



**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

For the period ended June 30, 2023

(UNAUDITED)

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## 1. Purpose and Basis of Consolidation

The information contained in this Regulatory Disclosure Statement (the "Statement") is for Industrial and Commercial Bank of China (Asia) Limited (the "Bank") and its subsidiaries (collectively the "Group") to comply with the Banking (Disclosure) Rules ("BDR") (Cap. 155M) and Part 6 of the Financial Institutions (Resolution) (Loss-absorbing Capacity Requirements – Banking Sector) Rules, and does not constitute statutory financial statements.

While the Regulatory Disclosure Statement is not required to be subject to external audit, the statement has been reviewed and verified in accordance with the Group's governance processes over financial reporting and policies on disclosures.

Except where indicated otherwise, the financial information contained in this Statement has been prepared on the basis of regulatory scope of consolidation specified by the Hong Kong Monetary Authority ("HKMA") to the Bank.

## 2. Key Prudential Ratios and Metrics

### a. Key Prudential Ratios (KM1)

		(HK\$'000)				
		(a)	(b)	(c)	(d)	(e)
		30/06/2023	31/03/2023	31/12/2022	30/09/2022	30/06/2022
<b>Regulatory capital (amount)</b>						
1	Common Equity Tier 1 (CET1)	113,656,329	112,619,097	110,089,333	108,943,192	109,792,117
2	Tier 1	141,361,428	140,375,822	137,659,888	136,699,208	137,531,868
3	Total capital	148,122,175	146,724,305	144,597,623	143,308,672	144,054,372
<b>RWA (amount)</b>						
4	Total RWA	642,522,902	672,328,778	645,838,318	664,786,630	668,370,142
<b>Risk-based regulatory capital ratios (as a percentage of RWA)</b>						
5	CET1 ratio (%)	17.69%	16.75%	17.05%	16.39%	16.43%
6	Tier 1 ratio (%)	22.00%	20.88%	21.31%	20.56%	20.58%
7	Total capital ratio (%)	23.05%	21.83%	22.39%	21.56%	21.55%
<b>Additional CET1 buffer requirements (as a percentage of RWA)</b>						
8	Capital conservation buffer requirement (%)	2.50%	2.50%	2.50%	2.50%	2.50%
9	Countercyclical capital buffer requirement (%)	0.67%	0.65%	0.63%	0.63%	0.63%
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 (%)	4.17%	4.15%	4.13%	4.13%	4.13%
12	CET1 available after meeting the AI's minimum capital requirements (%)	13.19%	12.25%	12.55%	11.89%	11.93%
<b>Basel III leverage ratio</b>						
13	Total leverage ratio (LR) exposure measure	974,644,412	1,022,298,594	1,005,216,518	1,023,988,058	1,023,497,078
14	LR (%)	14.50%	13.73%	13.69%	13.35%	13.44%
<b>Liquidity Coverage Ratio (LCR) / Liquidity Maintenance Ratio (LMR)</b>						
Applicable to category 1 institution only:						
15	Total high quality liquid assets (HQLA)	136,216,518	135,371,630	136,036,946	132,281,298	149,198,277
16	Total net cash outflows	83,121,607	67,890,520	79,550,945	72,938,388	90,166,170
17	LCR (%)	168.05%	204.38%	176.53%	184.77%	166.77%
Applicable to category 2 institution only:						
17a	LMR (%)	N/A	N/A	N/A	N/A	N/A
<b>Net Stable Funding Ratio (NSFR) / Core Funding Ratio (CFR)</b>						
Applicable to category 1 institution only:						
18	Total available stable funding	535,922,830	545,238,097	527,781,945	514,655,856	512,983,197
19	Total required stable funding	441,538,570	455,734,585	448,990,411	432,401,648	435,048,667
20	NSFR (%)	121.38%	119.64%	117.55%	119.02%	117.91%
Applicable to category 2A institution only:						
20a	CFR (%)	N/A	N/A	N/A	N/A	N/A

## 2. Key Prudential Ratios and Metrics (continued)

### b. Key Metrics – LAC Requirements for the Group (at LAC Consolidation Group Level) (KM2(A))

		(HK\$'000)				
		(a)	(b)	(c)	(d)	(e)
		30/06/2023	31/03/2023	31/12/2022	30/09/2022	30/06/2022
Of the material entity at LAC consolidation group level						
1	Internal loss-absorbing capacity available	158,543,191	157,164,739	154,968,032	143,308,672	144,054,372
2	Risk-weighted amount under the LAC Rules	642,522,902	672,328,778	645,838,318	664,786,630	668,370,142
3	Internal LAC risk-weighted ratio	24.68%	23.38%	23.99%	21.56%	21.55%
4	Exposure measure under the LAC Rules	974,644,412	1,022,298,594	1,005,216,518	1,023,988,058	1,023,497,078
5	Internal LAC leverage ratio	16.27%	15.37%	15.42%	14.00%	14.07%
6a	Does the subordination exemption in the antepenultimate paragraph of Section 11 of the FSB TLAC Term Sheet apply?(Note 1)	N/A	N/A	N/A	N/A	N/A
6b	Does the subordination exemption in the penultimate paragraph of Section 11 of the FSB TLAC Term Sheet apply?(Note 1)	N/A	N/A	N/A	N/A	N/A
6c	If the capped subordination exemption applies, the amount of funding issued that ranks pari passu with excluded liabilities and that is recognised as external loss-absorbing capacity, divided by funding issued that ranks pari passu with excluded liabilities and that would be recognised as external loss-absorbing capacity if no cap was applied (Note 1)	N/A	N/A	N/A	N/A	N/A

Note 1: The subordination exemptions in the antepenultimate and penultimate paragraphs of Section 11 of the Financial Stability Board ("FSB") Total Loss Absorbing Capacity ("TLAC") Term Sheet do not apply in Hong Kong under the Loss Absorbing Capacity ("LAC") Rules.

