



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

2021 3RD QUARTER

(UNAUDITED)

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 (the "Bank") 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 Regulatory Disclosure Statement is not required to be subject to external audit, the statement 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

		(HK\$'000)				
		(a)	(b)	(c)	(d)	(e)
		30/9/2021	30/6/2021	31/3/2021	31/12/2020	30/9/2020
	Regulatory capital (amount)					
1	Common Equity Tier 1 (CET1)	110,790,710	109,754,586	107,974,372	106,683,635	104,650,155
2	Tier 1	138,328,384	137,200,633	135,453,996	134,082,144	132,041,949
3	Total capital	144,986,350	143,711,961	141,237,202	139,623,507	137,632,613
	RWA (amount)					
4	Total RWA	659,705,592	663,110,493	669,222,888	661,495,800	685,839,232
	Risk-based regulatory capital ratios (as a percentage of RWA)					
5	CET1 ratio (%)	16.79%	16.55%	16.13%	16.13%	15.26%
6	Tier 1 ratio (%)	20.97%	20.69%	20.24%	20.27%	19.25%
7	Total capital ratio (%)	21.98%	21.67%	21.10%	21.11%	20.07%
	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 (%)	0.60%	0.59%	0.59%	0.58%	0.61%
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 (%)	4.10%	4.09%	4.09%	4.08%	4.11%
12	CET1 available after meeting the AI's minimum capital requirements (%)	12.29%	12.05%	11.63%	11.63%	10.76%
	Basel III leverage ratio					
13	Total leverage ratio (LR) exposure measure	999,615,886	1,023,898,158	986,213,349	983,440,204	1,025,036,782
14	LR (%)	13.84%	13.40%	13.73%	13.63%	12.88%
	Liquidity Coverage Ratio (LCR) / Liquidity Maintenance Ratio (LMR)					
	Applicable to category 1 institution only:					
15	Total high quality liquid assets (HQLA)	158,723,983	141,825,765	114,974,223	115,780,699	117,152,338
16	Total net cash outflows	83,598,067	73,993,929	52,729,983	57,302,634	62,926,580
17	LCR (%)	192.50%	195.44%	223.95%	207.41%	194.37%
	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	527,708,003	532,922,631	532,416,963	539,864,938	524,109,034
19	Total required stable funding	450,311,022	453,946,792	445,519,783	452,776,338	466,124,321
20	NSFR (%)	117.19%	117.40%	119.50%	119.23%	112.44%
	Applicable to category 2A institution only:					
20a	CFR (%)	N/A	N/A	N/A	N/A	N/A

OV1: Overview of RWA

		(HK\$'000)		
		(a)	(b)	(c)
		RWA		Minimum capital requirements
		30/9/2021	30/6/2021	30/9/2021
1	Credit risk for non-securitization exposures	586,910,326	591,142,916	46,952,826
2	Of which STC approach	586,910,326	591,142,916	46,952,826
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	15,521,941	15,154,153	1,241,755
7	Of which SA-CCR approach	14,857,020	14,706,930	1,188,562
7a	Of which CEM	-	-	-
8	Of which IMM(CCR) approach	N/A	N/A	N/A
9	Of which others	664,920	447,223	53,194
10	CVA risk	4,152,788	4,293,463	332,223
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	26,198,838	25,348,775	2,095,907
21	Of which STM approach	26,198,838	25,348,775	2,095,907
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	25,470,763	25,676,150	2,037,661
24a	Sovereign concentration risk	N/A	N/A	N/A
25	Amounts below the thresholds for deduction (subject to 250% RW)	1,791,050	1,835,113	143,284
26	Capital floor adjustment	-	-	-
26a	Deduction to RWA	340,114	340,077	27,209
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	340,114	340,077	27,209
27	Total	659,705,592	663,110,493	52,776,447

