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 4TH 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.

OVA: Overview of risk management

Our business activities and operations involve identifying, assessing, accepting, measuring, monitoring and reporting various types of risks. We strike an appropriate balance between the amount and types of risks the Group is willing and able to accept in pursuit of its strategic objectives and business plan, and the level of return we target to achieve. The Group has a sound risk management framework in place to ensure the risk profile is prudent and consistent with the risk appetite which is commensurate with the complexity and nature of its business and operations and covers all types of inherent risks faced by the Group. Our risk appetite consists of quantitative and qualitative description of the types and level of risks that the Group is willing to take when achieving the strategic and business goals. The risk appetite framework is reviewed at least annually having regard to the Group's forward looking analysis of risk profile, its capital and financial plan and strategic development.

The effective risk governance is supported by adequate oversight of risk management by the Board of Directors (the "Board") and senior management and well-defined three lines of defence underpinned by strong risk culture. The Risk Management Committee of the Board of Directors ("BRMC") is delegated by the Board to oversee and review the effectiveness of the risk management system of the Group and approve the risk appetite statement and other key risk management policies. Reporting to the BRMC, the Senior Executive Risk Management Committee ("SERMC") implements the risk management framework approved by the BRMC and formulates policies, procedures and limits to manage the risks arising from the Group's business activities and day-to-day operations.

The risk management and compliance functions, forming the second line of defence, are independent from business units. The risk management function carries out day-to-day risk management across all risk types. It establishes relevant policies and procedures to monitor, assess and report the risk profile. The compliance function oversees the Group's due compliance with the applicable regulatory and compliance requirements. The internal audit function which is the third line of defence should, among other things, perform independent periodic checking on the compliance and effectiveness of risk management processes and related internal controls.

Recognising the importance of sound risk culture, the Group has formulated and maintained various risk management policies and procedures and code of conduct applicable to all staff at all levels to help foster an effective on-going promotion of strong risk culture within the Group. The firm-wide risk management policy sets out the key elements and requirements in relation to sound risk culture which emphasise the importance of tone from top, the accountability of all staff for identifying, assessing and managing risks, the compliance to law and regulations, the integration of risk appetite into business planning and decisions, and encouragement to open communication and challenge.

To promote the expected behaviours and strengthen our risk culture, a dedicated risk culture column is established in the intranet at which updated information and messages relevant to risk culture are posted from time to time. In addition, risk-related factors are included in our employee performance assessment to reinforce sound risk culture to all staff.

Business lines and risk functions communicate and share risk issues in day-to-day operations. SERMC and BMRC meetings are held at least quarterly where discussion and decision related to risk management are made in response to the changing business environment and stringent regulatory requirements. Procedures related to handling, reporting and rectifying the breach of risk limits are set out in different types of risk's individual policy and procedure.

The Group adopts different methods or models to accurately and timely measure and assess each type of inherent risk. Depending on the nature of risk and the business activities or products involved, different risk measures are calculated to monitor the risk positions in terms of exposure size, risk level, concentration and asset quality, etc. both in normal times and in times of stress. A range of key risk measures or indicators are applied to the Bank and its major operating subsidiaries where applicable to ensure comprehensive review and monitoring on various risk types. The measurement methodologies, major assumptions, limitations, data source and procedures of risk measurement are properly documented and well presented to the senior management and the BRMC for assessment. The risk measurement system is subject to periodic review to ensure that the design, definitions and implementation can fit the purpose. Enhancement on risk measurements and methodologies are made where necessary to uphold the effectiveness of risk management.

Our risk information system supports regulatory reporting and internal management and reporting of various types of inherent risk. It provides our Board and senior management with accurate and timely risk information reports covering all risk exposures from both on- and off-balance sheet businesses. The risk information reports also provide the risk positions, limit utilization and concentration level to specific areas on a regular and need basis. Each report owner is responsible for risk measurement, analysis and assessment of risk, while ensuring the accuracy and quality of the data or information reported. The following major risk information reporting is presented to the Board and/ or senior management on a regular basis:

OVA: Overview of risk management (continued)

- The risk appetite report is submitted quarterly to the SERMC and BRMC. It comprises an overview of the updated status of each risk appetite indicators covering return, capital and eight inherent risks as defined under Supervisory Policy Manual IC-1 Risk Management Framework issued by HKMA, which are credit, market, interest rate, liquidity, operational, reputation, legal and strategic risks.

- Individual risk management report is presented to the SERMC and BRMC quarterly. Each report comprises the risk exposure or conditions quantitatively or qualitatively, limit utilization and key issues that require discussion and/ or decision by SERMC or BRMC.

- The latest status of our liquidity and funding is presented to the Asset and Liability Committee (ALCO).

- Bank-wide stress test is performed quarterly and reported to the SERMC and BRMC.

Stress testing is a crucial tool for the Group in risk management. It helps inform the Board and senior management the financial resources in terms of capital, liquidity and profitability that the Group may need in order to withstand the adverse conditions. We conduct bank-wide stress test regularly across all major business portfolios taking into account the impact of different risk factors significant and relevant to the risk profile. The stress testing scenarios are forward-looking and comprised of different level of severity which allow us to assess its vulnerability to changes in economic and financial conditions. The impact or change on the Group’s profit, capital adequacy level and/ or liquidity positions due to the assumed movement and interaction of risk factors under the stress scenarios are compared with the predetermined triggers to help decide whether any remedial actions should be taken. The stress testing results, which help reveal the potential risks and vulnerability of the Group, are also used for risk management and internal capital adequacy assessment process. The stress test policy and methodologies are subject to periodic review to ensure its appropriateness and robustness.

The Group has a comprehensive range of quantitative tools and metrics in place to monitor its risk exposures and risk level. Risk mitigation is one of the key aspects of prudent risk management. Depending on the nature of different products and business, a range of risk mitigating techniques such as seeking collateral, netting arrangement, hedging and insurance is covered in the relevant policies and procedures to mitigate the risks and reduce the potential loss. To ensure the effectiveness of mitigating techniques, there are structured process and requirements regarding the recognition of collateral or mitigating tools, the timely and reliable valuation and legal enforceability of the tools. There are also specific limits or analysis in regular risk management reports to monitor the potential concentration of collaterals.

Other than mitigating tools for particular customers, products or business lines, other mitigating strategies which can more broadly impact the risk exposure or restore the Group's liquidity and capital level are set out at the Recovery Plan and Contingency Funding Plan. The aforesaid documents are subject to periodic review and approval by the Board or the BRMC to ensure the strategies remain appropriate and effective.

OV1: Overview of RWA

		(HK$'000)		
		(a)	(b)	(c)
		RWA		Minimum capital requirements
		31/12/2020	30/9/2020	31/12/2020
1	Credit risk for non-securitization exposures	596,075,158	617,987,898	47,686,012
2	Of which STC approach	596,075,158	617,987,898	47,686,012
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	11,646,242	12,309,916	931,700
7	Of which SA-CCR	N/A	N/A	N/A
7a	Of which CEM	9,208,010	9,686,042	736,641
8	Of which IMM(CCR) approach	N/A	N/A	N/A
9	Of which others	2,438,232	2,623,874	195,059
10	CVA risk	3,714,050	4,417,113	297,124
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	22,196,000	22,502,650	1,775,680
21	Of which STM approach	22,196,000	22,502,650	1,775,680
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	26,332,163	26,805,463	2,106,573
24a	Sovereign concentration risk	N/A	N/A	N/A
25	Amounts below the thresholds for deduction (subject to 250% RW)	1,872,253	1,949,610	149,780

		(HK$'000)		
		(a)	(b)	(c)
		RWA		Minimum capital requirements
		31/12/2020	30/9/2020	31/12/2020
26	Capital floor adjustment	-	-	-
26a	Deduction to RWA	340,066	133,418	27,205
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	340,066	133,418	27,205
27	Total	661,495,800	685,839,232	52,919,664

OV1: Overview of RWA (continued)

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 RWA of "Of which portion of cumulative fair value gains arising from the revaluation of land and buildings which is not included in Tier 2 Capital of Deduction to RWA" increased by 154.89% amounting HKD 207 million in Q4 2020, which reason mainly was the change in deferred tax reserve on property revaluation from the subsidiary-Chinese Mercantile Bank ("CMB"). The other RWA items only had small or moderate fluctuations in line with business development.

KM1: Key prudential ratios

		(HK$'000)				
		(a)	(b)	(c)	(d)	(e)
		31/12/2020	30/9/2020	30/6/2020	31/3/2020	31/12/2019
	Regulatory capital (amount)					
1	Common Equity Tier 1 (CET1)	106,683,635	104,650,155	103,519,734	101,862,258	101,411,803
2	Tier 1	134,082,144	132,041,949	130,911,881	129,265,008	128,929,952
3	Total capital	139,623,507	137,632,613	136,252,629	135,284,687	134,704,110
	RWA (amount)					
4	Total RWA	661,495,800	685,839,232	664,165,526	665,683,935	655,059,093
	Risk-based regulatory capital ratios (as a percentage of RWA)					
5	CET1 ratio (%)	16.13%	15.26%	15.59%	15.30%	15.48%
6	Tier 1 ratio (%)	20.27%	19.25%	19.71%	19.42%	19.68%
7	Total capital ratio (%)	21.11%	20.07%	20.51%	20.32%	20.56%
	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 (%)	0.58%	0.61%	0.60%	0.61%	1.18%
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 (%)	4.08%	4.11%	4.10%	4.11%	4.68%
12	CET1 available after meeting the AI's minimum capital requirements (%)	11.63%	10.76%	11.09%	10.80%	10.98%
	Basel III leverage ratio					
13	Total leverage ratio (LR) exposure measure	983,440,204	1,025,036,782	1,003,459,751	999,337,753	1,016,013,892
14	LR (%)	13.63%	12.88%	13.05%	12.94%	12.69%
	Liquidity Coverage Ratio (LCR) / Liquidity Maintenance Ratio (LMR)					
	Applicable to category 1 institution only:					
15	Total high quality liquid assets (HQLA)	115,780,699	117,152,338	98,723,133	115,697,884	118,582,276
16	Total net cash outflows	57,302,634	62,926,580	54,175,923	49,136,245	64,336,082
17	LCR (%)	207.41%	194.37%	186.61%	239.91%	191.29%
	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	539,864,938	524,109,034	546,833,859	553,024,230	550,098,557
19	Total required stable funding	453,316,066	466,124,321	473,668,074	467,448,819	459,035,749
20	NSFR (%)	119.09%	112.44%	115.45%	118.31%	119.84%
	Applicable to category 2A institution only:					
20a	CFR (%)	N/A	N/A	N/A	N/A	N/A

LI1: Differences between accounting and regulatory scopes of consolidation and mapping of financial statement categories with regulatory risk categories

	(HK$'000)						
	(a)	(b)	(c)	(d)	(e)	(f)	(g)
	Carrying values as reported in published financial statements	Carrying values under scope of regulatory consolidation	Carrying values of items:				
			subject to credit risk framework	subject to counterparty credit risk framework	subject to the securitization framework	subject to market risk framework	not subject to capital requirements or subject to deduction from capital
Assets							
Cash and balances with banks and other financial institutions	118,727,991	118,701,074	118,701,331	-	-	-	-
Placements with banks and other financial institutions	103,478,432	103,478,432	103,374,409	-	-	-	-
Financial assets held for trading	-	-	-	-	-	-	-
Financial assets at fair value through profit or loss	5,093,540	470,123	-	470,123	-	-	-
Derivative financial instruments	16,465,187	16,465,187	111,050	16,354,137	-	-	-
Advances and other accounts	479,562,460	479,591,075	480,246,563	-	-	4,252,529	-
Financial investments: – measured at fair value through other comprehensive income	140,006,031	139,770,030	139,770,030	-	-	-	-
Financial investments: – measured at amortised cost	46,960,835	46,960,835	46,990,392	-	-	-	-
Investments in associates	200,509	262,273	200,509	-	-	-	-
Investment in subsidiaries	-	5,446,943	5,446,943	-	-	-	-
Goodwill and other intangible assets	1,021,525	1,000,052	-	-	-	-	1,000,052
Investment properties	131,929	131,929	131,929	-	-	-	-
Property, plant and equipment	2,163,802	2,134,262	2,134,262	-	-	-	-
Current income tax assets	-	-	-	-	-	-	-

	(HK$'000)						
	(a)	(b)	(c)	(d)	(e)	(f)	(g)
	Carrying values as reported in published financial statements	Carrying values under scope of regulatory consolidation	Carrying values of items:				
			subject to credit risk framework	subject to counterparty credit risk framework	subject to the securitization framework	subject to market risk framework	not subject to capital requirements or subject to deduction from capital
Deferred income tax assets	657,377	656,552	-	-	-	-	656,552
Other assets	16,622,920	16,489,747	12,857,992	6,385,040	-	-	-
Total assets	**931,092,538**	**931,558,514**	**909,965,410**	**23,209,300**	**-**	**4,252,529**	**1,656,604**
Liabilities							
Deposits from banks and other financial institutions	205,998,447	205,998,447	-	-	-	-	205,998,447
Derivative financial instruments	15,624,197	15,624,197	-	2,347,632	-	-	13,276,565
Deposits from customers	522,484,014	524,694,711	-	-	-	-	524,694,711
Certificates of deposit issued	7,045,548	7,045,548	-	-	-	-	7,045,548
Debt securities in issue– Designated at fair value through profit or loss	7,373,240	7,373,240	-	-	-	-	7,373,240
Debt securities in issue– Measured at amortised cost	17,763,683	17,763,683	-	-	-	-	17,763,683
Current income tax liabilities	1,037,278	1,013,011	-	-	-	-	1,013,011
Subordinated debts measured at amortised cost	-	-	-	-	-	-	-
Other liabilities	15,999,056	15,983,346	-	-	-	-	15,983,346
Total liabilities	**793,325,463**	**795,496,183**	**-**	**2,347,632**	**-**	**-**	**793,148,551**

LI2: Main sources of differences between regulatory exposure amounts and carrying values in financial statements

		(HK$'000)				
		(a)	(b)	(c)	(d)	(e)
		Total	Items subject to:			
			credit risk framework	securitization framework	counterparty credit risk framework	market risk framework
1	**Asset carrying value amount under scope of regulatory consolidation (as per template LI1)**	**929,901,910**	**909,965,410**	**-**	**23,209,300**	**4,252,529**
2	Liabilities carrying value amount under regulatory scope of consolidation (as per template LI1)	2,347,632	-	-	2,347,632	-
3	Total net amount under regulatory scope of consolidation	927,554,278	909,965,410	-	20,861,668	4,252,529
4	Off-balance sheet amounts	963,745,990	33,689,309	-	7,757,090	742,228,907
5	*Differences in valuations*	(52,298)	-	-	(52,298)	-
6	*Differences due to different netting rules, other than those already included in row 2*	-	-	-	-	-
7	*Differences due to consideration of provisions*	-	-	-	-	-
8	*Differences due to prudential filters*	-	-	-	-	-
9	**Exposure amounts considered for regulatory purposes**	**1,891,247,970**	**943,654,719**	**-**	**28,566,460**	**746,481,436**

LIA: Explanations of differences between accounting and regulatory exposure amounts

The differences between column (a) and column (b) of LI1 are due to difference in consolidation basis for accounting purposes and consolidation basis for regulatory purpose of the Bank and its subsidiaries and interests in associates.