## 2. Key Prudential Ratios and Metrics (continued)

### c. Key Metrics – TLAC Requirements for Non-HK Resolution Entity (at Resolution Group Level) (KM2(B))

		(HK\$ Million)				
		(a)	(b)	(c)	(d)	(e)
		30/06/2023	31/03/2023	31/12/2022	30/09/2022	30/06/2022
Of the non-HK resolution entity at resolution group level (Note 1)						
1	External loss-absorbing capacity available	4,818,261	5,016,821	4,791,628	4,627,873	4,742,175
2	Total risk-weighted amount under the relevant non-HK LAC regime	26,109,873	26,706,153	24,875,791	24,534,963	25,903,640
3	External loss-absorbing capacity as a percentage of risk-weighted amount	18.45%	18.79%	19.26%	18.86%	18.31%
4	Leverage ratio exposure measure under the relevant non-HK LAC regime	49,465,934	50,490,228	46,763,178	46,216,435	48,010,899
5	External loss-absorbing capacity as a percentage of leverage ratio exposure measure	9.74%	9.94%	10.25%	10.01%	9.88%
6a	Does the subordination exemption in the antepenultimate paragraph of Section 11 of the FSB TLAC Term Sheet apply?	N/A	N/A	N/A	N/A	N/A
6b	Does the subordination exemption in the penultimate paragraph of Section 11 of the FSB TLAC Term Sheet apply?	N/A	N/A	N/A	N/A	N/A
6c	If the capped subordination exemption applies, the amount of funding issued that ranks pari passu with excluded liabilities and that is recognised as external loss-absorbing capacity, divided by funding issued that ranks pari passu with excluded liabilities and that would be recognised as external loss-absorbing capacity if no cap was applied	N/A	N/A	N/A	N/A	N/A

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



### 3. Overview of Risk Management and RWA

#### Overview of Risk-weighted Amount (OV1)

		(HK\$'000)		
		(a)	(b)	(c)
		RWA		Minimum capital requirements
		30/06/2023	31/03/2023	30/06/2023
1	Credit risk for non-securitization exposures	571,547,375	593,456,589	45,723,790
2	Of which STC approach	571,547,375	593,456,589	45,723,790
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	10,050,327	13,617,629	804,026
7	Of which SA-CCR approach	7,288,934	9,646,244	583,115
7a	Of which CEM	-	-	-
8	Of which IMM(CCR) approach	N/A	N/A	N/A
9	Of which others	2,761,393	3,971,385	220,911
10	CVA risk	9,083,963	13,450,150	726,717
11	Equity positions in banking book under the simple risk-weight method and internal models method	-	-	-
12	Collective investment scheme ("CIS") exposures – LTA	5,942,837	5,826,333	475,427
13	CIS exposures – MBA	N/A	N/A	N/A
14	CIS exposures – FBA	N/A	N/A	N/A
14a	CIS exposures – combination of approaches	N/A	N/A	N/A
15	Settlement risk	-	-	-
16	Securitization exposures in banking book	-	-	-
17	Of which SEC-IRBA	-	-	-
18	Of which SEC-ERBA (including IAA)	-	-	-
19	Of which SEC-SA	-	-	-
19a	Of which SEC-FBA	-	-	-
20	Market risk	20,923,475	21,667,213	1,673,878
21	Of which STM approach	20,923,475	21,667,213	1,673,878
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	23,414,050	22,803,900	1,873,124
24a	Sovereign concentration risk	N/A	N/A	N/A

### 3. Overview of Risk Management and RWA (continued)

#### Overview of Risk-weighted Amount (OV1) (continued)

		(HK\$'000)		
		(a)	(b)	(c)
		RWA		Minimum capital requirements
		30/06/2023	31/03/2023	30/06/2023
25	Amounts below the thresholds for deduction (subject to 250% RW)	2,025,180	2,026,548	162,014
26	Capital floor adjustment	-	-	-
26a	Deduction to RWA	464,305	519,584	37,144
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	464,305	519,584	37,144
27	Total	642,522,902	672,328,778	51,401,832

In the second quarter of 2023, total risk-weighted amounts of the Group amounted to HKD 642.52 billion, which decreased by HKD 29.81 billion or a drop of 4.43% compared to the first quarter. Of which, non-securitization credit risk RWA decreased by HKD 21.91 billion or 3.69% compared with figures of the first quarter of 2023, mainly due to decrease in the on-balance sheet amount of loan and interbank lending exposures. Meanwhile, under Counterparty default risk and default fund contributions of which adopts “SA-CCR approach” RWA decreased by HKD 2.36 billion or a downshift of 24.44%, mainly due to decrease in RWA of OTC with netting. Furthermore, “of which others” RWA dropped by HKD 1.21 billion or 30.47% mainly because of decrease of Securities Financing Transactions (SFT). Over all, it resulted in Counterparty default risk and default fund contributions RWA decreased by HKD 3.57 billion or 26.20% in total. As for CVA risk, due to decrease in capital charge of counterparties' credit valuation adjustments, CVA risk downshifted by HKD 4.37 billion or 32.46% compared to the first quarter of 2023. Other RWA items experienced small or moderate fluctuations in the second quarter of 2023, which were in line with business development. There was neither settlement risk, nor securitization exposure RWA on both current and last reporting dates. There was neither regulatory reserve for general banking risks nor collective provision which is needed to be deducted from RWA. There was no RWA capital floor adjustment.