In the third quarter of 2021, total amount of risk-weighted asset (RWA) of the Group decreased by approximately HKD 3.4 billion or a decrease of 0.51%. Non-securitization credit risk RWA decreased by HKD 4.2 billion or a decrease of 0.72% compared with figures of the second quarter of 2021, mainly due to decrease in the on-balance sheet amount of loan exposures. Counterparty credit risk RWA increased by HKD 367.8 million or an increase of 2.43%, of which others RWA uplifted largely by HKD 217.7 million or 48.68% mainly due to substantial increase of Securities Financing Transactions (SFT). Other RWA items only experienced small or moderate fluctuations which were in line with business development. There was neither settlement risk, nor securitization exposure RWA on both current and last reporting dates. 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 Group is in compliance with the Banking (Capital) Rules to calculate RWA. The Group adopts the standardized (credit risk) approach (STC) for the non-securitization credit risk RWA (including equity exposure and CIS exposure) calculation. Starting from 30 June 2021, in accordance with the Banking (Capital) (Amendment) Rules 2020 enacted by "HKMA", the Group adopts SA-CCR approach to replace previously-adopted Current Exposure Method ("CEM") for the calculation of counterparty credit risk exposure arising from the Bank's derivatives contracts and default risk exposure from derivatives cleared through central counterparty ("CCP"), which is implemented in the counterparty credit risk RWA calculation. The Group adopts 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.

LR2: Leverage ratio ("LR")

		(a)	(b)
		(HK\$'000)	
		30/9/2021	30/6/2021
On-balance sheet exposures			
1	On-balance sheet exposures (excluding those arising from derivative contracts and SFTs, but including collateral)	898,418,308	934,642,681
2	Less: Asset amounts deducted in determining Tier 1 capital	(1,348,636)	(1,204,041)
3	Total on-balance sheet exposures (excluding derivative contracts and SFTs)	897,069,672	933,438,640
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)	8,892,168	10,105,554
5	Add-on amounts for PFE associated with all derivative contracts	21,202,630	21,808,781
6	Gross-up for collateral provided in respect of derivative contracts 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	(191,974)	(184,116)
8	Less: Exempted CCP leg of client-cleared trade exposures	-	-
9	Adjusted effective notional amount of written credit-related derivative contracts	-	-
10	Less: Adjusted effective notional offsets and add-on deductions for written credit-related derivative contracts	-	-
11	Total exposures arising from derivative contracts	29,902,824	31,730,219
Exposures arising from SFTs			
12	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	19,852,433	6,849,473
13	Less: Netted amounts of cash payables and cash receivables of gross SFT assets	-	-
14	CCR exposure for SFT assets	1,145,162	526,765
15	Agent transaction exposures	-	-
16	Total exposures arising from SFTs	20,997,595	7,376,238
Other off-balance sheet exposures			
17	Off-balance sheet exposure at gross notional amount	238,931,149	262,936,927
18	Less: Adjustments for conversion to credit equivalent amounts	(179,004,211)	(203,674,400)
19	Off-balance sheet items	59,926,938	59,262,527
Capital and total exposures			
20	Tier 1 capital	138,328,384	137,200,633
20a	Total exposures before adjustments for specific and collective provisions	1,007,897,029	1,031,807,624
20b	Adjustments for specific and collective provisions	(8,281,143)	(7,909,466)
21	Total exposures after adjustments for specific and collective provisions	999,615,886	1,023,898,158
Leverage ratio			
22	Leverage ratio	13.84%	13.40%

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

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, increased by HKD 13,003 million or an increase of 189.84%.

Item 14:

Due to the amount of security repo increased, CCR exposure for SFT assets increased by HKD 618 million or an increase of 117.40%.

Item 16 (include 12 and 14):

The Gross SFT assets (with no recognition of netting) after adjusting for sale accounting transactions and CCR exposure for SFT assets increased by HKD 13,003 million or an increase of 189.84% and HKD 618 million or an increase of 117.40% respectively. The total exposures arising from SFTs increased by HKD 13,621 million or an increase of 184.67%.

