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 1ST 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 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.

KM1: Key prudential ratios

		Restated				
		(HK$'000)				
		(a)	(b)	(c)	(d)	(e)
		31/3/2020	31/12/2019	30/9/2019	30/6/2019	31/3/2019
	Regulatory capital (amount)					
1	Common Equity Tier 1 (CET1)	101,862,258	101,411,803	98,546,660	97,243,266	87,240,964
2	Tier 1	129,265,008	128,929,952	126,256,729	124,836,699	114,986,024
3	Total capital	135,284,687	134,704,110	132,475,576	131,117,393	125,286,922
	RWA (amount)					
4	Total RWA	665,683,935	655,059,093	655,292,345	658,781,051	649,954,945
	Risk-based regulatory capital ratios (as a percentage of RWA)					
5	CET1 ratio (%)	15.30%	15.48%	15.04%	14.76%	13.42%
6	Tier 1 ratio (%)	19.42%	19.68%	19.27%	18.95%	17.69%
7	Total capital ratio (%)	20.32%	20.56%	20.22%	19.90%	19.28%
	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%	1.18%	1.47%	1.43%	1.46%
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%	4.68%	4.97%	4.93%	4.96%
12	CET1 available after meeting the AI's minimum capital requirements (%)	9.68%	9.87%	9.41%	9.14%	7.80%
	Basel III leverage ratio					
13	Total leverage ratio (LR) exposure measure	999,337,753	1,016,013,892	983,598,512	1,008,248,331	970,830,470
14	LR (%)	12.94%	12.69%	12.84%	12.38%	11.84%
	Liquidity Coverage Ratio (LCR) / Liquidity Maintenance Ratio (LMR)					
	Applicable to category 1 institution only:					
15	Total high quality liquid assets (HQLA)	115,697,884	118,582,276	104,475,382	89,084,968	71,532,834
16	Total net cash outflows	49,136,245	64,336,082	58,935,245	42,735,113	38,832,316
17	LCR (%)	239.91%	191.29%	182.72%	210.62%	184.02%
	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	553,024,230	550,098,557	540,023,701	557,437,022	534,852,915
19	Total required stable funding	467,448,819	459,035,749	453,605,598	468,093,817	473,250,523
20	NSFR (%)	118.31%	119.84%	119.05%	119.09%	113.02%
	Applicable to category 2A institution only:					
20a	CFR (%)	N/A	N/A	N/A	N/A	N/A

For item 9:

The Hong Kong Monetary Authority has announced the Countercyclical buffer (CcyB) for Hong Kong is reduced from 2.0% to 1.0% in 16 March 2020. Therefore, the Countercyclical capital buffer requirement in ICBC Asia has reduced by 0.57% compared to 31 December 2019.

For item 17:

The LCR as of the first quarter of 2020 increases by 48.62% compared to that as of the fourth quarter of 2019. Such increase is mainly due to the decrease in net cash outflows by HKD 15.2 billion, which is resulted from the maturing impact from various kinds of asset and liability.

OV1: Overview of RWA

		Restated (HK$'000)		
		(a)	(b)	(c)
		RWA		Minimum capital requirements
		31/3/2020	31/12/2019	31/3/2020
1	Credit risk for non-securitization exposures	595,530,971	587,089,685	47,642,478
2	Of which STC approach	595,530,971	587,089,685	47,642,478
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	13,689,956	12,010,827	1,095,196
7	Of which SA-CCR	N/A	N/A	N/A
7a	Of which CEM	10,139,616	8,869,419	811,169
8	Of which IMM(CCR) approach	N/A	N/A	N/A
9	Of which others	3,550,340	3,141,408	284,027
10	CVA risk	6,692,088	5,108,075	535,367
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	21,352,363	22,935,450	1,708,189
21	Of which STM approach	21,352,363	22,935,450	1,708,189
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	26,976,650	26,478,438	2,158,132
24a	Sovereign concentration risk	N/A	N/A	N/A
25	Amounts below the thresholds for deduction (subject to 250% RW)	1,799,800	1,796,590	143,984

OV1: Overview of RWA (continued)

		Restated (HK$'000)		
		(a)	(b)	(c)
		RWA		Minimum capital requirements
		31/3/2020	31/12/2019	31/3/2020
26	Capital floor adjustment	-	-	-
26a	Deduction to RWA	357,893	359,972	28,631
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	357,893	359,972	28,631
27	Total	665,683,935	655,059,093	53,254,715

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 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 RWA of CVA risk increased by 31.01%, valued HKD 1.58 billion in Q1 2020, and was attributed to the increase of OTC derivative transactions exposures during the same period. The other RWA items only had small or moderate fluctuations in line with business development.