The Group is in compliance with the Banking (Capital) Rules to calculate RWA. The Group adopts the standardized (credit risk) approach (“STC”) for the non-securitization credit risk RWA (including equity exposure and CIS exposure) calculation.

### 3. Overview of Risk Management and RWA (continued)

#### Overview of Risk-weighted Amount (OV1) (continued)

The Group adopts SA-CCR approach for the calculation of counterparty credit risk exposure arising from the Bank's derivatives contracts and default risk exposure from derivatives cleared through central counterparty ("CCP"), which is implemented in the counterparty credit risk RWA calculation. The Group adopts standardized credit valuation adjustment ("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.

4. Composition of Regulatory Capital  
a. Composition of Regulatory Capital (CC1)

		(a)	(b)
		Amount (HK\$'000)	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
<b>CET1 capital: instruments and reserves</b>			
1	Directly issued qualifying CET1 capital instruments plus any related share premium	44,187,631	d
2	Retained earnings	72,777,829	e
3	Disclosed reserves	381,629	
4	<i>Directly issued capital subject to phase-out arrangements from CET1 (only applicable to non-joint stock companies)</i>	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	<b>CET1 capital before regulatory deductions</b>	<b>117,347,089</b>	
<b>CET1 capital: regulatory deductions</b>			
7	Valuation adjustments	-	
8	Goodwill (net of associated deferred tax liabilities)	980,154	a
9	Other intangible assets (net of associated deferred tax liabilities)	18,386	b
10	Deferred tax assets (net of associated deferred tax liabilities)	1,834,037	c
11	Cash flow hedge reserve	(16,983)	
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	30,732	g
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

#### 4 Composition of Regulatory Capital (continued)

##### a Composition of Regulatory Capital (CC1) (continued)

		(a)	(b)
		Amount (HK\$'000)	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
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
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	844,434	
26a	Cumulative fair value gains arising from the revaluation of land and buildings (own-use and investment properties)	844,191	
26b	Regulatory reserve for general banking risks	-	
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	243	
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	<b>Total regulatory deductions to CET1 capital</b>	<b>3,690,760</b>	
29	<b>CET1 capital</b>	<b>113,656,329</b>	
	<b>AT1 capital: instruments</b>		
30	Qualifying AT1 capital instruments plus any related share premium	27,705,099	
31	of which: classified as equity under applicable accounting standards	27,705,099	
32	of which: classified as liabilities under applicable accounting standards	-	
33	<i>Capital instruments subject to phase-out arrangements from AT1 capital</i>	-	
34	AT1 capital instruments issued by consolidated bank subsidiaries and held by third parties (amount allowed in AT1 capital of the consolidation group)	-	
35	<i>of which: AT1 capital instruments issued by subsidiaries subject to phase-out arrangements</i>	-	
36	<b>AT1 capital before regulatory deductions</b>	<b>27,705,099</b>	
	<b>AT1 capital: regulatory deductions</b>		
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	-	

#### 4 Composition of Regulatory Capital (continued)

##### a Composition of Regulatory Capital (CC1) (continued)

		(a)	(b)
		Amount (HK\$'000)	Source based on reference numbers/letters of the balance sheet under the regulatory scope of 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	-	
43	<b>Total regulatory deductions to AT1 capital</b>	-	
44	<b>AT1 capital</b>	<b>27,705,099</b>	
45	<b>Tier 1 capital (T1 = CET1 + AT1)</b>	<b>141,361,428</b>	
<b>Tier 2 capital: instruments and provisions</b>			
46	Qualifying Tier 2 capital instruments plus any related share premium	-	
47	<i>Capital instruments subject to phase-out arrangements from Tier 2 capital</i>	-	
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	<i>of which: capital instruments issued by subsidiaries subject to phase-out arrangements</i>	-	
50	Collective provisions and regulatory reserve for general banking risks eligible for inclusion in Tier 2 capital	6,380,861	f
51	<b>Tier 2 capital before regulatory deductions</b>	<b>6,380,861</b>	
<b>Tier 2 capital: regulatory deductions</b>			
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	379,886	
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	379,886	

#### 4 Composition of Regulatory Capital (continued)

##### a Composition of Regulatory Capital (CC1) (continued)

		(a)	(b)
		<b>Amount</b> (HK\$'000)	<b>Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation</b>
56b	Regulatory deductions applied to Tier 2 capital to cover the required deductions falling within §48(1)(g) of BCR	-	
57	<b>Total regulatory adjustments to Tier 2 capital</b>	<b>379,886</b>	
58	<b>Tier 2 capital (T2)</b>	<b>6,760,747</b>	
59	<b>Total regulatory capital (TC = T1 + T2)</b>	<b>148,122,175</b>	
60	<b>Total RWA</b>	<b>642,522,902</b>	
	<b>Capital ratios (as a percentage of RWA)</b>		
61	<b>CET1 capital ratio</b>	<b>17.69%</b>	
62	<b>Tier 1 capital ratio</b>	<b>22.00%</b>	
63	<b>Total capital ratio</b>	<b>23.05%</b>	
64	<b>Institution-specific buffer requirement (capital conservation buffer plus countercyclical capital buffer plus higher loss absorbency requirements)</b>	<b>4.17%</b>	
65	of which: capital conservation buffer requirement	2.50%	
66	of which: bank specific countercyclical capital buffer requirement	0.67%	
67	of which: higher loss absorbency requirement	1.00%	
68	<b>CET1 (as a percentage of RWA) available after meeting minimum capital requirements</b>	<b>13.19%</b>	
	<b>National minima (if different from Basel 3 minimum)</b>		
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
	<b>Amounts below the thresholds for deduction (before risk weighting)</b>		
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	6,468,260	
73	Significant LAC investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	960,072	
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
	<b>Applicable caps on the inclusion of provisions in Tier 2 capital</b>		
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)	6,380,861	