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		161,479,588
B. Cash outflows			
2	Retail deposits and small business funding, of which:	126,885,333	11,905,259
3	<i>Stable retail deposits and stable small business funding</i>	11,189,627	335,689
4	<i>Less stable retail deposits and less stable small business funding</i>	115,695,706	11,569,570
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:	330,496,235	159,284,811
6	<i>Operational deposits</i>	52,055,532	12,918,340
7	<i>Unsecured wholesale funding (other than small business funding) not covered in row 6</i>	278,323,460	146,249,228
8	<i>Debt securities and prescribed instruments issued by the AI and redeemable within the LCR period</i>	117,243	117,243
9	Secured funding transactions (including securities swap transactions)		524,233
10	Additional requirements, of which:	64,586,514	13,110,978
11	<i>Cash outflows arising from derivative contracts and other transactions, and additional liquidity needs arising from related collateral requirements</i>	7,323,744	7,289,688
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>	57,262,770	5,821,290
14	Contractual lending obligations (not otherwise covered in Section B) and other contractual cash outflows	8,909,173	8,909,173
15	Other contingent funding obligations (whether contractual or non-contractual)	500,364,587	1,600,469
16	Total Cash Outflows		195,334,923
C. Cash Inflows			
17	Secured lending transactions (including securities swap transactions)	483,627	-
18	Secured and unsecured loans (other than secured lending transactions covered in row 17) and operational deposits placed at other financial institutions	137,346,524	106,345,539
19	Other cash inflows	107,502,826	5,391,319
20	Total Cash Inflows	245,332,977	111,736,858
D. Liquidity Coverage Ratio			Adjusted value
21	Total HQLA		158,723,983
22	Total Net Cash Outflows		83,598,067
23	LCR (%)		192.50%

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

Liquidity Coverage Ratio

The Liquidity Coverage Ratio ("LCR") throughout the third quarter of 2021 meets the regulatory requirement and maintains at a safe level.

(i) Main drivers of 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 as well as other government debt securities, 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 Basel Committee on Banking Supervision guidance. The Board is ultimately responsible for liquidity risk management, with the support from the Risk Management Committee of Board of Directors, senior management committees including the Senior Executive Risk Management Committee and the Asset and Liability 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 Contingency Funding Plan with detailed 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)
		30/09/2021	30/06/2021	31/03/2021	31/12/2020	30/09/2020
Of the material entity at LAC consolidation group level						
1	Internal loss-absorbing capacity available	144,986,350	135,958,259	133,474,014	131,883,235	129,123,214
2	Risk-weighted amount under the LAC Rules	659,705,592	663,110,493	669,222,888	661,495,800	685,839,232
3	Internal LAC risk-weighted ratio	21.98%	20.50%	19.94%	19.94%	18.83%
4	Exposure measure under the LAC Rules	999,615,886	1,023,898,158	986,213,349	983,440,204	1,025,036,782
5	Internal LAC leverage ratio	14.50%	13.28%	13.53%	13.41%	12.60%
6a	Does the subordination exemption in the antepenultimate paragraph of Section 11 of the FSB TLAC Term Sheet apply?(Note 1)	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?(Note 1)	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 (Note 1)	N/A	N/A	N/A	N/A	N/A

Note 1: 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)
		30/09/2021	30/06/2021	31/03/2021	31/12/2020	30/09/2020
Of the non-HK resolution entity at resolution group level (Note 1)						
1	External loss-absorbing capacity available	4,481,393	4,305,030	4,149,256	4,044,284	3,742,908
2	Total risk-weighted amount under the relevant non-HK LAC regime	25,684,585	25,316,048	24,390,428	23,964,449	22,722,856
3	External loss-absorbing capacity as a percentage of risk-weighted amount	17.45%	17.01%	17.01%	16.88%	16.47%
4	Leverage ratio exposure measure under the relevant non-HK LAC regime	45,370,349	44,886,821	43,142,686	42,036,737	40,339,230
5	External loss-absorbing capacity as a percentage of leverage ratio exposure measure	9.88%	9.59%	9.62%	9.62%	9.28%
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: As LAC requirement under a regulatory regime in the mainland China is not yet implemented, so the values for rows 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.