	1,025,036,782	1,003,459,751
Leverage ratio			
22	Leverage ratio	12.88%	13.05%

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

Item 14:

Due to the account payable under security repo has increased, CCR exposure for SFT assets decreased by HKD 1,056 million (-32.4%).

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: (78)		(HK\$'000)	
		(a)	(b)
Basis of disclosure: consolidated		Unweighted value (average)	Weighted value (average)
A. HQLA			
1	Total HQLA		120,532,684
B. Cash outflows			
2	Retail deposits and small business funding, of which:	157,150,114	14,984,259
3	<i>Stable retail deposits and stable small business funding</i>	10,439,310	313,179
4	<i>Less stable retail deposits and less stable small business funding</i>	146,710,804	14,671,080
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:	295,371,569	143,499,583
6	<i>Operational deposits</i>	56,966,580	14,148,030
7	<i>Unsecured wholesale funding (other than small business funding) not covered in row 6</i>	237,404,247	128,350,811
8	<i>Debt securities and prescribed instruments issued by the AI and redeemable within the LCR period</i>	1,000,742	1,000,742
9	Secured funding transactions (including securities swap transactions)	-	3,726,495
10	Additional requirements, of which:	68,334,968	15,041,506
11	<i>Cash outflows arising from derivative contracts and other transactions, and additional liquidity needs arising from related collateral requirements</i>	9,982,630	9,110,523
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>	58,352,338	5,930,983
14	Contractual lending obligations (not otherwise covered in Section B) and other contractual cash outflows	2,764,810	2,764,810
15	Other contingent funding obligations (whether contractual or non-contractual)	600,375,902	839,980
16	Total Cash Outflows		180,856,633
C. Cash Inflows			
17	Secured lending transactions (including securities swap transactions)	63,620	39,643
18	Secured and unsecured loans (other than secured lending transactions covered in row 17) and operational deposits placed at other financial institutions	145,949,535	114,052,708
19	Other cash inflows	104,965,535	5,675,138
20	Total Cash Inflows	250,978,690	119,767,489
D. Liquidity Coverage Ratio			
		Adjusted value	
21	Total HQLA		117,152,338
22	Total Net Cash Outflows		62,926,580
23	LCR (%)		194.37%

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

Liquidity Coverage Ratio

The Liquidity Coverage Ratio (“LCR”) throughout the third quarter of 2020 meets the regulatory requirement and maintains at a high level. The LCR as of the third quarter of 2020 increases by 7.76% compared to that as of the second quarter of 2020. Such increase is mainly due to the increase in HQLA by HKD 18.4 billion, partly offset by increase in total net cash outflows by HKD 8.8 billion, which is resulted from the maturing impact from various kinds of asset and liability.

(i) Main drivers of its LCR results

The change in the Bank’s LCR is mainly due to the changes in HQLA position, as well as the maturing impact from various kinds of asset and liability which impacts the net cash outflows.

(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, the US Treasuries as well as the China Government bonds, 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 needs. 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.

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

(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 Mainland China, Chinese 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 the Risk Management Committee of Board of Directors ("BRMC"), senior management committees including the SERMC and the ALCO. Policies and procedures are in place, with properly approved limits and indicators in order to identify, measure and monitor liquidity risk. Cash flow stress tests are conducted regularly, and the Bank has readied the Contingent Funding Plan with details the procedures in dealing with a potential liquidity crisis.

KM2(A): Key metrics – LAC requirements for material subsidiaries (at LAC consolidation group level)

		(HK\$'000)				
		(a)	(b)	(c)	(d)	(e)
		30/9/2020	30/6/2020	31/3/2020 (Note1)	31/12/2019 (Note1)	30/9/2019 (Note1)
Of the material entity at LAC consolidation group level						
1	Internal loss-absorbing capacity available	129,123,214	127,743,120	N/A	N/A	N/A
2	Risk-weighted amount under the LAC Rules	685,839,232	664,165,526	N/A	N/A	N/A
3	Internal LAC risk-weighted ratio	18.83%	19.23%	N/A	N/A	N/A
4	Exposure measure under the LAC Rules	1,025,036,782	1,003,459,751	N/A	N/A	N/A
5	Internal LAC leverage ratio	12.60%	12.73%	N/A	N/A	N/A
6a	Does the subordination exemption in the antepenultimate paragraph of Section 11 of the FSB TLAC Term Sheet apply?(Note 2)	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
6b	Does the subordination exemption in the penultimate paragraph of Section 11 of the FSB TLAC Term Sheet apply? (Note 2)	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
6c	If the capped subordination exemption applies, the amount of funding issued that ranks pari passu with excluded liabilities and that is recognised as external loss-absorbing capacity, divided by funding issued that ranks pari passu with excluded liabilities and that would be recognised as external loss-absorbing capacity if no cap was applied (Note 2)	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable

Note 1: The LAC disclosures for the Group commences from 30 June 2020 in accordance with the Financial Institutions (Resolution) (Loss-absorbing Capacity Requirements – Banking Sector) Rules (“LAC Rules”), accordingly the prior periods’ ratio are not applicable.

Note 2: The subordination exemptions in the antepenultimate and penultimate paragraphs of Section 11 of the FSB TLAC Term Sheet do not apply in Hong Kong under the LAC Rules.

KM2(B): Key metrics – TLAC requirements for non-HK resolution entity (at resolution group level)

		(HK\$ Million)				
		(a)	(b)	(c)	(d)	(e)
		30/9/2020	30/6/2020	31/3/2020 (Note1)	31/12/2019 (Note1)	30/9/2019 (Note1)
Of the non-HK resolution entity at resolution group level (Note 2)						
1	External loss-absorbing capacity available	3,742,908	3,461,757	N/A	N/A	N/A
2	Total risk-weighted amount under the relevant non-HK LAC regime	22,722,856	21,642,285	N/A	N/A	N/A
3	External loss-absorbing capacity as a percentage of risk-weighted amount	16.47%	16.00%	N/A	N/A	N/A
4	Leverage ratio exposure measure under the relevant non-HK LAC regime	40,339,230	38,578,603	N/A	N/A	N/A
5	External loss-absorbing capacity as a percentage of leverage ratio exposure measure	9.28%	8.97%	N/A	N/A	N/A
6a	Does the subordination exemption in the antepenultimate paragraph of Section 11 of the FSB TLAC Term Sheet apply?	N/A	N/A	N/A	N/A	N/A
6b	Does the subordination exemption in the penultimate paragraph of Section 11 of the FSB TLAC Term Sheet apply?	N/A	N/A	N/A	N/A	N/A
6c	If the capped subordination exemption applies, the amount of funding issued that ranks pari passu with excluded liabilities and that is recognised as external loss-absorbing capacity, divided by funding issued that ranks pari passu with excluded liabilities and that would be recognised as external loss-absorbing capacity if no cap was applied	N/A	N/A	N/A	N/A	N/A

Note 1: The LAC disclosures for the Group commences from 30 June 2020 in accordance with the LAC Rules, accordingly the prior periods' ratio are not applicable.

Note 2: As LAC requirement under a regulatory regime in the mainland China is not yet implemented, so the values for row 1 to 5 are reported using the values of total regulatory capital, risk-weighted amount and leverage ratio exposure measure of the non-HK resolution entity.