#### 4 Composition of Regulatory Capital (continued)

##### a Composition of Regulatory Capital (CC1) (continued)

		(a)	(b)
		<b>Amount</b> (HK\$'000)	<b>Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation</b>
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	7,368,339	
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	Not applicable
79	Cap for inclusion of provisions in Tier 2 under the IRB approach and SEC-IRBA	Not applicable	Not applicable
	<b>Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2018 and 1 Jan 2022)</b>		
80	<i>Current cap on CET1 capital instruments subject to phase-out arrangements</i>	Not applicable	Not applicable
81	<i>Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)</i>	Not applicable	Not applicable
82	<i>Current cap on AT1 capital instruments subject to phase-out arrangements</i>	-	
83	<i>Amount excluded from AT1 capital due to cap (excess over cap after redemptions and maturities)</i>	-	
84	<i>Current cap on Tier 2 capital instruments subject to phase-out arrangements</i>	-	
85	<i>Amount excluded from Tier 2 capital due to cap (excess over cap after redemptions and maturities)</i>	-	



## 4 Composition of Regulatory Capital (continued)

### a. Composition of Regulatory Capital (CC1) (continued)

#### Notes to the Template

	<b>Description</b>	<b>Hong Kong basis</b> (HK\$'000)	<b>Basel III basis</b> (HK\$'000)
9	<b>Other intangible assets (net of associated deferred tax liabilities)</b>	18,386	18,386
	<p><u>Explanation</u></p> <p>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.</p>		
10	<b>Deferred tax assets (net of associated deferred tax liabilities)</b>	1,834,037	-
	<p><u>Explanation</u></p> <p>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.</p>		
18	<b>Insignificant LAC investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)</b>	-	-
	<p><u>Explanation</u></p> <p>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.</p>		

4 Composition of Regulatory Capital (continued)  
a. Composition of Regulatory Capital (CC1) (continued)

Notes to the Template

	<b>Description</b>	<b>Hong Kong basis</b> (HK\$'000)	<b>Basel III basis</b> (HK\$'000)
19	<b>Significant LAC investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)</b>	-	-
	<p><u>Explanation</u></p> <p>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.</p>		
39	<b>Insignificant LAC investments in AT1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)</b>	-	-
	<p><u>Explanation</u></p> <p>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.</p>		
54	<b>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)</b>	-	-
	<p><u>Explanation</u></p> <p>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.</p>		
<p>Remarks:</p> <p>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.</p>			

#### 4 Composition of Regulatory Capital (continued)

##### a. Composition of Regulatory Capital (CC1) (continued)

A list of these unconsolidated subsidiaries is shown below:

	Principal activities	Total assets HK\$'000	Total equity HK\$'000
ICBC (Asia) Bullion Company Limited	Provision of bullion business	<b>7,000</b>	<b>6,983</b>
ICBC Asset Management (Global) Company Limited*	Provision of asset management services	<b>478,912</b>	<b>454,327</b>
ICBC (Asia) Securities Limited	Provision of securities brokerage services	<b>1,718,181</b>	<b>1,399,229</b>
ICBC (Asia) Trustee Company Limited	Provision of trustee services	<b>212,456</b>	<b>208,164</b>
ICBC (Asia) Financial Services Company Limited	Provision of trustee and company services	-	-
Greater China Fund	Trust fund	<b>5,699,849</b>	<b>5,602,086</b>

\* Included a consolidated subsidiary in the name of 工銀亞投股權投資管理（深圳）有限公司.

As at 30 June 2023, there are no subsidiaries which are included within both the accounting scope of consolidation and the regulatory scope of consolidation but the method of consolidation differs. There are also no subsidiaries which are included within the regulatory scope of consolidation but not included within the accounting scope of consolidation.

#### 4 Composition of Regulatory Capital (continued)

##### b. Reconciliation between Accounting and Regulatory Balance Sheets (CC2)

	(HK\$'000)		(c)  Reference
	(a)	(b)	
	<b>Balance sheet as in published financial statements</b> 30/06/2023	<b>Under regulatory scope of consolidation</b> 30/06/2023	
<b>Assets</b>			
Cash and balances with banks and other financial institutions	103,461,427	103,212,004	
Placements with banks and other financial institutions	72,274,486	72,274,486	
Derivative financial instruments	18,642,809	18,642,710	
Advances and other accounts	476,891,429	476,910,226	
of which: collective impairment allowances reflected in regulated capital		(6,380,861)	f
Financial investments:	229,161,913	229,155,101	
- held for trading	4,377,327	4,377,327	
- measured at fair value through profit or loss other than held for trading	5,030,324	-	
- measured at fair value through other comprehensive income	108,636,410	108,629,598	
- measured at amortised cost	120,525,503	120,525,503	
Investment in associates	153,076	270,880	
Investment in subsidiaries	-	5,853,082	
Goodwill and other intangible assets	1,019,996	998,540	
of which: goodwill		980,154	a
of which: other intangible assets		18,386	b
Investment properties	209,000	209,000	
of which: cumulative revaluation gain on investment properties		100,900	
Property, plant and equipment	1,532,920	1,513,172	
Current income tax assets	30,737	-	
Deferred income tax assets	1,899,147	1,834,037	c
Other assets	12,982,996	13,008,659	
<b>Total assets</b>	<b>927,667,587</b>	<b>928,259,224</b>	