The main driver for the differences between accounting values and amounts considered for regulatory purposes is the application of CCFs on off-balance sheet amounts.

Marking-to-market methodology

The Group applies mark-to-market valuations to liquefiable financial instruments via day-end market data update through market data service providers.

Mark-to-model methodology

The Group applies internal valuation procedures and model when the market is inactive, the range of reasonable fair values estimates is significant, or the probabilities of the various estimates cannot be reasonably assessed. The Group's models are calibrated and tested for validity using prices from any observable current market transactions in the same financial instrument or based on any available observable market data to make sure all the models are aligned with market acceptable methodologies for pricing financial instruments.

Independent price verification process is subject to a control framework, as well as policy and procedures designed to ensure that the prices valued internally are validated by an independent party. The verification process is carried on a monthly basis, and any price difference deviated from the acceptable thresholds is followed by investigation and root cause analysis. Valuation Committee whose voting members are mandated from non-risk taking units oversees the independent price verification process and results, in order to perform the check and balance against risk taking unit in price valuation result.

The Group has established policies and procedures for considering valuation adjustments or reserves in circumstances of Market Uncertainty and Credit/Debit Valuation Adjustment ("CVA/DVA").

LIA: Explanations of differences between accounting and regulatory exposure amounts (continued)

Market Uncertainty

By setting up a set of macroeconomic factor thresholds, Valuation Committee monthly reviews whether the market uncertainty circumstance have happened, resulting consideration of valuation adjustment from the top-down perspective. Meanwhile, Valuation Committee also makes use of independent price verification process, that the Group's internal valuation result of instruments are compared with independent party's valuation, to review if there is any potential indication of market uncertainty from bottom up perspective. The Group has established a defined procedure for proceeding valuation adjustment or reserve amount after consideration of market uncertainty situation, if and when it is identified.

Credit/Debit Valuation Adjustment

According to the Group's Policy, the valuation result is subject to the CVA/DVA adjustment process that the adjustment method is based on the Group's internal credit rating assigned to credit counterparty and respective probability of default. Valuation Committee monthly reviews the CVA/DVA adjustment results which are adopted for valuing trading positions if accepted.

In a nutshell, the Group has adequately adopted relevant systems and controls to ensure that the valuation estimates are prudent and reliable for the purposes of implementing the guidance on prudent valuation.

PV1: Prudent valuation adjustments

		(HK$'000)							
		(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
		Equity	Interest rates	FX	Credit	Commodities	Total	Of which: In the trading book	Of which: In the banking book
1	Close-out uncertainty, of which:	-	-	-	-	-	-	-	-
2	*Mid-market value*	-	-	-	-	-	-	-	-
3	*Close-out costs*	-	-	-	-	-	-	-	-
4	*Concentration*	-	-	-	-	-	-	-	-
5	Early termination	-	-	-	-	-	-	-	-
6	Model risk	-	-	-	-	-	-	-	-
7	Operational risks	-	-	-	-	-	-	-	-
8	Investing and funding costs						-	-	-
9	Unearned credit spreads						-	-	-
10	Future administrative costs	-	-	-	-	-	-	-	-
11	Other adjustments	-	-	-	-	-	-	-	-
12	**Total adjustments**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

CC1: Composition of regulatory capital

		(a)	(b)
		Amount (HK$'000)	**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	e
2	Retained earnings	60,700,240	
3	Disclosed reserves	3,402,337	
4	Directly issued capital subject to phase-out arrangements from CET1 (only applicable to non-joint stock companies)	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**	108,290,208	
	CET1 capital: regulatory deductions		
7	Valuation adjustments	-	
8	Goodwill (net of associated deferred tax liabilities)	980,154	a
9	Other intangible assets (net of associated deferred tax liabilities)	19,898	b
10	Deferred tax assets (net of associated deferred tax liabilities)	656,552	c
11	Cash flow hedge reserve	(696,583)	d
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	27,968	h
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
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

CC1: Composition of regulatory capital (continued)

		(a)	(b)
		Amount (HK$'000)	**Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation**
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	618,584	
26a	Cumulative fair value gains arising from the revaluation of land and buildings (own-use and investment properties)	618,302	
26b	Regulatory reserve for general banking risks	-	i
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	282	
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**	1,606,573	
29	**CET1 capital**	106,683,635	
	AT1 capital: instruments		
30	Qualifying AT1 capital instruments plus any related share premium	27,398,509	
31	of which: classified as equity under applicable accounting standards	27,398,509	
32	of which: classified as liabilities under applicable accounting standards	-	
33	*Capital instruments subject to phase-out arrangements from AT1 capital*	-	
34	AT1 capital instruments issued by consolidated bank subsidiaries and held by third parties (amount allowed in AT1 capital of the consolidation group)	-	
35	*of which: AT1 capital instruments issued by subsidiaries subject to phase-out arrangements*	-	
36	**AT1 capital before regulatory deductions**	27,398,509	
	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)	-	
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	-	

CC1: Composition of regulatory capital (continued)

		(a)	(b)
		Amount (HK$'000)	**Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation**
43	**Total regulatory deductions to AT1 capital**	-	
44	**AT1 capital**	27,398,509	
45	**Tier 1 capital (T1 = CET1 + AT1)**	134,082,144	
	Tier 2 capital: instruments and provisions		
46	Qualifying Tier 2 capital instruments plus any related share premium	-	
47	*Capital instruments subject to phase-out arrangements from Tier 2 capital*	-	
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	*of which: capital instruments issued by subsidiaries subject to phase-out arrangements*	-	
50	Collective provisions and regulatory reserve for general banking risks eligible for inclusion in Tier 2 capital	5,263,127	g
51	**Tier 2 capital before regulatory deductions**	5,263,127	
	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)	-	
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	(278,236)	
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	(278,236)	
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**	(278,236)	
58	**Tier 2 capital (T2)**	5,541,363	

CC1: Composition of regulatory capital (continued)

		(a)	(b)
		Amount (HK$'000)	**Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation**
59	**Total regulatory capital (TC = T1 + T2)**	139,623,507	
60	**Total RWA**	661,495,800	
	Capital ratios (as a percentage of RWA)		
61	**CET1 capital ratio**	16.13%	
62	**Tier 1 capital ratio**	20.27%	
63	**Total capital ratio**	21.11%	
64	**Institution-specific buffer requirement (capital conservation buffer plus countercyclical capital buffer plus higher loss absorbency requirements)**	4.08%	
65	of which: capital conservation buffer requirement	2.50%	
66	of which: bank specific countercyclical capital buffer requirement	0.58%	
67	of which: higher loss absorbency requirement	1.00%	
68	CET1 (as a percentage of RWA) available after meeting minimum capital requirements	11.63%	
	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	4,159,697	
73	Significant LAC investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	898,901	
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)	5,263,127	
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	7,597,798	
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	

CC1: Composition of regulatory capital (continued)

		(a)	(b)
		Amount (HK$'000)	**Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation**
	Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2018 and 1 Jan 2022)		
80	*Current cap on CET1 capital instruments subject to phase-out arrangements*	Not applicable	Not applicable
81	*Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)*	Not applicable	Not applicable
82	*Current cap on AT1 capital instruments subject to phase-out arrangements*	-	
83	*Amount excluded from AT1 capital due to cap (excess over cap after redemptions and maturities)*	-	
84	*Current cap on Tier 2 capital instruments subject to phase-out arrangements*	-	
85	*Amount excluded from Tier 2 capital due to cap (excess over cap after redemptions and maturities)*	-	

Notes to the Template

	Description	Hong Kong basis	Basel III basis
9	**Other intangible assets (net of associated deferred tax liabilities)**	19,898	19,898
	Explanation 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 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)**	656,522	-
	Explanation 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.		

CC1: Composition of regulatory capital (continued)

	Description	Hong Kong basis	Basel III basis
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)**	-	-
	Explanation 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)**	-	-
	Explanation 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)**	-	-
	Explanation 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.		
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)**	-	-

CC1: Composition of regulatory capital (continued)

	Description	Hong Kong basis	Basel III basis
	Explanation 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.		

Remarks:

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.

CC2: Reconciliation of regulatory capital to balance sheet

	(HK$'000)		
	(a)	(b)	(c)
	Balance sheet as in published financial statements 31/12/2020	**Under regulatory scope of consolidation** 31/12/2020	**Reference**
Assets			
Cash and balances with banks and other financial institutions	118,727,991	118,701,074	
Placements with banks and other financial institutions	103,478,432	103,478,432	
Financial assets held for trading	-	-	
Financial assets at fair value through profit or loss	5,093,540	470,123	
Derivative financial instruments	16,465,187	16,465,187	
Advances and other accounts	479,562,460	479,591,075	
of which: collective impairment allowances reflected in regulated capital	-	(5,263,127)	g
Financial investments:	186,966,866	186,730,865	
– measured at fair value through other comprehensive income	140,006,031	139,770,030	
– measured at amortised cost	46,960,835	46,960,835	
Investment in an associate	200,509	262,273	
Investment in subsidiaries	-	5,446,943	
Goodwill and other intangible assets	1,021,525	1,000,052	
of which: goodwill	-	980,154	a
of which: other intangible asset	-	19,898	b
Investment properties	131,929	131,929	
of which: cumulative revaluation gain on investment properties	-	35,512	
Property, plant and equipment	2,163,802	2,134,262	
Current income tax asset	-	-	
Deferred income tax assets	657,377	656,552	c
Other assets	16,622,920	16,489,747	
Total assets	931,092,538	931,558,514	
Liabilities			
Deposits from banks and other financial institutions	205,998,447	205,998,447	

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

	(HK$'000)		
	(a)	(b)	(c)
	Balance sheet as in published financial statements 31/12/2020	**Under regulatory scope of consolidation** 31/12/2020	**Reference**
Derivative financial instruments	15,624,197	15,624,197	
of which: debit valuation adjustments in respect of derivative contracts	-	27,968	h
Deposits from customers	522,484,014	524,694,711	
Certificates of deposit issued at amortised cost	7,045,548	7,045,548	
Debt securities in issue	25,136,923	25,136,923	
- Designated at fair value through profit or loss	7,373,240	7,373,240	
- At amortised cost	17,763,683	17,763,683	
Current income tax liabilities	1,037,278	1,013,011	
Deferred income tax liabilities	-	-	
Subordinated debts measured at amortised cost	-	-	
of which: subordinate debts not eligible for inclusion in regulatory capital	-	-	
of which: subordinate debt eligible for inclusion in regulatory capital	-	-	
Other liabilities	15,999,056	15,983,346	
Total liabilities	793,325,463	795,496,183	
Shareholders' equity			
Share capital	44,187,631	44,187,631	e
Retained earnings	62,329,014	60,634,587	
of which: regulatory reserve for general banking risks	-	-	i
Other reserves	3,614,723	3,604,406	
of which: bank premises revaluation reserve	-	582,791	
of which: investment revaluation reserve	-	(86,843)	
of which: cash flow hedge reserve	-	(696,583)	d
of which: exchange reserve	-	476,168	
of which: general reserve	-	3,328,873	
Additional equity instruments	27,635,707	27,635,707	
Total shareholders' equity	137,767,075	136,062,331	
Total shareholders' equity and liabilities	931,092,538	931,558,514	

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 (continued)

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.
	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$7,740 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
	Coupons/dividends	
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
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 (continued)

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$19,658 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	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

GSIB1: G-SIB indicators

			(a)
	Category	**Individual indicator**	**Value**
1	Cross-jurisdictional activities	Cross-jurisdictional claims	-
2		Cross-jurisdictional liabilities	-
3	Size	Total exposures	-
4	Interconnectedness with other financial institutions	Intra-financial system assets	-
5		Intra-financial system liabilities	-
6		Securities outstanding	-
7	Substitutability / Financial institution infrastructure	Assets under custody	-
8		Payment activity	-
9		Underwritten transactions in debt and equity markets	-
10	Complexity	Notional amount of over-the-counter ("OTC") derivatives	-
11		Level 3 assets	-
12		Trading securities and securities measured at fair value through other comprehensive income	-