LR2: Leverage ratio ("LR")

		(a)	(b)
		(HK$'000)	
		31/3/2020	31/12/2019
On-balance sheet exposures			
1	On-balance sheet exposures (excluding those arising from derivative contracts and SFTs, but including collateral)	899,957,048	938,279,960
2	Less: Asset amounts deducted in determining Tier 1 capital	(2,872,266)	(2,843,992)
3	**Total on-balance sheet exposures (excluding derivative contracts and SFTs)**	897,084,782	935,435,968
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)	13,409,157	8,574,664
5	Add-on amounts for PFE associated with all derivative contracts	11,026,210	10,189,319
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	(9,063,738)	(4,674,018)
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**	15,371,629	14,089,965
Exposures arising from SFTs			
12	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	40,506,791	14,189,408
13	Less: Netted amounts of cash payables and cash receivables of gross SFT assets	-	-
14	CCR exposure for SFT assets	3,853,283	2,460,751
15	Agent transaction exposures	-	-
16	**Total exposures arising from SFTs**	44,360,074	16,650,159
Other off-balance sheet exposures			
17	Off-balance sheet exposure at gross notional amount	211,866,629	233,370,159
18	Less: Adjustments for conversion to credit equivalent amounts	(163,591,387)	(177,816,872)
19	**Off-balance sheet items**	48,275,242	55,553,287
Capital and total exposures			
20	**Tier 1 capital**	129,265,008	128,929,952
20a	**Total exposures before adjustments for specific and collective provisions**	1,005,091,727	1,021,729,379
20b	**Adjustments for specific and collective provisions**	(5,753,974)	(5,715,487)
21	**Total exposures after adjustments for specific and collective provisions**	999,337,753	1,016,013,892
Leverage ratio			
22	**Leverage ratio**	12.94%	12.69%

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

For item 4:

Due to fair value of all derivative contracts on a gross basis has increased by HKD 2,986 million, and IRS contracts clearing has increased by HKD 1,847 million, the replacement cost associated with all derivative contracts has increased by HKD 4,834 million (+56.38%)。

For item 7:

Due to the increase in clearing settlement account balance, the receivables assets for cash variation margin provided under derivative contracts has increased by HKD 4,390 million (+93.92%).

For item 12:

As the amount of Repo used to finance the purchase of debt securities increased, the Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions, has increased by HKD 26,317 million (+185.47%).

For item 14:

Due to an increase of account payable caused by an increase of Repo transaction used to finance the purchase of debt securities, CCR exposure for SFT assets exposure has increased by HKD 1,393 million (+56.59%).

For item 16:

The Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions and CCR exposure for SFT assets, increased by HKD 26,317 million (+185.47%) and HKD 1,393 million (+56.59%) respectively, the total exposure arising from SFTs has increased by HKD 27,710 million (+166.42%).

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: (74)		(HK$'000)	
		(a)	(b)
Basis of disclosure: consolidated		**Unweighted value** (average)	**Weighted value** (average)
A.	**HQLA**		
1	Total HQLA		118,728,886
B.	**Cash outflows**		
2	Retail deposits and small business funding, of which:	170,661,131	16,403,105
3	*Stable retail deposits and stable small business funding*	9,471,540	284,146
4	*Less stable retail deposits and less stable small business funding*	161,189,591	16,118,959
4a	*Retail term deposits and small business term funding*	-	-
5	Unsecured wholesale funding (other than small business funding), and debt securities and prescribed instruments issued by the AI, of which:	289,554,325	134,009,297
6	*Operational deposits*	64,142,489	15,945,313
7	*Unsecured wholesale funding (other than small business funding) not covered in row 6*	224,832,231	117,484,379
8	*Debt securities and prescribed instruments issued by the AI and redeemable within the LCR period*	579,605	579,605
9	Secured funding transactions (including securities swap transactions)		2,440,198
10	Additional requirements, of which:	54,020,611	11,897,747
11	*Cash outflows arising from derivative contracts and other transactions, and additional liquidity needs arising from related collateral requirements*	7,657,437	7,220,938
12	*Cash outflows arising from obligations under structured financing transactions and repayment of funding obtained from such transactions*	-	-
13	*Potential drawdown of undrawn committed facilities (including committed credit facilities and committed liquidity facilities)*	46,363,174	4,676,809
14	Contractual lending obligations (not otherwise covered in Section B) and other contractual cash outflows	1,771,960	1,771,960
15	Other contingent funding obligations (whether contractual or non-contractual)	562,412,408	673,361
16	**Total Cash Outflows**		167,195,668
C.	**Cash Inflows**		
17	Secured lending transactions (including securities swap transactions)	63,008	-
18	Secured and unsecured loans (other than secured lending transactions covered in row 17) and operational deposits placed at other financial institutions	140,156,802	110,394,177
19	Other cash inflows	102,170,459	8,103,603
20	**Total Cash Inflows**	242,390,269	118,497,780
D.	**Liquidity Coverage Ratio**		
21	**Total HQLA**		115,697,884
22	**Total Net Cash Outflows**		49,136,245
23	**LCR (%)**		239.91%

Liquidity Coverage Ratio

The Liquidity Coverage Ratio (“LCR”) throughout the first quarter of 2020 meets the regulatory requirement and maintains at a high level. The LCR as of the first quarter of 2020 increases by 48.62% compared to that as of the fourth quarter of 2019. Such increase is mainly due to the decrease in net cash outflows by HKD 15.2 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.

(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 Board Risk Management Committee (”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. Cashflow 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.