#### 4 Composition of Regulatory Capital (continued)

##### b. Reconciliation between Accounting and Regulatory Balance Sheets (CC2) (continued)

	(HK\$'000)		(c)
	(a)	(b)	
	<b>Balance sheet as in published financial statements</b>	<b>Under regulatory scope of consolidation</b>	<b>Reference</b>
	30/06/2023	30/06/2023	
<b>Liabilities</b>			
Deposits from banks and other financial institutions	143,431,092	143,431,092	
Trading liabilities	194,484	119,217	
Derivative financial instruments	15,120,628	15,120,628	
of which: debit valuation adjustments in respect of derivative contracts		30,732	g
Deposits from customers	583,307,083	585,711,643	
Certificates of deposit issued at amortised cost	2,487,355	2,487,355	
Debt securities in issue	17,281,421	17,281,421	
Current income tax liabilities	1,182,108	1,093,659	
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	17,774,602	17,844,858	
<b>Total liabilities</b>	<b>780,778,773</b>	<b>783,089,873</b>	
<b>Shareholders' equity</b>			
Share capital	44,187,631	44,187,631	d
Retained earnings	74,517,719	72,777,829	e
of which: regulatory reserve for general banking risks		-	
Other reserves	514,699	535,126	
of which: bank premises revaluation reserve		749,284	
of which: investment revaluation reserve		(2,885,644)	
of which: cash flow hedge reserve		(23,483)	

#### 4 Composition of Regulatory Capital (continued)

##### b. Reconciliation between Accounting and Regulatory Balance Sheets (CC2) (continued)

	(HK\$'000)		(c)
	(a)	(b)	
	<b>Balance sheet as in published financial statements 30/06/2023</b>	<b>Under regulatory scope of consolidation 30/06/2023</b>	<b>Reference</b>
of which: exchange reserve		(1,299,419)	
of which: general reserve		3,994,388	
Additional equity instruments	27,668,765	27,668,765	
<b>Total shareholders' equity</b>	<b>146,888,814</b>	<b>145,169,351</b>	
<b>Total shareholders' equity and liabilities</b>	<b>927,667,587</b>	<b>928,259,224</b>	

#### 4 Composition of Regulatory Capital (continued)

##### c. Main Features of Regulatory Capital Instruments (CCA) and Non-capital LAC Debt Instruments (CCA(A))

The following is a summary of the Group's CET1 capital instrument, AT1 capital instrument and non-capital LAC debt instruments. The full terms and conditions of the Group's capital instruments and non-capital LAC debt instruments can be found in the "Terms and conditions of the capital instruments issued" of Regulatory Disclosures section of our website, [www.icbcasia.com](http://www.icbcasia.com).

The regulatory capital and/or LAC instruments included in the Bank's consolidated capital base as of 30 June 2023 are as follows:

###### Both regulatory capital and LAC requirement

- Common Equity Tier 1 Capital (Ordinary share capital)
- USD Non-Cumulative Subordinated AT1 Capital Securities with perpetual maturity (callable on 21 March 2028) - issued on 21 March 2018 (restated on 21 Mar 2023)
- USD Non-Cumulative Subordinated Additional Tier 1 Capital Securities with perpetual maturity (callable on 21 July 2026) – issued on 21 July 2021

###### Only LAC (but not regulatory capital) requirement

- USD Loss-absorbing Notes due 2024 (callable on 22 December 2023) – issued on 22 December 2022

The main features of the regulatory capital instruments and non-capital LAC debt instruments are set out in the following sections.

#### 4 Composition of Regulatory Capital (continued)

##### c. Main Features of Regulatory Capital Instruments (CCA) and Non-capital LAC Debt Instruments (CCA(A)) (continued)

###### **(i) 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



#### 4 Composition of Regulatory Capital (continued)

##### c. Main Features of Regulatory Capital Instruments (CCA) and Non-capital LAC Debt Instruments (CCA(A)) (continued)

###### **(i) Both regulatory capital and LAC requirement (continued)**

[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.

\* Include solo-consolidated.

#### 4 Composition of Regulatory Capital (continued)

##### c. Main Features of Regulatory Capital Instruments (CCA) and Non-capital LAC Debt Instruments (CCA(A)) (continued)

###### (i) Both regulatory capital and LAC requirement (continued)

		(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 the laws of Hong Kong.
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 <sup>1</sup>	N/A
5	Post-transitional Basel III rules <sup>2</sup>	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 (for LAC purposes)
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\$19,870 million
8a	Amount recognised in loss-absorbing capacity (currency in millions, as of most recent reporting date)	HK\$19,870 million
9	Par value of instrument	U.S.\$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	Revised First call date: 21 March 2028 Included tax, regulatory event and loss absorption disqualification event calls Redemption in whole at 100%
16	Subsequent call dates, if applicable	Any distribution payment date after the revised first call date
	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 5-10: 5.80% per annum payable semi-annually in arrear; Year 10 onwards: resettable on year 10 and every 5 years thereafter at then prevailing 5-year US Treasury yield plus a fixed spread of 2.2192%
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

#### 4 Composition of Regulatory Capital (continued)

##### c. Main Features of Regulatory Capital Instruments (CCA) and Non-capital LAC Debt Instruments (CCA(A)) (continued)

###### **(i) Both Regulatory Capital and LAC Requirement (continued)**

		(b)
		Quantitative / qualitative information
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).	Issuer's depositors and all other unsubordinated creditors, creditors in respect of non-preferred loss absorbing instruments, creditors in respect of tier 2 capital instruments, and creditors in respect of all other subordinated indebtedness of the Issuer whose claims rank or are expressed to rank by operation of law or contract senior to the Capital Securities
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.