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
1	Hong Kong SAR	1.00%	285,976,859		
2	China	0.00%	166,933,313		
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)	0.00%	4,414,704		
4	Canada	0.00%	87,577		
5	Cayman Islands	0.00%	1,758,740		
6	Chinese Taipei	0.00%	92,672		
7	France (includes French Guiana, French Southern Territories, Guadeloupe, Martinique, Mayotte, Monaco, Reunion and St. Pierre and Miquelon)	0.00%	5,539		
8	Germany (includes the European Central Bank)	0.00%	5,855,032		
9	India	0.00%	2,207		
10	Indonesia	0.00%	1,424,578		
11	Ireland	0.00%	2,079,874		
12	Luxembourg	0.50%	5,344,439		
13	Macau SAR	0.00%	1,322,943		
14	Malaysia (includes Labuan International Financial Offshore Centre)	0.00%	1,556,855		
15	Myanmar (formerly Burma)	0.00%	261,512		
16	Nepal	0.00%	10		
17	Netherlands	0.00%	3,773,367		
18	New Zealand (includes Cook Islands, Minor Islands, Niue, Ross Dependency and Tokelau)	0.00%	353,520		
19	Philippines	0.00%	520,339		
20	Qatar	0.00%	776,708		
21	Singapore	0.00%	3,910,890		
22	South Africa	0.00%	1,045		
23	South Korea	0.00%	404		
24	Spain (includes Balearic Islands, Canary Islands and Ceuta and Melilla)	0.00%	80		
25	Sweden	0.00%	560		
26	Switzerland (includes Bank for International Settlements)	0.00%	1,011		
27	Thailand	0.00%	999,095		
28	United Arab Emirates	0.00%	387,721		
29	United Kingdom (excludes Guernsey, Isle of Man and Jersey)	0.00%	2,145,683		
30	United States (includes American Samoa, Guam, Midway Islands, Northern Mariana Islands, Puerto Rico, US Virgin Islands and Wake Islands)	0.00%	998,529		

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

	Geographical breakdown by Jurisdiction (J)	Applicable JCCyB ratio in effect (%)	RWA used in computation of CCyB ratio	AI-specific CCyB ratio (%)	CCyB amount
31	Vietnam	0.00%	10		
32	West Indies UK (includes Anguilla, Antigua and Barbuda, British Virgin Islands, Montserrat and St. Christopher/St. Kitts – Nevis)	0.00%	3,332,179		
	Sum		494,317,995		
	Total		494,317,995	0.58%	2,886,491

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	931,092,538
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	5,508,707
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	2,184,990
5	Adjustment for SFTs (i.e. repos and similar secured lending)	1,101,586
6	Adjustment for off-balance sheet ("OBS") items (i.e. conversion to credit equivalent amounts of OBS exposures)	48,260,774
6a	Adjustment for specific and collective provisions that are allowed to be excluded from exposure measure	(8,034,011)
7	Other adjustments	3,325,620
8	**Leverage ratio exposure measure**	**983,440,204**

LR2: Leverage ratio (“LR”)

		(a)	(b)
		(HK$'000)	
		31/12/2020	30/9/2020
On-balance sheet exposures			
1	On-balance sheet exposures (excluding those arising from derivative contracts and SFTs, but including collateral)	919,201,933	942,546,943
2	Less: Asset amounts deducted in determining Tier 1 capital	(921,771)	(1,431,339)
3	**Total on-balance sheet exposures (excluding derivative contracts and SFTs)**	918,280,162	941,115,604
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)	14,424,330	14,465,980
5	Add-on amounts for PFE associated with all derivative contracts	9,636,952	10,342,961
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	(7,451,962)	(7,947,626)
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**	16,609,320	16,861,315
Exposures arising from SFTs			
12	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	7,222,373	21,821,132
13	Less: Netted amounts of cash payables and cash receivables of gross SFT assets	-	-
14	CCR exposure for SFT assets	1,101,586	2,198,873
15	Agent transaction exposures	-	-
16	**Total exposures arising from SFTs**	8,323,959	24,020,005
Other off-balance sheet exposures			
17	Off-balance sheet exposure at gross notional amount	213,759,993	212,494,626
18	Less: Adjustments for conversion to credit equivalent amounts	(165,499,219)	(162,418,164)
19	**Off-balance sheet items**	48,260,774	50,076,462
Capital and total exposures			
20	**Tier 1 capital**	134,082,144	132,041,949
20a	**Total exposures before adjustments for specific and collective provisions**	991,474,215	1,032,073,386
20b	**Adjustments for specific and collective provisions**	(8,034,011)	(7,036,604)
21	**Total exposures after adjustments for specific and collective provisions**	983,440,204	1,025,036,782
Leverage ratio			
22	**Leverage ratio**	13.63%	12.88%

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

For item 2:
The Asset amounts deducted in determining Tier 1 capital decreased by HKD 510 million (-35.6%), it was mainly due to decrease of regulatory reserve for general banking risk by HKD624 million (-100%).

For 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, decreased by HKD 14,598 million (-66.9%) and HKD 1,097 million (-49.9%) respectively, the total exposure arising from SFTs decreased by HKD 15,696 million (-65.3%)

LIQA: Liquidity risk management

Liquidity risk is the risk that the Group cannot meet its financial obligations as and when they fall due. A sound liquidity risk management framework is therefore essential to ensure there is adequate cash flow to meet all financial obligations, including matured borrowings, deposits withdrawal either on demand or at contractual maturity, etc under both normal and contingency circumstances in a cost-effective manner. The Group must comply with the statutory Liquidity Coverage Ratio ("LCR"), Net Stable Funding Ratio ("NSFR") and other regulatory liquidity-related ratios. To ensure this, the Group maintains a stable and diversified funding base of retail and corporate customer deposits and a strong portfolio of highly liquid assets.

The Board of Directors (the "Board") has the ultimate responsibility for the oversight of liquidity risk management. For better management of the overall risks faced by the Bank, the Board has established the Risk Management Committee of Board of Directors ("BRMC") to oversee the Bank's risk management framework and risk positions and approve risk policies (including liquidity risk management policy). The Board RMC delegates the Senior Executive RMC ("SERMC") to monitor and assess the Bank's overall risk positions. For liquidity risk, the SERMC appoints ALCO to manage.

The ALCO, to manage liquidity risk, includes but not limited to:

- identify, assess, monitor and control the liquidity risk
- formulate, review and update the liquidity risk management policy
- strengthen the Bank's liquidity and monitor the liquidity risk indicators, cash flow and intraday liquidity
- review the liquidity stress testing on a regular basis
- build up contingency funding plan on liquidity, including but is not limited to solicit customer deposits, issue CDs, sell bonds, etc.

To manage liquidity risk, the Group has established liquidity risk management policies that are reviewed and approved by the ALCO, SERMC and BRMC. Liquidity is managed and forecasted on a daily basis to enable the ALCO and relevant departments to act proactively in view of changing market conditions and to implement contingency plans on a timely basis. Also, liquidity risk management reports are prepared and reported to the ALCO on a monthly basis and to the SERMC and the Board RMC on a quarterly basis for effective liquidity risk management oversight.

Stress tests, with various crisis scenarios covering bank-specific, general market and a combination of both, are regularly conducted for both internal and regulatory purposes in order to assess the adequacy of the Group's liquidity to meet any contingent funding needs under severe conditions. The ALCO examines and discusses the stress test results to consider the need for preventive and mitigating actions. These actions include but not limited to limit the Bank's exposures, build up more liquidity cushion, and/or adjust the structural maturity profile of the Bank's assets and liabilities. Stress tests are conducted for all currencies in aggregate as HKD equivalent and separately for positions in significant currencies (e.g. HKD, USD, CNY).

The Group maintains a diversified portfolio of liquidity cushion that is largely made up of the most liquid and readily marketable assets ("tier 1 assets"), such as cash, EF debt securities and other high quality government debt securities or similar instruments, that can be easily or immediately monetized with little or no loss or discount at all times. The Bank also widens the composition of the liquidity cushion by holding other liquid and marketable assets ("tier 2 assets") which can be used to cater for the longer end of the stress period without resulting in excessive losses or discounts. The Bank calculates the required liquidity cushion, which is compared to the liquidity cushion held by the Bank to ensure that the latter is sufficient in all circumstances.

To ensure an effective liquidity risk management, frontline business units should:

- report the customer fund in/out flow in time and monitor the trend of deposits withdrawal
- attract relatively stable deposits at reasonable rate (e.g. longer tenor, larger depositor base, etc.)
- fulfil the deposit growth targets set by senior management
- simultaneously comply with the deposit growth target when developing assets business which consumes liquidity
- implement liquidity management plans as agreed in ALCO or CEO when the liquidity is relatively tight
- price lending properly, taking into account the Bank's liquidity cost and availability
- slow down or cease committing to new loans, and / or defer or regulate loan drawdown, and / or work together on loan sale during times of liquidity stress

The Group continues to seek to diversify its funding channels to control excessive concentration on funding sources. Funding support from the Parent Bank, ICBC, has also proven to be efficient in strengthening the Group's liquidity capability.

LIQA: Liquidity risk management (continued)

The matching and controlled mismatching of assets and liabilities are fundamental to the liquidity management of the Group. It is unusual for bank's assets and liabilities to be completely matched in tenors, as transactions often entail uncertain terms and are frequently of different types. While an unmatched position potentially enhances profitability, it increases the liquidity risk (as well as the interest rate risk) of an entity.

A substantial portion of our assets is funded by customer deposits. These customer deposits, which are widely diversified by type and maturity, represent a stable source of funds. The Group places great emphasis on the stability of these deposits, which are sustained through the Group's retail banking activities and by maintaining depositor confidence in the Group's capital strength. Although many customer accounts are contractually due for repayment on demand or at short notice, in practice inflows and outflows are broadly matched, keeping short-term deposit balances stable.

The contingency funding plan ("CFP") is reviewed by the ALCO and the SERMC, and approved by the Board RMC at least annually with the objective of ensuring that the Group has practical and operational plans in place to enable it to cope with a liquidity crisis. The CFP is a practical tool for managing liquidity during a crisis event. It sets out the options available to the Group for garnering liquidity and funding, and an agreed course of action in the event of an unexpected crisis. The CFP includes detailed action steps as well as roles and responsibilities of relevant parties. As a practical set of guidelines for the crisis management team and its support team to evaluate the liquidity crisis situation and execute action steps during any crisis, the CFP also consists of a sound balance sheet maturity analysis, and spells out all potential funding sources giving due consideration to their reliability, priority and the lead time during a crisis.

The Group assess the structure of the on and off balance sheet with cash flow projection and future liquidity position by monitoring 1) cumulative net maturity mismatch (normal condition) and 2) cash flow stress testing (stress condition). By projecting the future cash flow maturity position from on and off balance sheet items, corresponding cumulative maturity gap can be generated and monitored. The bank needs to ensure the cumulative net cash flow position is positive within certain period under both normal and stress condition. (i.e. the negative cumulative maturity gap can be recovered by options such as disposal of securities). On 31 December 2020, cumulative net maturity mismatch (normal condition) exposure is negative HKD 20.6 billion within 1 month; cash flow stress testing (stress condition) exposure is positive HKD 0.4 billion within 1 month.

LIQA: Liquidity risk management (continued)

There are corresponding concentration limits for risk diversification of the bank. For example for repo product, there are repo notional limits by counterparties as below.

	Repo Notional (USD million)
ING	2,000
HSBC	1,400
GS	2,000
BARC	2,000
RBS	1,500
BNP	1,500
CACIB	2,500
ANZ	1,500
NAB	1,000
MCQ	1,000
Total	**16,400**

The Group monitors the liquidity exposure of the regulatory required liquidity ratios LCR, HKD L1 LCR and NSFR under local, combined and consolidated level on daily basis.

On 31 December 2020, the exposure results are as below.

LCR on local basis is 192%, LCR on combined basis is 192% and LCR on consolidated basis is 197%.

HKD L1 LCR on local basis is 131%, HKD L1 LCR on combined basis is 131% and HKD L1 LCR on consolidated basis is 129%.

NSFR on local basis is 115%, NSFR on combined basis is 115% and NSFR on consolidated basis is 119%.

LIQA: Liquidity risk management (continued)

On- and off-balance sheet items, broken down into maturity buckets and the resultant liquidity gaps as below.