\* Include solo-consolidated.

#### 4 Composition of Regulatory Capital (continued)

##### c. Main Features of Regulatory Capital Instruments (CCA) and Non-capital LAC Debt Instruments (CCA(A)) (continued)

###### (i) Both Regulatory Capital and LAC Requirement (continued)

		(c)
		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 the laws of Hong Kong.
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 (for LAC purposes)
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\$7,835 million
8a	Amount recognised in loss-absorbing capacity (currency in millions, as of most recent reporting date)	HK\$7,835 million
9	Par value of instrument	USD 1 billion
10	Accounting classification	Equity instruments
11	Original date of issuance	21 July 2021
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 2026. Included tax and regulatory event calls. Redemption in whole at 100%
16	Subsequent call dates, if applicable	Any distribution payment date after the first call date
Coupons / dividends		
17	Fixed or floating dividend / coupon	Fixed
18	Coupon rate and any related index	Year 1-5: 3.3% 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 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

4 Composition of Regulatory Capital (continued)

c. Main Features of Regulatory Capital Instruments (CCA) and Non-capital LAC Debt Instruments (CCA(A)) (continued)

**(i) Both Regulatory Capital and LAC Requirement (continued)**

		(c)
		Quantitative / qualitative information
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, Issuer's creditors, holders of non-preferred loss absorbing instruments and tier 2 capital instruments and creditors of all other subordinated indebtedness of the Issuer whose claims rank or are expressed to rank by operation of law or contract senior to the Capital Securities
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.

\* Include solo-consolidated.

#### 4 Composition of Regulatory Capital (continued)

##### c. Main Features of Regulatory Capital Instruments (CCA) and Non-capital LAC Debt Instruments (CCA(A)) (continued)

##### **(ii) Only LAC (but not Regulatory Capital) Requirement**

		(d)
		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 Notes are governed by and shall be construed in accordance with the laws of Hong Kong.
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]	Ineligible
6	Eligible at solo* / group / solo and group (for regulatory capital purposes)	Ineligible
6a	Eligible at solo / LAC consolidation group / solo and LAC consolidation group (for LAC purposes)	Solo and LAC consolidation group (for LAC purposes)
7	Instrument type (types to be specified by each jurisdiction)	Non-capital LAC debt instrument
8	Amount recognised in regulatory capital (currency in millions, as of most recent reporting date)	N/A
8a	Amount recognised in loss-absorbing capacity (currency in millions, as of most recent reporting date)	HK\$10,421 million
9	Par value of instrument	US\$1,330 million
10	Accounting classification	Liability – amortised costs
11	Original date of issuance	22 December 2022
12	Perpetual or dated	Dated
13	Original maturity date	22 December 2024
14	Issuer call subject to prior supervisory approval	Yes
15	Optional call date, contingent call dates and redemption price	First call date: 22 December 2023 Included tax and loss absorption disqualification event calls Redemption in whole at 100%
16	Subsequent call dates, if applicable	Any interest payment date after the first call date
	Coupons / dividends	
17	Fixed or floating dividend / coupon	Fixed
18	Coupon rate and any related index	4.924% per annum payable semi-annually in arrear
19	Existence of a dividend stopper	No
20	Fully discretionary, partially discretionary or mandatory	Mandatory
21	Existence of step-up or other incentive to redeem	No
22	Non-cumulative or cumulative	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

#### 4 Composition of Regulatory Capital (continued)

##### c. Main Features of Regulatory Capital Instruments (CCA) and Non-capital LAC Debt Instruments (CCA(A)) (continued)

##### **(ii) Only LAC (but not Regulatory Capital) Requirement (continued)**

		(d)
		Quantitative / qualitative information
31	If write-down, write-down trigger(s)	<p>Upon the occurrence of a Loss Absorption Event</p> <p>"Loss Absorption Event" means the occurrence of:</p> <p>(i) the relevant Hong Kong Resolution Authority notifying the Issuer in writing that the Relevant Hong Kong Resolution Authority is satisfied that the Issuer has ceased, or is likely to cease, to be viable and there is no reasonable prospect that private sector action (outside of resolution) would result in it again becoming viable within a reasonable period (in both cases, without taking into account the write-down or conversion into ordinary shares of any LAC debt instruments); and</p> <p>(ii) for Notes issued directly to a group company of the Issuer established or incorporated in a non-Hong Kong jurisdiction, as specified in the applicable Final Terms, the relevant Hong Kong Resolution Authority notifying the Issuer in writing that:</p> <p>(A) the relevant Hong Kong Resolution Authority has notified the Home Authority of the relevant Hong Kong Resolution Authority's intention to notify the Issuer under paragraph (i) above; and</p> <p>(B) the Home Authority (x) has consented to the write-down or conversion of the relevant Notes issued by the Issuer or (y) has not, within 24 hours after receiving notice under subparagraph (ii)(A) above, objected to the write-down or conversion of the relevant Notes issued by the Issuer.</p>
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).	Subordinated to depositors and all other unsubordinated creditors 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.

\* Include solo-consolidated.