31 December 2020	Repayable on demand HK$'000	Up to one month HK$'000	1-3 months HK$'000	3-12 months HK$'000	1-5 years HK$'000	Over 5 years HK$'000	Undated HK$'000	Total HK$'000
Assets								
Cash and balances with banks and other financial institutions	62,226,815	56,501,176	-	-	-	-	-	118,727,991
Placements with banks and other financial institutions	-	-	67,970,983	35,507,449	-	-	-	103,478,432
Financial assets held for trading								
- other debt securities	-	-	-	-	-	-	-	-
Financial assets at fair value through profit or loss								
-investment funds	-	-	-	-	-	-	4,597,800	4,597,800
- other	-	-	-	-	-	470,123	25,617	495,740
Derivative financial instruments	111,050	1,486,405	2,091,969	4,115,435	5,743,422	2,916,906	-	16,465,187
Advances and other accounts	5,723,786	27,986,010	36,996,617	118,739,519	189,462,361	99,380,469	1,273,698	479,562,460
Financial investments measured at FVTOCI								
- treasury bills	-	4,369,938	17,828,403	298,568	2,932,447	3,190,310	-	28,619,666
- equity securities	-	-	-	-	-	-	2,423,269	2,423,269
- certificates of deposit held	-	587,074	-	154,162	-	-	-	741,236
- other debt securities	-	667,893	1,056,582	6,595,649	50,543,530	49,358,206	-	108,221,860
Financial investments measured at amortised cost								
- treasury bills	-	-	-	6,934,064	6,424,919	7,639,582	-	20,998,565
- certificates of deposit held	-	-	-	385,477	-	-	-	385,477
- other debt securities	-	1,631,811	403,509	3,646,713	16,390,347	3,504,413	-	25,576,793
Investments in associates	-	-	-	-	-	-	200,509	200,509
Goodwill and other intangible assets	-	-	-	-	-	-	1,021,525	1,021,525
Investment properties	-	-	-	-	-	-	131,929	131,929
Property, plant and equipment	-	-	-	-	-	-	2,163,802	2,163,802
Other assets, including current and deferred income tax assets	117,329	2,923,439	1,347,372	3,151,436	3,048,472	436,790	6,255,459	17,280,297
Total assets	**68,178,980**	**96,153,746**	**127,695,435**	**179,528,472**	**274,545,498**	**166,896,799**	**18,093,608**	**931,092,538**
Total off-balance claims	**-**	**31,007,600**	**-**	**-**	**1,000,000**	**-**	**143,773,603**	**175,781,203**
Total	**68,178,980**	**127,161,346**	**127,695,435**	**179,528,472**	**275,545,498**	**166,896,799**	**161,867,211**	**1,106,873,741**
Liabilities								
Deposits from banks and other financial institutions	48,577,256	40,204,166	22,346,575	59,241,452	35,628,998	-	-	205,998,447
Derivative financial instruments	-	1,338,059	1,848,071	4,374,239	4,165,172	3,898,656	-	15,624,197
Deposits from customers	210,578,626	84,098,706	95,493,442	119,172,221	13,141,019	-	-	522,484,014
Certificates of deposit issued	-	-	7,045,548	-	-	-	-	7,045,548
Debt securities in issue								
- Designated at fair value through profit or loss	-	-	-	-	7,373,240	-	-	7,373,240
- At amortised cost	-	-	-	1,998,756	15,764,927	-	-	17,763,683
Subordinated debt measured at amortised cost	-	-	-	-	-	-	-	-
Other liabilities, including current and deferred income tax liabilities	3,137,975	6,421,041	1,179,474	4,819,790	192,209	-	1,285,845	17,036,334
Total liabilities	**262,293,857**	**132,061,972**	**127,913,110**	**189,606,458**	**76,265,565**	**3,898,656**	**1,285,845**	**793,325,463**
Total off-balance obligations	**-**	**66,075,597**	**-**	**7,751,900**	**-**	**-**	**-**	**73,827,497**
Total	**262,293,857**	**198,137,569**	**127,913,110**	**197,358,358**	**76,265,565**	**3,898,656**	**1,285,845**	**867,152,960**
Net liquidity gap	**-194,114,877**	**-70,976,223**	**-217,675**	**-17,829,886**	**199,279,933**	**162,998,143**	**160,581,366**	**239,720,781**

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: (73)		(HK$'000)	
		(a)	(b)
Basis of disclosure: consolidated		**Unweighted value** (average)	**Weighted value** (average)
A.	**HQLA**		
1	Total HQLA		122,031,581
B.	**Cash outflows**		
2	Retail deposits and small business funding, of which:	148,971,537	14,140,569
3	*Stable retail deposits and stable small business funding*	10,808,359	324,251
4	*Less stable retail deposits and less stable small business funding*	138,163,178	13,816,318
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:	304,319,213	150,461,505
6	*Operational deposits*	64,562,100	16,042,883
7	*Unsecured wholesale funding (other than small business funding) not covered in row 6*	237,780,458	132,441,967
8	*Debt securities and prescribed instruments issued by the AI and redeemable within the LCR period*	1,976,655	1,976,655
9	Secured funding transactions (including securities swap transactions)		1,595,194
10	Additional requirements, of which:	50,925,509	13,060,096
11	*Cash outflows arising from derivative contracts and other transactions, and additional liquidity needs arising from related collateral requirements*	8,541,937	8,506,362
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)*	42,383,572	4,553,734
14	Contractual lending obligations (not otherwise covered in Section B) and other contractual cash outflows	3,360,873	3,360,873
15	Other contingent funding obligations (whether contractual or non-contractual)	577,957,098	952,992
16	**Total Cash Outflows**		183,571,229
C.	**Cash Inflows**		
17	Secured lending transactions (including securities swap transactions)	101,028	3,927
18	Secured and unsecured loans (other than secured lending transactions covered in row 17) and operational deposits placed at other financial institutions	155,107,966	121,808,196
19	Other cash inflows	106,973,192	5,165,786
20	**Total Cash Inflows**	262,182,186	126,977,909
D.	**Liquidity Coverage Ratio**		Adjusted value
21	**Total HQLA**		115,780,699
22	**Total Net Cash Outflows**		57,302,634
23	**LCR (%)**		207.41%

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

Liquidity Coverage Ratio

The Liquidity Coverage Ratio (“LCR”) throughout the year of 2020 meets the regulatory requirement and maintains at a high level.

(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.

(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.

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 Board RMC, 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. Stress tests are conducted regularly, and the Bank has readied the Contingency Funding Plan with detailed procedures in dealing with a potential liquidity crisis.

LIQ2: Net Stable Funding Ratio – for category 1 institution

		31/12/2020 (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:	141,230,080	-	-	-	141,230,080
2	*Regulatory capital*	141,230,080	-	-	-	141,230,080
2a	*Minority interests not covered by row 2*	-	-	-	-	-
3	*Other capital instruments*	-	-	-	-	-
4	Retail deposits and small business funding:	-	145,846,858	-	-	131,813,947
5	*Stable deposits*		11,035,490	-	-	10,483,716
6	*Less stable deposits*		134,811,368	-	-	121,330,231
7	Wholesale funding:	-	471,346,768	73,496,252	48,809,771	246,458,423
8	*Operational deposits*		60,441,329	-	-	30,220,665
9	*Other wholesale funding*	-	410,905,439	73,496,252	48,809,771	216,237,758
10	Liabilities with matching interdependent assets	-	-	-	-	-
11	Other liabilities:	14,131,667	10,727,113	6,377,701	17,173,637	20,362,488
12	*Net derivative liabilities*	-				
13	*All other funding and liabilities not included in the above categories*	14,131,667	10,727,113	6,377,701	17,173,637	20,362,488
14	**Total ASF**					**539,864,938**
B.	**Required stable funding ("RSF") item**					
15	Total HQLA for NSFR purposes				173,844,854	30,848,830
16	Deposits held at other financial institutions for operational purposes	-	691,707	-	-	345,854
17	Performing loans and securities:	5,713,300	314,878,473	83,400,603	312,861,028	386,299,890
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*	-	214,642,195	25,141,162	16,375,689	61,142,599

		31/12/2020				
		(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:*	5,713,300	95,120,741	56,140,376	205,830,444	255,100,018
21	*With a risk-weight of less than or equal to 35% under the STC approach*	-	621,028	567,669	1,713,613	1,708,197
22	*Performing residential mortgages, of which:*	-	1,584,558	1,252,057	65,834,482	46,760,928
23	*With a risk-weight of less than or equal to 35% under the STC approach*	-	1,099,335	1,030,493	53,083,450	35,569,156
24	*Securities that are not in default and do not qualify as HQLA, including exchange-traded equities*	-	3,530,979	867,008	24,820,413	23,296,345
25	Assets with matching interdependent liabilities	-	-	-	-	-
26	Other assets:	42,855,437	17,217,075	431,378	2,711,840	33,653,408
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*	7,105,276				7,105,276
30	*Total derivative liabilities before deduction of variation margin posted*	14,990,993				749,550
31	*All other assets not included in the above categories*	20,635,946	17,217,075	431,378	2,711,840	25,693,843
32	Off-balance sheet items		-			2,168,084
33	**Total RSF**					**453,316,066**
34	**Net Stable Funding Ratio (%)**					**119.09%**

LIQ2: Net Stable Funding Ratio – for category 1 institution

		30/09/2020 (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:	137,957,216	3,855,121	-	-	137,957,216
2	*Regulatory capital*	137,957,216	-	-	-	137,957,216
2a	*Minority interests not covered by row 2*	-	-	-	-	-
3	*Other capital instruments*	-	3,855,121	-	-	-
4	Retail deposits and small business funding:	-	151,863,404	-	-	137,201,591
5	*Stable deposits*		10,490,565	-	-	9,966,035
6	*Less stable deposits*		141,372,839	-	-	127,235,556
7	Wholesale funding:	-	513,598,926	62,322,116	32,431,734	225,201,617
8	*Operational deposits*		66,255,749	-	-	33,127,875
9	*Other wholesale funding*	-	447,343,177	62,322,116	32,431,734	192,073,742
10	Liabilities with matching interdependent assets	-	-	-	-	-
11	Other liabilities:	13,727,938	21,382,001	1,700,700	22,898,260	23,748,610
12	*Net derivative liabilities*	-				
13	*All other funding and liabilities not included in the above categories*	13,727,938	21,382,001	1,700,700	22,898,260	23,748,610
14	**Total ASF**					**524,109,034**
D.	**Required stable funding ("RSF") item**					
15	Total HQLA for NSFR purposes				162,650,123	27,040,703
16	Deposits held at other financial institutions for operational purposes	-	730,767	-	-	365,384
17	Performing loans and securities:	6,387,994	307,846,692	107,227,749	309,785,855	398,757,837
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*	-	197,918,825	42,350,913	14,199,953	65,063,233

		30/09/2020 (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:*	6,387,994	106,485,852	61,619,955	209,068,744	266,840,866
21	*With a risk-weight of less than or equal to 35% under the STC approach*	-	631,403	845,967	1,751,325	1,877,046
22	*Performing residential mortgages, of which:*	-	1,573,314	1,128,498	63,139,958	44,984,576
23	*With a risk-weight of less than or equal to 35% under the STC approach*	-	1,087,763	924,283	50,176,474	33,620,731
24	*Securities that are not in default and do not qualify as HQLA, including exchange-traded equities*	-	1,868,701	2,128,383	23,377,200	21,869,162
25	Assets with matching interdependent liabilities	-	-	-	-	-
26	Other assets:	40,193,992	21,229,758	5,375,001	6,753,000	37,744,975
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*	8,723,535				8,723,535
30	*Total derivative liabilities before deduction of variation margin posted*	12,733,095				636,655
31	*All other assets not included in the above categories*	18,614,140	21,229,758	5,375,001	6,753,000	28,280,046
32	Off-balance sheet items		-			2,215,422
33	**Total RSF**					**466,124,321**
34	**Net Stable Funding Ratio (%)**					**112.44%**

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

The Net Stable Funding Ratio ("NSFR") throughout the year of 2020 meets the regulatory requirement and maintains at a safe level.

(i) Main drivers of NSFR results

The change in the Bank's NSFR's is mainly due to the change in the composition and size of various kinds of asset and liability. For the liability side, the major funding source is customer deposit. It is relatively stable which brings support to the NSFR. For the asset side, the major product is customer loan which grows smoothly in size. In overall, the NSFR is maintained smoothly and the liquidity situation is kept at a safe level.

(ii) 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 NSFR, which would then be consolidated with the Bank's NSFR to reflect the liquidity position on a Group basis.

CRA: General information about credit risk

The Bank reviews credit risk appetite on an annual basis to provide direction of loan growth during the year. New or change of business direction will be taken into consideration during the review of credit risk appetite. The Bank's credit risk appetite will be reviewed by the Bank's Senior Executive Risk Management Committee ("SERMC") and approved by the Bank's Board Risk Management Committee ("BRMC").

The Bank's credit risk management policy includes credit risk appetite, customer selection criteria, customer acceptance criteria, and post-approval monitoring. As a subsidiary of ICBC in HK, the Bank adopts parent Bank's credit risk management policy for loans used in parent company. For lending other than in the PRC (e.g. Hong Kong and Asia Pacific), the Bank's credit risk management policy will be referred to local regulatory requirement, macroeconomic environment and market practice. For the purpose to minimize concentration risk, the Bank also sets up credit risk limits in respect of large exposure, industry level, country and product etc.

The Board/Board Risk Management Committee ("BRMC) has ultimate responsibility for overseeing credit risk management of the Bank. In practice, BRMC approves the bank-wide risk appetite statement (including credit risk) and credit risk appetite providing the guidance / direction of loan growth of the Bank. Senior Executive Risk Management Committee ("SERMC"), chaired by Chief Risk Officer ("CRO"), assists BRMC to review and assesses credit risk of the Bank.

Credit Committee ("CC") deliberates sizable credit application prior to approval by final approver of the Bank. The Bank's credit approval authority was delegated by our parent Bank and the Bank's Board further delegates to CEO, CRO, Chief Credit Approver (CCA), Heads and approvers in Credit Approval Departments ("CAD").

Business Units act as first line of defence for customer relationship management and post-approval monitoring, credit risk management and control function other than credit approval is handled by Credit and Investment Management Department ("CMD"), Loan Administration Department ("LAD") and Risk Management Department ("RMD") with direct reporting line to CRO. Reporting to CEO of the Bank, CRO is independent of Business Unit and in charge of overall risk management (including credit risk) of the Bank.

CRA: General information about credit risk (continued)

The Bank has adopted a "Three Lines of Defences" risk management structure. Business Units play the first line of defence and primary responsible party of the credit risk. Credit Risk Management function and Internal Control and Compliance Department ("ICD") are independent of Business Units and play the second line of defence. Internal Audit Department ("IAD") plays the third line of defence and is responsible to providing assurance on the effectiveness of the Bank's risk management framework.

Reports in relation to asset quality of the Bank will be prepared by Credit and Investment Management Department ("CMD") and reported to Credit Committee ("CC"), Senior Executive Risk Management Committee ("SERMC") and Board Risk Management Committee ("BRMC") on a regular basis (e.g. monthly or quarterly). The scope and main content of the report including but not limited to the (1) size of the Bank's loan portfolio and corresponding loan classification and internal credit rating ; (2) asset quality of key business segments; (3) overdue and non-performing loan status at the reporting period and (4) large exposure customer's impact on the Bank's capital. On top of routine reports, ad hoc reports such as portfolio review will also be reported to CC, SERMC and BRMC if necessary and in an appropriate manner.

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 of specific provisions	Allocated in regulatory of collective provisions		
1	Loans	4,025,132	704,234,750	7,746,281	2,900,014	4,846,267	-	700,513,601
2	Debt securities	-	184,543,597	165,973	-	165,973	-	184,377,624
3	Off-balance sheet exposures	-	213,759,993	196,731	-	196,731	-	213,563,262
4	**Total**	**4,025,132**	**1,102,538,340**	**8,108,985**	**2,900,014**	**5,208,971**	**-**	**1,098,454,487**

CR2: Changes in defaulted loans and debt securities

		(HK$'000)
		(a)
		Amount
1	**Defaulted loans and debt securities at the end of the previous reporting period**	**4,433,135**
2	Loans and debt securities that have defaulted since the last reporting period	240,507
3	Returned to non-defaulted status	(20,681)
4	Amounts written off	(141,192)
5	Other changes	(486,637)
6	**Defaulted loans and debt securities at the end of the current reporting period**	**4,025,132**

Loans and debt securities that have defaulted since the last reporting period amounted to HKD0.24 billion. Since sufficient provision has been made based on assessments of the aforesaid defaulted loans, risk is considered as controllable. During the period, loans written off amounted to HKD0.14 billion. These loans were written off during the reporting year after exhaustion of all recovery efforts in accordance with relevant policies and procedures.

Additionally, item of "Other Changes" is mainly attributed by partial settlement of the defaulted loans and exchange rate difference, etc.

CRB: Additional disclosure related to credit quality of exposures

The Group adopts a forward-looking "expected credit loss" model for measuring and recognizing impairment loss to meet the requirement of HKFRS9. Impairment allowance was measured for 12-month or lifetime expected credit losses ("ECL") using s 3-stage approach as follows:

<table>
<tr><th>Stage</th><th>Description</th><th>Impairment Loss</th><th colspan="2">HKMA's 5-Grace Asset</th></tr>
<tr><td>1</td><td>Performing</td><td>12-month ECL</td><td>Pass</td><td>General (i.e. do not meet the Bank's criteria of "Significant Increase of Credit Risk")</td></tr>
<tr><td rowspan="2">2</td><td rowspan="2">Performing but with credit risk increased significantly at reporting date since its initial recognition</td><td rowspan="2">Lifetime ECL</td><td>Pass</td><td>Meet the Bank's criteria of "Significant Increase of Credit Risk"</td></tr>
<tr><td colspan="2">Special Mention</td></tr>
<tr><td rowspan="3">3</td><td rowspan="3">Non-Performing</td><td rowspan="3">Lifetime ECL</td><td colspan="2">Substandard</td></tr>
<tr><td colspan="2">Doubtful</td></tr>
<tr><td colspan="2">Loss</td></tr>
</table>

- 12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date.
- Lifetime ECL are the expected losses that result from all possible default events over the expected life of financial instrument.

The key inputs into the measurement of ECL are the term structure of the following variables:
- Probability of default (PD);
- Loss given default (LGD); and
- Exposure of default (EAD)

For the portfolios without PD, references of portfolio average PD estimates under the same portfolios, the long-run average default rate of the portfolios or PD estimates extracted from external sources are used. The PD term structure estimation is referenced to forecast of economic index relevant to the portfolio.

LGD is the magnitude of the likely loss if there is a default. For the portfolios with insufficient historical loss and recovery data, reference of external data source are used for derivating the LGD estimates.

CRB: Additional disclosure related to credit quality of exposures (continued)

For the portfolio with individual assessment of credit risk mitigation measures, collateral values are projected for different economic scenario as to reflect LGD estimates under different economic scenarios.

A financial asset is ‘credit-impaired’ when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Advances with a specific repayment date are classified as overdue when the principal or interest is past due and remains unpaid. Advances repayable by regular instalments are classified as overdue when an instalment payment is past due and remains unpaid. Advances repayable on demand are classified as overdue either when a demand for repayment has been served on the borrower but repayment has not been made in accordance with the instruction or when the advances have remained continuously exceeded the approved limit that was advised to the borrower. Impaired loans represent advances which are individually assessed to be impaired.

In general, exposures will be classified as impaired for past due exceeds 90 days or above.

The Bank follows the HKMA’s definition of a restructured exposure.

CRB: Additional disclosure related to credit quality of exposures (continued)

The quality of loan and advance to customers analysed as follows:

Total Advance to customer (HK$'000)	12-Month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired
1-Pass	4,188,712	301,623	-
2-Special mention	6,786	275,011	-
3-Substandard	-	-	248,125
4-Doubtful	-	-	2,392,078
5-Loss	-	-	259,811
Total	**4,195,498**	**576,634**	**2,900,014**

Breakdown of gross loans to customers by geographical areas

	(HK$'000) Loans
Hong Kong	271,719,993
China	164,452,343
Others	27,234,410
Total	**463,406,746**

Breakdown of gross loans to customers by industry

	(HK$'000) Loans
Transport and transport equipment	25,615,562
Property development	45,642,315
Property investment	31,286,257
Financial concerns	29,664,994
Individuals	49,790,999
Wholesale and retail trade	7,838,725
Loans for use outside Hong Kong	197,550,285
Others	76,017,609
Total	**463,406,746**

CRB: Additional disclosure related to credit quality of exposures (continued)

Breakdown of gross loans to customers by residual maturity

	(HK$'000)
	Loans
Within one year	161,439,951
One to five years	167,336,068
Over five years	134,630,727
Total	**463,406,746**

Breakdown of impaired exposures, related allowances and write-offs by geographical areas

	(HK$'000)		
	Impaired exposure	Related allowances	Write-offs
Hong Kong	2,589,244	1,672,742	474,441
Mainland China	1,830,512	1,225,267	196,544
Asia Pacific Region excluding Hong Kong and Mainland China	1,972	2,005	-
Total	**4,421,728**	**2,900,014**	**670,985**

Breakdown impaired exposures, related allowances and write-offs by industry

	(HK$'000)		
	Impaired exposure	Related allowances	Write-offs
Manufacturing	267,361	259,224	369
Property development	232,693	80,831	-
Property investment	184,702	73,874	-
Financial concerns	2,370,377	1,673,502	-
Individuals	4,676	2,900	18,482
Transport and transport equipment	30,121	18,963	-
Wholesale and retail trade	542,322	444,991	11,744
Loans for use outside Hong Kong	479,022	244,758	196,544
Others	310,454	100,971	443,846
Total	**4,421,728**	**2,900,014**	**670,985**

CRB: Additional disclosure related to credit quality of exposures (continued)

Aging analysis of loans to customers past due exposures

	(HK$'000)
	Loans
Past due for over 3 months to 6 months	178,342
Past due for over 6 months to 12 months	84,014
Past due for over 12 months	3,495,774
Total	**3,758,130**

Breakdown of restructured exposures, between impaired and not impaired exposures

	(HK$'000)
	Loans
Impaired exposures	143,008
Not impaired exposures	-
Total	**143,008**

Remarks: Loans include advances to customers only.

CRC: Qualitative disclosures related to credit risk mitigation

The valuation and management of collateral have been documented in the Bank's Credit Manual covering acceptance criteria, loan-to-value ratio, valuation and insurance and subject to regular review. The collateral is revalued on an annual basis as a minimum. For asset based lending such as share margin financing, its collateral will be valued on a daily basis. There are procedures setting out role and responsibilites of each departments when enforcing or liquidation of collateral is required.

Properties, standby letter of credit issued by recognized bank, deposit and listed shares formed majority of our Bank's collateral. The Bank also set out risk limit in relation to particular collateral type in our secured exposure.

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	677,845,419	22,668,182	9,194,514	13,473,668	-
2	Debt securities	176,721,105	7,656,519	-	7,656,519	-
3	**Total**	**854,566,524**	**30,324,701**	**9,194,514**	**21,130,187**	**-**
4	Of which defaulted	2,869,068	1,156,064	1,081,072	74,992	-

The Group adopts the standardized (credit risk) approach (STC) for all the non-securitization credit risk RWA, and the simple 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. Mainly due to the decrease of corporate loans, the "Exposures secured by recognized collateral" and "Exposures to be secured" of loans decreased by 52.34% amounting HKD 10.1 billion and decreased by 37.20% amounting HKD 13.4 billion respectively on December 31 2020. Compared with June 30 2020, the "Exposures secured by recognized guarantees" and "Exposures to be secured" of debt securities decreased by 61.63% amounting HKD 12.3 billion. Owing to the reduction of the loans which was past due over 90 days, the "Exposure secured by recognized collateral", "Exposures secured by recognized guarantees" and "Exposures to be secured" of which defaulted declined 36.88%, 55.61% and 38.56% compared with June 30 2020.

CRD: Qualitative disclosures on use of ECAI ratings under STC approach

The ECAIs recognised by the Group include Moody's, Standard & Poor's and Fitch.

The exposure classes are listed as below:

- Sovereign
- Public sector entity
- Bank
- Securities firm
- Corporate
- Collective investment scheme

The Group performs the ECAI issuer ratings mapping to its exposures in banking book in accordance with Part 4 of the Banking (Capital) Rules.

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	72,148,501	-	79,975,715	1,176	465,757	1%
2	PSE exposures	17,824,656	2,850,000	20,472,309	125,000	4,089,126	20%
2a	Of which: domestic PSEs	5,492,134	2,850,000	8,139,787	125,000	1,652,957	20%
2b	Of which: foreign PSEs	12,332,522	-	12,332,522	-	2,436,169	20%
3	Multilateral development bank exposures	753,087	-	753,087	-	-	0%
4	Bank exposures	267,757,145	2,203,792	280,447,613	2,187,185	105,665,998	37%
5	Securities firm exposures	1,492,619	1,675,000	1,492,619	-	746,310	50%
6	Corporate exposures	424,003,830	179,059,573	395,631,363	27,243,217	396,579,603	94%
7	CIS exposures	7,013,564	6,188,364	7,013,564	3,094,182	10,107,746	100%
8	Cash items	417,902	-	8,525,436	868,881	454,646	5%
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	24,805,092	21,273,783	24,666,985	19,668	18,514,990	75%
11	Residential mortgage loans	68,857,489	-	66,214,971	-	35,187,626	53%
12	Other exposures which are not past due exposures	22,943,217	209,481	22,823,440	-	22,823,440	100%
13	Past due exposures	1,349,407	-	1,349,407	-	1,439,916	107%
14	Significant exposures to commercial entities	-	-	-	-	-	NA
15	**Total**	**909,366,509**	**213,459,993**	**909,366,509**	**33,539,309**	**596,075,158**	**63%**

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

On December 31 2020, the off-balance sheet amount of "Exposures post-CCF and post-CRM" to sovereign exposures increased by HKD 674 thousand. Owing to the new purchases of non-local government bonds, RWA to sovereign exposures increased by 34.29% amounting HKD 119 million. Owing to new loans with amount of HKD 1.9 billion to the domestic PSEs, the on-balance sheet amount of "Exposures pre-CCF and pre-CRM", "Exposures post-CCF and post-CRM" and RWA to PSE exposures of which domestic PSEs uplifted 43.06%, 24.32% and 23.27% respectively compared with June 30 2020. As the undrawn commitments that are unconditionally cancellable at any time to domestic PSEs increased, the off-balance sheet amount of "Exposures pre-CCF and pre-CRM" to both PSE exposures of which domestic PSEs and PSE exposures uplifted 588.41% amounting HKD 2.4 billion. As the undrawn commitments which have an original maturity of more than one year to domestic PSEs decleased, the off-balance sheet amount of "Exposures post-CCF and post-CRM" to both PSE exposures of which domestic PSEs and PSE exposures declined 20.38% amounting HKD 32 million. In the second half of 2020, owing to the increase of multilateral development bank bonds investment with amount of HKD 288 million, the on-balance sheet amount of "Exposures pre-CCF and pre-CRM", "Exposures post-CCF and post-CRM" to multilateral development bank exposures increased by 61.82% simultaneously, as there were money market loans to securities firm and new purchases of bonds issued by securities firm, the on-balance sheet amount of "Exposures pre-CCF and pre-CRM" and "Exposures post-CCF and post-CRM" to securities firm exposures increased HKD 1.5 billion, and the off-balance sheet amount of "Exposures pre-CCF and pre-CRM" to securities firm exposures uplifted 26.42%. As the undrawn commitments that are unconditionally cancellable at any time to securities firm increased, the off-balance sheet amount of "Exposures pre-CCF and pre-CRM" to securities firm exposures increased by HKD 350 million. Mostly due to the reduction of cash collateral covered with local and foreign currency with amount of HKD 9.5 billion, the on-balance sheet amount of "Exposures post-CCF and post-CRM" to cash items decreased by 52.72%, RWA decreased by 41.61% amounting HKD 324 million. Due to the undrawn commitments that are unconditionally cancellable at any time to individuals declined, the off-balance sheet amount of "Exposures pre-CCF and pre-CRM" to other exposures which are not past due exposures decreased by 37.79% amounting HKD 127 million, and the off-balance sheet amount of "Exposures post-CCF and post-CRM" became 0. Owing to the reduction of the loans 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 RWA to past due exposures decreased by 34.62% amounting HKD 714 million, 34.62% amounting HKD 714 million and 32.93% amounting HKD 707 million respectively compared with June 30 2020.