4 Composition of Regulatory Capital (continued)

d. LAC Composition of Material Subsidiary (at LAC Consolidation Group Level)

(TLAC1 (A))

		(a)
		<b>Amount</b> (HK\$'000)
<b>Regulatory capital elements of internal loss-absorbing capacity and adjustments</b>		
1	Common Equity Tier 1 ("CET1") capital	113,656,329
2	Additional Tier 1 ("AT1") capital before LAC adjustments	27,705,099
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	-
4	Other adjustments	-
5	AT1 capital eligible under the LAC Rules	27,705,099
6	Tier 2 ("T2") capital before LAC adjustments	6,760,747
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	6,760,747
11	<b>Internal loss-absorbing capacity arising from regulatory capital</b>	<b>148,122,175</b>
<b>Non-regulatory capital elements of internal loss-absorbing capacity</b>		
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	10,421,016
13	External non-capital LAC debt instruments issued directly by the resolution entity and that do not meet subordination requirements but meet all other LAC eligibility requirements	Not applicable
14	Of which: amount eligible as external loss-absorbing capacity after application of the caps	Not applicable
15	External non-capital LAC debt instruments issued by funding vehicles prior to 1 January 2022	Not applicable
16	Eligible ex ante commitments to recapitalise a resolution entity in resolution	Not applicable
17	<b>Internal loss-absorbing capacity arising from non-capital LAC debt instruments before adjustments</b>	<b>10,421,016</b>
<b>Non-regulatory capital elements of internal loss-absorbing capacity: adjustments</b>		
18	<b>Internal loss-absorbing capacity before deductions</b>	<b>158,543,191</b>
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	<b>Internal loss-absorbing capacity after deductions</b>	<b>158,543,191</b>
<b>Risk-weighted amount and exposure measure under the LAC Rules for internal loss-absorbing capacity purposes</b>		
23	Risk-weighted amount under the LAC Rules	642,522,902
24	Exposure measure under the LAC Rules	974,644,412



4 Composition of Regulatory Capital (continued)

d. LAC Composition of Material Subsidiary (at LAC Consolidation Group Level) (TLAC1

(A)) (continued)

		(a)
		<b>Amount</b> (HK\$'000)
<b>Internal LAC ratios and buffers</b>		
25	<b>Internal LAC risk-weighted ratio</b>	<b>24.68%</b>
26	<b>Internal LAC leverage ratio</b>	<b>16.27%</b>
27	<b>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</b>	<b>13.19%</b>
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)	4.17%
29	Of which: capital conservation buffer requirement	2.50%
30	Of which: institution-specific countercyclical capital buffer requirement	0.67%
31	Of which: higher loss absorbency requirement	1.00%

#### 4 Composition of Regulatory Capital (continued)

##### e. Material Subsidiary – Creditor Ranking at Legal Entity Level (TLAC2)

		Creditor ranking HK\$ million			Total HK\$ million
		1 (most junior)	2	3 (most senior)	
1	Is a resolution entity or a non-HK resolution entity the creditor/investor?	Yes	Yes	Yes	
2	Description of creditor ranking	CET1 capital instruments (Note 1)	AT1 capital instruments	Non-capital LAC debt instruments	
3	Total capital and liabilities net of credit risk mitigation	44,188	27,705	10,421	82,314
4	Subset of row 3 that are excluded liabilities	-	-	-	-
5	Total capital and liabilities less excluded liabilities	44,188	27,705	10,421	82,314
6	Subset of row 5 that are eligible as internal loss-absorbing capacity	44,188	27,705	10,421	82,314
7	Subset of row 6 with 1 year ≤ residual maturity < 2 years	-	-	10,421	10,421
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	27,705	-	71,893

Note 1: Issued and fully paid ordinary shares.

## 5. Macroprudential Supervisory Measures

### Geographical Distribution of Credit Exposures used in Countercyclical Capital Buffer (CCyB1)

	Geographical breakdown by Jurisdiction (J)	Applicable JCCyB ratio in effect	RWA used in computation of CCyB ratio (HK\$'000)	AI-specific CCyB ratio	CCyB amount (HK\$'000)
1	Hong Kong, China	1.00%	298,395,575		
2	China	0.00%	132,745,667		
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)	1.00%	875,307		
4	Cambodia (formerly Kampuchea)	0.00%	2,811,829		
5	Canada	0.00%	7,636		
6	Cayman Islands	0.00%	1,505,994		
7	France (includes French Guiana, French Southern Territories, Guadeloupe, Martinique, Mayotte, Monaco, Reunion and St. Pierre and Miquelon)	0.50%	184		
8	Germany (includes the European Central Bank)	0.75%	4,502,163		
9	Guinea	0.00%	344,424		
10	India	0.00%	1,026		
11	Indonesia	0.00%	96,706		
12	Ireland	0.00%	725,423		
13	Japan	0.00%	2,629,555		
14	Luxembourg	0.50%	3,746,219		
15	Macau, China	0.00%	48,463		
16	Malaysia (includes Labuan International Financial Offshore Centre)	0.00%	1,314,465		
17	Myanmar (formerly Burma)	0.00%	8,599		
18	Netherlands	0.00%	8,776,908		
19	Philippines	0.00%	529,020		
20	Singapore	0.00%	489,040		
21	South Africa	0.00%	289		
22	Sweden	1.00%	184		
23	Switzerland (includes Bank for International Settlements)	0.00%	925		
24	Taiwan, China	0.00%	62,448		
25	Thailand	0.00%	96,097		
26	United Arab Emirates	0.00%	150,665		
27	United Kingdom (excludes Guernsey, Isle of Man and Jersey)	1.00%	2,096,272		