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)
	Exposure class / Risk Weight	0%	10%	20%	35%	50%	75%	100%	150%	250%	Others	Total credit risk exposures amount (post CCF and post CRM)
1	Sovereign exposures	77,648,106	-	2,328,785	-	-	-	-	-	-	-	79,976,891
2	PSE exposures	151,679	-	20,445,630	-	-	-	-	-	-	-	20,597,309
2a	Of which: domestic PSEs	-	-	8,264,787	-	-	-	-	-	-	-	8,264,787
2b	Of which: foreign PSEs	151,679	-	12,180,843	-	-	-	-	-	-	-	12,332,522
3	Multilateral development bank exposures	753,087	-	-	-	-	-	-	-	-	-	753,087
4	Bank exposures	-	-	122,744,792	-	157,545,933	-	2,344,073	-	-	-	282,634,798
5	Securities firm exposures	-	-	-	-	1,492,619	-	-	-		-	1,492,619
6	Corporate exposures	-	-	1,872,908	-	49,593,301	-	371,408,371	-	-	-	422,874,580
7	CIS exposures	-	-	-	-	-	-	10,107,746	-	-	-	10,107,746
8	Cash items	7,121,077	-	2,273,239	-	-	-	-	-	-	-	9,394,316
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	-	-	-	-	-	24,686,654	-	-	-	-	24,686,654
11	Residential mortgage loans	-	-	-	45,986,061	-	4,545,619	15,683,291	-	-	-	66,214,971
12	Other exposures which are not past due exposures	-	-	-	-	-	-	22,823,440	-	-	-	22,823,440
13	Past due exposures	6,163	-	-	-	-	-	1,149,901	193,343	-	-	1,349,407
14	Significant exposures to commercial entities	-	-	-	-	-	-	-	-	-	-	-
15	Total	85,680,112	-	149,665,354	45,986,061	208,631,853	29,232,273	423,516,822	193,343	-	-	942,905,818

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

In the second half of 2020, owing to the new purchases of non-local government bonds, the sovereign exposures with 20% risk weight uplifted 34.29% amounting HKD 595 million. Owing to new loans with amount of HKD 1.9 billion to the domestic PSEs, the PSE exposures of which domestic PSEs with 20% risk weight and the total credit risk exposures amount (post CCF and post CRM) both uplifted 23.27% amounting HKD 1.6 billion. Bonds investment to European Investment Bank and Asian Development Bank, the multilateral development bank exposures with 0% risk weight and the total credit risk exposures increased by 61.82% amounting HKD 288 million. Money market placement to ICBC group, the bank exposures with 100% risk weight increased HKD 2.2 billion. For the update in some bonds deal info during this period, the corporate exposures with 20% risk weight uplifted 278.87% amounting HKD 1.4 billion. Mostly due to the reduction of cash collateral covered with local and foreign currency with amount of HKD 9.5 billion, the cash items with 0% risk weight and 20% risk weight decreased by 53.15% and 41.61% respectively, the total credit risk exposures amount (post CCF and post CRM) decreased by 50.79% amounting HKD 9.7 billion. In the second half of 2020, the residential mortgage loans with 100% risk weight uplifted 23.48% amounting HKD 3.0 billion. Owing to the reduction of the loans which was past due over 90 days, the past due exposures with 0% risk weight and 100% risk weight decreased by 23.43% and 38.63% respectively, the total credit risk exposures amount (post CCF and post CRM) decreased by 34.62% amounting HKD 714 million compared with June 30 2020.

CCRA: Qualitative disclosures related to counterparty credit risk (including those arising from clearing through CCPs)

The objective of the Group's counterparty credit risk management is to adequately control counterparty credit risk exposure in ways consistent with the strategic goals and risk appetite of the Group. To effectively manage the risk involved during the normal course of business, policies and procedures are in place for identifying, measuring, monitoring and controlling counterparty credit risk. This risk management framework is reviewed periodically to ensure its effectiveness and robustness.

The Current Exposure Method (CEM) is primarily the operating limit to control counterparty credit risk of the Group, paired with the notional size limit and/or mark to market exposure threshold if and where required during credit risk assessment process. With regard to the CCPs, the Group places controls by setting up an eligible CCPs list on credit policy level according to the stringent acceptance criteria. The credit exposure measured by CEM is subject to a regular review and oversight by Credit Committee periodically.

Counterparty credit risk is part of the credit risk management framework in the Group that is governed by a set of credit policies and procedures. In particular, a credit policy relating to guarantees and other forms of credit risk mitigation has been set up and subject to periodic review in which general guidelines, acceptance criteria, documentation requirements are well delineated to govern the credit risk control and mitigation. Meanwhile, assessment concerning counterparty credit risk is carried out by an independent credit approval department in the Group that follows the specific counterparty credit risk policy as well as other corresponding credit policies if and where relevant.

The wrong-way risks, including both general and specific ones, are one of the essential areas in the credit risk management of counterparty credit risk subject to the policy control by the specific counterparty credit risk policy set up in Group. According to the said policy, the wrong-way risks management, including risk identification, assessment, reporting as well as risk mitigation measures is not only implemented in the credit assessment and approval process, but also performed in the post approval monitoring by means of stress testing on a regular basis in which extreme but plausible scenarios are adopted to identify any potential risk issue in counterparty credit risk exposure.

The credit rating of the Group is A currently as assigned by Standard and Poor's. As per International Swaps and Derivatives Association agreement signed with counterparty, when there is a downgrade in credit rating, the Group is required to post additional collateral. A one notch credit rating downgrade to A- means that the Group has to provide extra collateral of USD 20 million. If the credit rating is downgraded by two notch to BBB+ or by three notch to BBB, the Group has to increase its collateral by USD 105 million and USD 123 million respectively.

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	11,087,401	7,757,090		-	18,844,491	9,208,010
2	IMM (CCR) approach			-	-	-	-
3	Simple Approach (for SFTs)					7,222,373	668,385
4	Comprehensive Approach (for SFTs)					-	-
5	VaR (for SFTs)					-	-
6	**Total**						**9,876,395**

Compared with June 30 2020, on December 31 2020 the RWA of Simple Approach (for SFTs) decreased 30.9% due to the decreased REPO-style transactions in the second half of 2020.

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	16,893,650	3,714,050
4	**Total**	**16,893,650**	**3,714,050**

The Group uses Standardized CVA method to calculate CVA RWA. In the second half of 2020, the CVA RWA amount decreased HKD 3.5 billion mainly caused by the EAD decrease from the Foreign exchange contracts.

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)
	Exposure class \ Risk Weight	0%	10%	20%	35%	50%	75%	100%	150%	250%	Others	Total default risk exposure after CRM
1	Sovereign exposures	-	-	-	-	17,836	-	-	-	-	-	17,836
2	PSE exposures	-	-	-	-	-	-	-	-	-	-	-
2a	Of which: domestic PSEs	-	-	-	-	-	-	-	-	-	-	-
2b	Of which: foreign PSEs	-	-	-	-	-	-	-	-	-	-	-
3	Multilateral development bank exposures	-	-	-	-	-	-	-	-	-	-	-
4	Bank exposures	7,565,577	-	9,601,631	-	2,369,108	-	-	-	-	-	19,536,316
5	Securities firm exposures	-	-	-	-	-	-	-	-	-	-	-
6	Corporate exposures	151,084	-	-	-	-	-	6,024,752	-	-	-	6,175,836
7	CIS exposures	-	-	-	-	-	-	-	-	-	-	-
8	Regulatory retail exposures	-	-	-	-	-	6,127	-	-	-	-	6,127
9	Residential mortgage loans	-	-	-	-	-	-	-	-	-	-	-
10	Other exposures which are not past due exposures	-	-	-	-	-	-	330,745	-	-	-	330,745
11	Significant exposures to commercial entities	-	-	-	-	-	-	-	-	-	-	-
12	**Total**	**7,716,661**	**-**	**9,601,631**	**-**	**2,386,944**	**6,127**	**6,355,497**	**-**	**-**	**-**	**26,066,860**

Compared with June 30 2020, the overall default risk exposure decreased by HKD 17.6 billion mainly due to the 0% risk weight exposure decreased HKD 14.9 billion. The decrease was mainly contributed from overall decrease in Repo business.

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	1,924,487	-	-	-	3,658,468	329,090
Domestic sovereign debt	-	-	-	-	-	-
Other sovereign debt	-	-	-	-	-	-
Domestic PSE debt	-	-	-	-	-	-
Government agency debt	-	-	-	-	-	-
Corporate bonds	-	-	-	-	-	1,776,634
Bank bonds/debts	-	-	-	-	-	4,786,675
Equity securities	-	-	-	-	329,973	-
Other collateral	-	-	-	-	-	-
Total	**1,924,487**	**-**	**-**	**-**	**3,988,441**	**6,892,399**

The decrease of collateral incurred by derivative contracts was due to the decrease 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)**		**1,769,847**
2	Default risk exposures to qualifying CCPs (excluding items disclosed in rows 7 to 10), of which:	5,216,791	104,336
3	(i) OTC derivative transactions	5,216,791	104,336
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	6,261,818	125,236
9	Funded default fund contributions	123,222	1,540,275
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	-	-

On December 31 2020, there was no material movement in the amounts disclosed in CCR8 template compared with June 30 2020.

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	IRB(S) RBM	IRB(S) SFM	STC(S)	1250%	IRB(S) RBM	IRB(S) SFM	STC(S)	1250%	IRB(S) RBM	IRB(S) SFM	STC(S)	1250%
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

		(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)	(n)	(o)	(p)	(q)
		(HK$'000)																
		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	IRB(S) RBM	IRB(S) SFM	STC(S)	1250%	IRB(S) RBM	IRB(S) SFM	STC(S)	1250%	IRB(S) RBM	IRB(S) SFM	STC(S)	1250%
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	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

MRA: Qualitative disclosures related to market risk

As a premier provider of financial services in HK market, the Group undertakes trading activities to serve our clients' needs to arbitrage and provide liquidity to the market as well as managing market risks within risk appetite. The Group takes on the exposure to market risk that arises from foreign exchange, interest rate, precious metals and associated derivatives instruments. Most off-balance sheet derivative positions arise from the execution of customer-related orders and transactions taken for hedging purpose. Structured derivatives, except Quanto Swap, are currently only allowed to be traded for the support of customer business on a back-to-back basis. The Group established policies and procedures to identify, measure, monitor and control market risk. When derivatives are held for banking book risk management purposes, they are designated in hedge relationships where the required criteria for documentation and hedge effectiveness are met.

The Board Risk Management Committee (Board RMC) as delegated by Board takes ultimate responsibility of market risk management. The Board RMC approves market risk appetite, market risk management policy and stress test policy as the framework governing policies to the Group's market risk management and market risk appetite respectively. Senior Executive Risk Management Committee (SERMC) periodically reviews the Group's market risk management result and performance in quarterly meeting or from time to time whenever deemed necessary. Market risk management committee (MRC) is responsible for the Group's trading book decision-making and oversees the implementation of market risk management control in daily business, and approves market risk manual to govern risk control implementation in details. MRC reports to SERMC the Board RMC as well as CEO Committee for the adequacy and efficiency of market risk management system, procedures and performance of the Group.

The daily primary control, management and assumption of market risk are principally undertaken in front office within the approved market risk limits and guidelines. Monitoring of the utilization of these approved limits is performed on a regular basis by market risk team, an independent unit ultimately reported to Chief Risk Officer ("CRO") of the Group. Market risk team also produces regular market risk reporting to the MRC / SERMC / Board RMC / Head Office Risk Management Department for their review and oversight. The Group's Internal Audit Department also helps to ensure compliance with the approved policies and procedures.

MRA: Qualitative disclosures related to market risk (continued)

The Group's market risk analysis and management systems include Kondor, Fenics and GMRM, of which the first two are vendor systems widely used in banking industry while the last one is our in-house system developed by head office. Most of our trading businesses are vanilla FX and interest rate products, which are booked in Kondor. Risk sensitivities such as FX NOP and IR DV01 are generated from Kondor system and used for market risk measurement and reporting. For FX option business, Greeks sensitivities (Delta, Gamma, Vega) are used for market risk measurement and reporting, which are generated from Fenics system. On top of risk factor sensitivities, the Group has implemented Value-at-Risk (VaR) as overall diversified measurement of market risk in trading book. Our in-house system GMRM is used for VaR measurement and reporting. VaR and risk factor sensitivities are measured and reported on daily basis to provide an overall understanding of all the risks associate with market risk activities of our Group. Market risk limits, which are approved by Board RMC or its delegated Risk Committee (currently MRC is the delegated Risk Committee) and as owned by RMD-MKR for control and monitoring in daily implementation, should be reviewed and updated on a regular basis (at least on an annual basis). Approved market risk limits must, among others, be consistent with the Group's market risk appetite as approved by Board RMC and with the Group's capital adequacy and allocation. The proposed/reviewed limits should be subsequently approved by Board RMC or MRC for becoming effective. The reporting and measurement systems are updated and assessed at least on annual basis.

MR1: Market risk under STM approach

		(HK$'000)
		(a)
		RWA
	Outright product exposures	
1	Interest rate exposures (general and specific risk)	7,644,887
2	Equity exposures (general and specific risk)	-
3	Foreign exchange (including gold) exposures	14,352,125
4	Commodity exposures	109,238
	Option exposures	
5	Simplified approach	-
6	Delta-plus approach	89,750
7	Other approach	-
8	Securitization exposures	-
9	**Total**	**22,196,000**

Compared with 30 June 2020, total market risk RWA slightly increased by 1% on 31 December 2020 is mainly due to the increase in FX risk RWA which caused by the growth on transaction volume. The increase on RWA for Commodity exposures is Due to the change of precious metals position.

IRRBBA: Interest rate risk in banking book – risk management objectives and policies

Interest rate risk in the banking book (IRRBB) refers to the current or prospective risk, to the Group's capital and earnings, arising from adverse movements in interest rate that affect the Group's banking book exposures.

The Group has established governance framework to manage and mitigate risks arising from its IRRBB exposures. The Board has the ultimate responsibility for the oversight of IRRBB management and sets IRRBB risk appetite for the Group. The Board delegates the overall management authority in overseeing the Group's IRRBB to the Asset and Liability Management Committee (ALCO). The interest rate risk exposures are managed within risk limits approved and monitored by the ALCO. The risk exposures are measured on a daily basis and the results are reported to the ALCO monthly and the Board Risk Management Committee (BRMC) quarterly. Independent review of the Group's internal risk controls over IRRBB management process is conducted through internal or external audit.

The Group manage the IRRBB exposures using economic value (EVE) as well as earnings (NII) based measures. EVE and NII sensitivity are monitored against limits and triggers, both at Group and at significant legal entity levels. In addition to the standard scenarios introduced by Hong Kong Monetary Authority (HKMA), internal scenarios under stressed market conditions as well as specific economic assumptions are conducted to assess the vulnerability to loss on EVE and NII and the results are considered for limits review and capital adequacy assessment.

The Group mainly manage IRRBB exposure using interest rate swaps and the hedging activities are entered either against individual transactions or portfolio basis. The effectiveness of the hedging activities are assessed regularly in accordance with Hong Kong Financial Reporting Standards (HKFRSs).

The Group applied the following key assumptions in calculating the impact on EVE and NII as required by HKMA IR-1:

1. For the calculation of EVE, the Group includes commercial margins and other spread components in the cash flows and discount rates.
2. The average repricing maturity of non-maturity deposits (NMD), which included customer current and saving deposits, is estimated by monthly runoff rate and repricing speed in response to change in market interest rate as well as the current interest rate offered by Group. The portfolio of NMD is clustered by dimensions such as currency, product and geographical location. For reporting period, The Group's average and longest repricing maturity of NMDs are 0.52 year and 5 years respectively.

3. For retail fixed rate loan, the prepayment rates are derived from statistical model, in which macroeconomic factors are selected and used to predict the prepayment rate. For Term deposit, the early withdrawal rates are based on historical observations. Except there is significant penalty that the customers might not early uplift or breaking the deposits contract due to interest rate change.

4. The Group measures the impact of both EVE and NII against the standard scenarios defined by HKMA. For each scenario, the adverse currency impact are aggregated for significant currencies in which no netting is adopted among currencies. The significant currencies are defined by HKMA with the general rule which account for 5% or more of the Group's total on-balance sheet interest rate sensitive position in all currencies.

5. For the measurement of NII, the Group assesses the impact on earning over the 12 months with the assumption of no change in balance sheet size and structure with the maturing or repricing cash flows are replaced by new cash flows with identical features in respect of the amount, repricing period and spread components.

IRRBB1: Quantitative information on interest rate risk in banking book

The interest rate risk sensitivity figures presented in the table below represent the effect of six interest rate scenarios defined by HKMA IR-1 on the change in economic value of equity (EVE) as well as the effect of the two parallel shock scenarios on the net interest income (NII) in the banking book as at 31st December 2020 and 31st December 2019.

In HK$ Million	Adverse impact on EVE		Adverse impact on NII[Note1] Over the next 12 months	
Period	31/12/2020	31/12/2019	31/12/2020	31/12/2019
Parallel up[Note2]	6,760	6,829	828	698
Parallel down[Note2]	-	992	3,711	2,137
Steepener[Note3]	3,217	2,183		
Flattener[Note4]	19	132		
Short rate up[Note5]	1,820	1,924		
Short rate down[Note6]	1,460	808		
Maximum[Note 7]	6,760	6,829	3,711	2,137
Period	31/12/2020		31/12/2019	
Tier 1 capital	134,082		128,930	

Note 1 Disclosure of the impact on earnings is only required for the two parallel scenarios.

Note 2 Interest rate shock across all tenors move by ±200bps for HK &US dollar and ±250bps for on/off shore Renminbi.

Note 3 Short-term rates decrease and long-term rates increase.

Note 4 Short-term rates increase and long-term rates decrease.

Note 5 Short-term rates increase more than long-term rates.

Note 6 Short-term rates decrease more than long-term rates.

Note 7 "Maximum" indicates the most adverse interest rate scenario as shown in the table.

IRRBB1: Quantitative information on interest rate risk in banking book(continued)

As of 31 December 2020, the most adverse of the six interest rate scenarios with regard to Δ EVE was the "Parallel up" scenario, resulting in a change of the economic value of equity of negative HKD 6,760 million, representing a reduction of 5.04% of tier 1 capital, which is well below the regulatory outlier test of 15% of tier 1 capital. The ΔEVE decreased by HKD 69 million by comparing December 2020 with December 2019. The changes were mainly driven by changes in balance sheet composition between US$ and Reminbi portfolios.

As of 31 December 2020, the most adverse of the two parallel interest rate scenarios with regard to ΔNII over the next 12 months was the "Parallel down" scenario, resulting in a potential change of the net interest income of negative HKD 3,711 million, representing a reduction of 2.77% of tier 1 capital. The ΔNII increased by HKD 1,574 million, comparing December 2020 with December 2019. The changes were mainly driven by changes in balance sheet composition.

REMA: Remuneration policy

DISCLOSURE ON REMUNERATION FOR YEAR 2020

INTRODUCTION

In accordance with the latest "Guideline on a Sound Remuneration System" (the "**Guideline**") issued by the Hong Kong Monetary Authority, Industrial and Commercial Bank of China (Asia) Limited (the "**Bank**") has prepared its arrangement for bonus distribution in the assessment period from January to December according to its remuneration policy.

The remuneration policy is applicable to the Bank's employees in Hong Kong and covers all categories of employees including senior management, proprietary traders and dealers, marketing and sales, loan officers, risk management, financial control and compliance personnel.

In general, risk factors which have been considered in the performance rating of staff affect the bonus for him/her. Also, the current and future risk of the Bank will be considered by the Remuneration Committee in the determination of the overall bonus to be allocated.

GENERAL PRINCIPLES

Remuneration should facilitate the delivery of long term financial stability for the business and promote sound risk management principles. Risk control functions have played an important role in the remuneration related procedures and decisions of the Bank. The preparation of the remuneration policy is initiated by Human Resources Department after consultation with the risk controls units including risk management, legal and compliance and etc. prior to submission to the Remuneration Committee delegated by the Board of Directors for approval. The Remuneration Committee reviews the remuneration policy at least annually and may at its discretion seek information and recommendations from external consultants as appropriate. In 2020, the Remuneration Committee did not seek advice from external consultant on remuneration matters. The aim of the remuneration policy and the arrangement is to enable the Bank to maintain a fair, equitable and market-competitive remunerative structure for its employees based on the Bank's performance and industry practice, and is designed to encourage employee behaviour that supports the institution's risk tolerance, risk management, business strategies and long-term financial soundness of the Bank. The total bonus is funded based on the Bank's overall performance, after factoring in the financial, non-financial and other long-term strategic measures, as well as risk-adjusted elements. Legacy losses realized (ex post) in the performance year should be taken into consideration to determine the bonus pool created and the deferral payout. The remuneration of staff in risk control functions are determined in accordance with their performance objectives and are independent of the performance of the business units which they oversee. The performance factors in carrying out their core job responsibilities under their respective job functions are assessed in the performance appraisals, and appropriate remuneration will be recommended based on the appraisal result.

When deciding the remuneration measures, the Bank considers market risk, credit risk, liquidity risk and operational risk and also takes into account certain key risk factors such as its asset quality, liquidity position, business and economic conditions, respective staff performance, the overall business results as well as long-term financial position. Reports on these risk factors are used for identification of current and future risks. The Remuneration Committee sets the target bonus pool against profit mechanism of the Bank in the first half of each year. The Bank reviews its business and risk management performance and reduces the bonus pool if the Bank's business objectives are not achieved, or if there is deficiency/failure in risk and compliance performance, or when it is necessary to protect the financial soundness of the Bank. There is no change of these mechanism and measures over the past years and it continues to apply in 2020.

REMUNERATION COMMITTEE

A Remuneration Committee has been set up with specific terms of reference and delegated with the authority and duties which include, amongst others, making recommendations to the board of directors (the "Board") on the Bank's policy and structure for remuneration of all directors, senior management (who are responsible for overseeing the Bank's business strategy or activities or those of the Bank's material business duties) and key personnel (whose duties or activities in the course of their employment involve the assumption of material risk or the taking on of material exposure on behalf of the Bank) of the Bank, determining the specific remuneration packages of all executive directors, senior management and key personnel, and reviewing and approving performance-based remuneration of directors, senior management and key personnel of the Bank by reference to corporate goals and objectives as determined by the Board from time to time. Factors such as business performance of the Bank and emoluments paid by comparable banks will be considered. No director will be involved in deciding his/her own remuneration. The Remuneration Committee will also review the remuneration policy of other employees.

REMA: Remuneration policy (continued)

Chairman of Remuneration Committee is appointed by the Board of Directors. Currently, members of the Remuneration Committee are Mr. Yuen Kam Ho, George (independent non-executive director), Mr. Tsui Yiu Wa, Alec (independent non-executive director) and Mr. Hong Guilu (non-executive director). Mr. Yuen Kam Ho, George is the chairman of the Remuneration Committee.

The Remuneration Committee has held 2 meetings, 3 written resolutions and 1 report circulation in the year of 2020.

During 2020, the remuneration policy has been reviewed and approved by the Remuneration Committee, and the major changes to the remuneration policy were as follows:

i) Revised the timing of financial disclosure.

REMUNERATION STRUCTURE

The remuneration package is a combination of fixed and variable remuneration in line with the seniority, role, responsibilities and activities of an employee within the Group. The variable remuneration is awarded in the form of cash.

Fixed remuneration includes annual salary, allowance and pension contribution while variable remuneration refers to discretionary bonus and other variable income. Variable remuneration takes into account the overall performance of the Bank and individual business units, while individual performance is measured against the established key performance indicators, adherence to risk management policies, corporate culture and compliance with legal and regulatory requirements. For top level business lines, performance criteria and metrics taken into consideration include key financial indicators such as earnings, loan and deposit growth, impaired loans ratio and etc.

The Bank maintains a performance evaluation scheme to ensure individual staff performance would be adequately and effectively evaluated. The award of variable remuneration depends on the fulfilment of budgeted income and business objectives, peer group performance comparison, corporate culture and risk control factors. These criteria include both financial and non-financial factors. The financial metrics link the variable remuneration to the profits, revenue and other performance measures of the Bank as a whole, and the contribution of business units and individual employee as well. The non-financial metrics capture the performance on qualitative aspects such as the compliance with risk management policies, adherence to legal, regulatory and ethical standards, customer satisfaction and etc. The performance objectives of staff and annual performance appraisal exercise take into account these factors. Variable remuneration is directly related to performance, and poor performance (including both financial and non-financial) will result in a reduction or elimination of variable remuneration.

CHIEF EXECUTIVE, SENIOR MANAGEMENT AND KEY PERSONNEL COMPENSATION

The Remuneration Committee annually reviews the remuneration packages of the Chief Executive, members of the senior management and key personnel. The aggregate payout of the Chief Executive, senior management and key personnel for 2020 is shown in the section "Remuneration for the Chief Executive Officer, Senior Management and Key Personnel" in accordance with the disclosure requirement of 3.2.3 of the Guideline. In the year of 2020, the senior management (10 Persons) of the Bank includes: Chairman & Executive Director, Vice Chairman & Executive Director & Chief Executive Officer, Deputy Chief Executive, Deputy Chief Executive & Chief Risk Officer and Deputy Chief Executive & Chief Information Officer. Key Personnel (21 Persons) includes Chief Audit Officer, Chief Corporate Banking Officer, Chief Credit Approver, Chief Financial Officer, Chief Operation Officer, Chief Culture Officer, Head and Deputy Department Head of Global Markets Department, Head and Deputy/Assistant Department Head of Asset & Liability Management Department, Chief Traders of Global Markets Department (i.e. Head of Desks with dealing activities).

DEFERMENT OF VARIABLE REMUNERATION

The award of variable remuneration to all employees in the Bank, including the Chief Executive, members of the senior management, and key personnel is subject to deferral mechanism. The key deferral principles are:

- deferral applies when the amount of performance-based variable remuneration is considered "significant" according to the remuneration policy of the Bank;
- deferral amount needs to be "meaningful" according to the remuneration policy of the Bank;
- the period of deferred performance-based variable remuneration is no less than 3 years and aligned the nature and risks of business, activities undertaken by the employee and the time frame during which the risks from the activities are likely to be realised.

In addition, the deferral remuneration is subject to forfeiture/claw-back in circumstances where it is later established that any performance measurement for a particular year has been manifestly misstated, or it is later established that the relevant employee has committed fraud or other malfeasance, or a violation of any regulatory requirements or the Bank's policy or procedures, or there has been a significant financial performance deterioration of the Bank, i.e.

financial loss, or significant variation in the economic capital or in the qualitative valuation of risk.

The rationale and justification for any forfeiture/claw-back imposed must be recorded and retained for 7 years.

POLICY REVIEW

The remuneration policy shall be reviewed at intervals to be determined by the Remuneration Committee. The policy shall at minimum be reviewed annually from the effective date.

REM1: Remuneration awarded during financial year

Pursuant to CG-5 Guideline on a Sound Remuneration System issued by the Hong Kong Monetary Authority, details of the remuneration for the Chief Executive, Senior Management and Key Personnel of the Group for the year are as follows:

Remuneration amount (HK$ in thousands)		2020 Note 1		2019	
		Senior Management Note 2	Key Personnel Note 3	Senior Management	Key Personnel
Fixed remuneration	Number of employees	10	21	10	21
	Fixed remuneration				
	Cash-based	14,904	27,331	17,936	28,486
	Of which: deferred	-	-	-	-
Variable remuneration	Number of employees	10	21	10	21
	Variable remuneration				
	Cash-based	11,793 Note 4	8,771	6,902	17,396
	Of which: deferred	1,547	1,285	1,505	2,256
Total Remuneration		**26,697**	**36,102**	**24,838**	**45,882**

Note 1 The value of remuneration for 2020 is calculated based on the fixed and variable remuneration granted in 2020 financial year (i.e. performance year), while the 2020 final bonus amount to be granted in 2021 are not included as those will be determined in the second half of 2021.

Note 2 (1) One existing Senior Management is ceased to be appointed in 2020 and his remuneration is disclosed according to the period he assumes such senior management role within the year.

(2) The disclosure amount refers to the remuneration earned for period of being a Chief Executive or Senior Management during the year.

Note 3 (1) One existing Key Personnel is newly appointed in 2020 and her remuneration is disclosed according to the period she assumes such key personnel role within the year.

(2) Three existing Key Personnels are ceased to be appointed in 2020 and their remuneration are disclosed according to the period they assume such key personnel role within the year.

(3) The disclosure amount refers to the remuneration earned for period of being a Key Personnel during the year.

Note 4 The amount of variable remuneration of Senior Management for 2020 includes HKD5.79 million granted in January 2020 that was originally planned to be granted in December 2019.

Fixed remuneration included employee's annual salary, allowance and pension contributions. Variable remuneration comprised of cash bonus payment only.

REM2: Special payments

No guaranteed bonus, sign-on bonus and severance payments were awarded or made to the Chief Executive, Senior Management and Key Personnel in 2019 and 2020.

REM3: Deferred remuneration

	Year 2020				
Deferred and retained remuneration (HK$ in thousands)	Total amount of outstanding deferred remuneration Note 1	Of which: Total amount of outstanding deferred and retained remuneration exposed to ex post explicit and/or implicit adjustment	Total amount of amendment during the year due to ex post explicit adjustments	Total amount of amendment during the year due to ex post implicit adjustments	Total amount of deferred remuneration paid out in the financial year Note 2
Senior Management					
Cash	2,879	2,879	-	-	1,660
Key Personnel					
Cash	3,623	3,623	96	-	1,894
Total	6,502	6,502	96	**-**	**3,554**

Remark: Actual deferral is calculated based on the full amount of variable remuneration granted.

Note1 Outstanding and unvested at the year-end in related to cash-based variable remunerations awarded both for performance year 2020 and for prior performance years, which included the total amount of amendment during the year due to ex post explicit or implicit adjustments, if any.

Note2 Vested and paid out during the year in related to cash-based variable remunerations awarded both for the year 2020 (if any) and for prior performance years.

REM3: Deferred remuneration (continued)

	Year 2019				
Deferred and retained remuneration (HK$ in thousands)	Total amount of outstanding deferred remuneration Note 3	Of which: Total amount of outstanding deferred and retained remuneration exposed to ex post explicit and/or implicit adjustment	Total amount of amendment during the year due to ex post explicit adjustments	Total amount of amendment during the year due to ex post implicit adjustments	Total amount of deferred remuneration paid out in the financial year Note 4
Senior Management					
Cash	3,217	3,217	-	-	1,698
Key Personnel					
Cash	4,327	4,327	63	-	1,312
Total	**7,544**	**7,544**	**63**	**-**	**3,010**

Remark: Actual deferral is calculated based on the full amount of variable remuneration granted.

Note3 Outstanding and unvested at the year-end in related to cash-based variable remunerations awarded both for performance year 2019 and for prior performance years, which included the total amount of amendment during the year due to ex post explicit or implicit adjustments, if any.

Note4 Vested and paid out during the year in related to cash-based variable remunerations awarded both for performance year 2019 and for prior performance years.

Deferred remuneration comprised cash bonus depend on pre-defined vesting, service and/or performance conditions. If certain conditions are not fulfilled during the vested period, all or part of the unvested portion of the deferred remuneration should be foregone.

An amount of deferred variable remuneration for HKD 95,590 has been forfeited during the year of 2020. (2019: HKD 63,000).

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

		(HK$'000)				
		(a)	(b)	(c)	(d)	(e)
		31/12/2020	30/9/2020	30/06/2020	31/3/2020 (Note1)	31/12/2019 (Note1)
Of the material entity at LAC consolidation group level						
1	Internal loss-absorbing capacity available	131,883,235	129,123,214	127,743,120	N/A	N/A
2	Risk-weighted amount under the LAC Rules	661,495,800	685,839,232	664,165,526	N/A	N/A
3	Internal LAC risk-weighted ratio	19.94%	18.83%	19.23%	N/A	N/A
4	Exposure measure under the LAC Rules	983,440,204	1,025,036,782	1,003,459,751	N/A	N/A
5	Internal LAC leverage ratio	13.41%	12.60%	12.73%	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)
		31/12/2020	30/9/2020	30/06/2020	31/3/2020 (Note1)	31/12/2019 (Note1)
Of the non-HK resolution entity at resolution group level (Note 2)						
1	External loss-absorbing capacity available	4,044,284	3,742,908	3,461,757	N/A	N/A
2	Total risk-weighted amount under the relevant non-HK LAC regime	23,964,449	22,722,856	21,642,285	N/A	N/A
3	External loss-absorbing capacity as a percentage of risk-weighted amount	16.88%	16.47%	16.00%	N/A	N/A
4	Leverage ratio exposure measure under the relevant non-HK LAC regime	42,036,737	40,339,230	38,578,603	N/A	N/A
5	External loss-absorbing capacity as a percentage of leverage ratio exposure measure	9.62%	9.28%	8.97%	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.

CCA(A): Main features of regulatory capital instruments and non-capital LAC debt instruments

The following is a summary of CET1 capital, AT1 capital and other Tier 2 capital that meet (i) only regulatory capital (but not LAC) requirement and (ii) both regulatory capital and LAC requirement. The full terms and conditions of the Group's capital instruments can be found in the "Terms and conditions of the capital instruments issued" of Regulatory Disclosures section of our website, www.icbcasia.com.

CCA(A): Main features of regulatory capital instruments and non-capital LAC debt instruments (continued)

(i) only regulatory capital (but not LAC) requirement

		(a)
		Quantitative / qualitative information
1	Issuer	Industrial and Commercial Bank of China (Asia) Limited
2	Unique identifier (e.g. 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.
3a	Means by which enforceability requirement of Section 13 of the TLAC Term Sheet is achieved (for non-capital LAC debt instruments governed by non-Hong Kong law)	N/A
	Regulatory treatment	
4	Transitional Basel III rules [1]	N/A
5	Post-transitional Basel III rules [2]	Additional Tier 1
6	Eligible at solo / group / solo and group (for regulatory capital purposes)	Solo and Group
6a	Eligible at solo / LAC consolidation group / solo and LAC consolidation group (for LAC purposes)	Ineligible
7	Instrument type (types to be specified by each jurisdiction)	Additional Tier 1 capital instruments
8	Amount recognised in regulatory capital (currency in millions, as of most recent reporting date)	HK$7,740 million
8a	Amount recognised in loss-absorbing capacity (currency in millions, as of most recent reporting date)	Nil
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 price	First call date: 21 July 2021 (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: 4.25% 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
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 mechanism	N/A
34a	Type of subordination	Contractual
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

[1] Regulatory treatment of capital instruments subject to transitional arrangements provided for in Schedule 4H to the Banking (Capital) Rules (“BCR”).

[2] Regulatory treatment of capital instruments not subject to transitional arrangements provided for in Schedule 4H to the BCR.

CCA(A): Main features of regulatory capital instruments and non-capital LAC debt instruments (continued)

(ii) both regulatory capital and LAC requirement

		(a)
		Quantitative / qualitative information
1	Issuer	Industrial and Commercial Bank of China (Asia) Limited
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	N/A
3	Governing law(s) of the instrument	Hong Kong Companies Ordinance
3a	Means by which enforceability requirement of Section 13 of the TLAC Term Sheet is achieved (for non-capital LAC debt instruments governed by non-Hong Kong law)	N/A
	Regulatory treatment	
4	Transitional Basel III rules [1]	Common Equity Tier 1
5	Post-transitional Basel III rules [2]	Common Equity Tier 1
6	Eligible at solo / group / solo and group (for regulatory capital purposes)	Solo and Group
6a	Eligible at solo / LAC consolidation group / solo and LAC consolidation group (for LAC purposes)	Solo and LAC consolidation group
7	Instrument type (types to be specified by each jurisdiction)	Ordinary shares
8	Amount recognised in regulatory capital (currency in millions, as of most recent reporting date)	HK$44,188 million
8a	Amount recognised in loss-absorbing capacity (currency in millions, 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 price	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
34a	Type of subordination	Contractual
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

[1] Regulatory treatment of capital instruments subject to transitional arrangements provided for in Schedule 4H to the Banking (Capital) Rules ("BCR").

[2] Regulatory treatment of capital instruments not subject to transitional arrangements provided for in Schedule 4H to the BCR.

CCA(A): Main features of regulatory capital instruments and non-capital LAC debt instruments (continued)

(ii) both regulatory capital and LAC requirement

		(b)
		Quantitative / qualitative information
1	Issuer	Industrial and Commercial Bank of China (Asia) Limited
2	Unique identifier (e.g. 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
3a	Means by which enforceability requirement of Section 13 of the TLAC Term Sheet is achieved (for non-capital LAC debt instruments governed by non-Hong Kong law)	N/A
	Regulatory treatment	
4	Transitional Basel III rules [1]	N/A
5	Post-transitional Basel III rules [2]	Additional Tier 1
6	Eligible at solo / group / solo and group (for regulatory capital purposes)	Solo and Group
6a	Eligible at solo / LAC consolidation group / solo and LAC consolidation group (for LAC purposes)	Solo and LAC consolidation group
7	Instrument type (types to be specified by each jurisdiction)	Additional Tier 1 capital instruments
8	Amount recognised in regulatory capital (currency in millions, as of most recent reporting date)	HK$19,658 million
8a	Amount recognised in loss-absorbing capacity (currency in millions, as of most recent reporting date)	HK$19,658 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 price	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
34a	Type of subordination	Contractual
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

[1] Regulatory treatment of capital instruments subject to transitional arrangements provided for in Schedule 4H to the Banking (Capital) Rules (“BCR”).

[2] Regulatory treatment of capital instruments not subject to transitional arrangements provided for in Schedule 4H to the BCR.

TLAC1(A): LAC composition of material subsidiary (at LAC consolidation group level)

		(a) Amount (HK$'000)
	Regulatory capital elements of internal loss-absorbing capacity and adjustments	
1	Common Equity Tier 1 ("CET1") capital	106,683,635
2	Additional Tier 1 ("AT1") capital before LAC adjustments	27,398,509
3	AT1 capital instruments ineligible as internal loss-absorbing capacity as not issued directly or indirectly to, and held directly or indirectly by, the resolution entity or non-HK resolution entity in the material subsidiary's resolution group	(7,740,272)
4	Other adjustments	-
5	AT1 capital eligible under the LAC Rules	19,658,237
6	Tier 2 ("T2") capital before LAC adjustments	5,541,363
7	Amortized portion of T2 capital instruments that are internal LAC debt instruments issued directly or indirectly to, and held directly or indirectly by, the resolution entity or non-HK resolution entity in the material subsidiary's resolution group	-
8	T2 capital instruments ineligible as internal loss-absorbing capacity as not issued directly or indirectly to, and held directly or indirectly by, the resolution entity or non-HK resolution entity in the material subsidiary's resolution group	-
9	Other adjustments	-
10	T2 capital eligible under the LAC Rules	5,541,363
11	**Internal loss-absorbing capacity arising from regulatory capital**	131,883,235
	Non-regulatory capital elements of internal loss-absorbing capacity	
12	Internal non-capital LAC debt instruments issued directly or indirectly to, and held indirectly or indirectly by, the resolution entity or non-HK resolution entity in the material subsidiary's resolution group	-
17	**Internal loss-absorbing capacity arising from non-capital LAC debt instruments before adjustments**	-
	Non-regulatory capital elements of internal loss-absorbing capacity: adjustments	
18	**Internal loss-absorbing capacity before deductions**	131,883,235
19	Deductions of exposures between the material subsidiary's LAC consolidation group and group companies outside that group that correspond to non-capital items eligible for internal loss-absorbing capacity	-
20	Deduction of holdings of its own non-capital LAC liabilities	-
21	Other adjustments to internal loss-absorbing capacity	-
22	**Internal loss-absorbing capacity after deductions**	131,883,235
	Risk-weighted amount and exposure measure under the LAC Rules for internal loss-absorbing capacity purposes	
23	Risk-weighted amount under the LAC Rules	661,495,800
24	Exposure measure under the LAC Rules	983,440,204
	Internal LAC ratios and buffers	
25	**Internal LAC risk-weighted ratio**	19.94%
26	**Internal LAC leverage ratio**	13.41%
27	**CET1 capital (as a percentage of RWA under the Banking (Capital) Rules ("BCR")) available after meeting the LAC consolidation group's minimum capital and LAC requirements**	11.63%

		(a)
		Amount (HK$'000)
28	Institution-specific buffer requirement (capital conservation buffer plus countercyclical capital buffer requirements plus higher loss absorbency requirement, expressed as a percentage of RWA under the BCR)	4.08%
29	Of which: capital conservation buffer requirement	2.50%
30	Of which: institution-specific countercyclical capital buffer requirement	0.58%
31	Of which: higher loss absorbency requirement	1.00%

Template TLAC2: Material subsidiary – creditor ranking at legal entity level

		Creditor ranking			Total HK$ million
		1 (most junior)	2	2	
1	Is a resolution entity or a non-HK resolution entity the creditor/investor? (yes or no)	Yes	Yes	No	
2	Description of creditor ranking (free text)	CET1 capital instruments (Note 1)	AT1 capital instruments	AT1 capital instruments	
3	Total capital and liabilities net of credit risk mitigation	44,188	19,658	7,740	71,586
4	Subset of row 3 that are excluded liabilities	-	-	-	-
5	Total capital and liabilities less excluded liabilities	44,188	19,658	7,740	71,586
6	Subset of row 5 that are eligible as internal loss-absorbing capacity	44,188	19,658	-	63,846
7	Subset of row 6 with 1 year ≤ residual maturity < 2 years	-	-	-	-
8	Subset of row 6 with 2 years ≤ residual maturity < 5 years	-	-	-	-
9	Subset of row 6 with 5 years ≤ residual maturity < 10 years	-	-	-	-
10	Subset of row 6 with residual maturity ≥ 10 years, but excluding perpetual securities	-	-	-	-
11	Subset of row 6 that is perpetual securities	44,188	19,658	-	63,846

Note 1: Issued and fully paid ordinary shares.