5. Macprudential Supervisory Measures (continued)  
 Geographical Distribution of Credit Exposures used in Countercyclical Capital Buffer  
 (CCyB1) (continued)

	Geographical breakdown by Jurisdiction (J)	Applicable JCCyB ratio in effect	RWA used in computation of CCyB ratio (HK\$'000)	AI-specific CCyB ratio	CCyB amount (HK\$'000)
28	United States (includes American Samoa, Guam, Midway Islands, Northern Mariana Islands, Puerto Rico, US Virgin Islands and Wake Islands)	0.00%	2,997,534		
29	West Indies UK (includes Anguilla, Antigua and Barbuda, British Virgin Islands, Montserrat and St. Christopher/St. Kitts – Nevis)	0.00%	3,429,275		
	Sum		468,387,892		
	Total		468,387,892	0.67%	3,153,941

## 6. Leverage Ratio

### a. Summary Comparison of Accounting Asset against Leverage Ratio Exposure Measure (LR1)

		(a)
	<b>Item</b>	<b>Value under the LR framework</b> (HK\$'000)
1	Total consolidated assets as per published financial statements	927,667,587
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	5,970,886
2a	Adjustment for securitised exposures that meet the operational requirements for the recognition of risk transference	-
3	Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting standard but excluded from the LR exposure measure	-
3a	Adjustments for eligible cash pooling transactions	-
4	Adjustments for derivative contracts	(1,457,275)
5	Adjustment for SFTs (i.e. repos and similar secured lending)	(9,094,840)
6	Adjustment for off-balance sheet ("OBS") items (i.e. conversion to credit equivalent amounts of OBS exposures)	57,460,575
6a	Adjustments for prudent valuation adjustments and specific and collective provisions that are allowed to be excluded from exposure measure	(8,591,919)
7	Other adjustments	2,689,398
<b>8</b>	<b>Leverage ratio exposure measure</b>	<b>974,644,412</b>

6. Leverage Ratio (continued)

b. Leverage Ratio (LR2)

		(a)	(b)
		(HK\$'000)	
		30/06/2023	31/03/2023
<b>On-balance sheet exposures</b>			
1	On-balance sheet exposures (excluding those arising from derivative contracts and SFTs, but including collateral)	880,257,857	915,813,065
2	Less: Asset amounts deducted in determining Tier 1 capital	(1,825,748)	(1,895,598)
3	<b>Total on-balance sheet exposures (excluding derivative contracts and SFTs)</b>	<b>878,432,109</b>	<b>913,917,467</b>
<b>Exposures arising from derivative contracts</b>			
4	Replacement cost associated with all derivative contracts (where applicable net of eligible cash variation margin and/or with bilateral netting)	7,116,324	4,807,677
5	Add-on amounts for PFE associated with all derivative contracts	14,183,726	20,225,726
6	Gross-up for collateral provided in respect of derivative contracts where deducted from the balance sheet assets pursuant to the applicable accounting framework	-	-
7	Less: Deductions of receivables assets for cash variation margin provided under derivative contracts	(3,772,564)	(778,976)
8	Less: Exempted CCP leg of client-cleared trade exposures	-	-
9	Adjusted effective notional amount of written credit-related derivative contracts	-	-
10	Less: Adjusted effective notional offsets and add-on deductions for written credit-related derivative contracts	-	-
11	<b>Total exposures arising from derivative contracts</b>	<b>17,527,486</b>	<b>24,254,427</b>
<b>Exposures arising from SFTs</b>			
12	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	38,911,001	26,947,486
13	Less: Netted amounts of cash payables and cash receivables of gross SFT assets	(11,722,461)	-
14	CCR exposure for SFT assets	2,627,621	3,757,198
15	Agent transaction exposures	-	-
16	<b>Total exposures arising from SFTs</b>	<b>29,816,161</b>	<b>30,704,684</b>
<b>Other off-balance sheet exposures</b>			
17	Off-balance sheet exposure at gross notional amount	226,078,017	231,816,738
18	Less: Adjustments for conversion to credit equivalent amounts	(168,617,442)	(170,299,971)
19	<b>Off-balance sheet items</b>	<b>57,460,575</b>	<b>61,516,767</b>
<b>Capital and total exposures</b>			
20	<b>Tier 1 capital</b>	<b>141,361,428</b>	<b>140,375,822</b>
20a	<b>Total exposures before adjustments for specific and collective provisions</b>	<b>983,236,331</b>	<b>1,030,393,345</b>
20b	<b>Adjustments for specific and collective provisions</b>	<b>(8,591,919)</b>	<b>(8,094,751)</b>
21	<b>Total exposures after adjustments for specific and collective provisions</b>	<b>974,644,412</b>	<b>1,022,298,594</b>
<b>Leverage ratio</b>			
22	<b>Leverage ratio</b>	<b>14.50%</b>	<b>13.73%</b>

- 6. Leverage Ratio (continued)
- b. Leverage Ratio (LR2) (continued)

**Item 4:**

The replacement cost associated with all derivative contracts increased by HKD 2.31 billion or 48.02% compared to last quarter due to fair value change of derivative contracts.

**Item 7:**

Due to increase in the clearing settlement account balance, the receivables assets for cash variation margin provided under derivative contracts increased by HKD 2.99 billion or an increase of 384.30% compared to last quarter.

**Item 12:**

As the amount of repo used to finance the purchase of debt securities increased, the Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions, increased by HKD 11.96 billion or an increase of 44.40% compared to last quarter.

**Item 14:**

Due to the amount of security repo decreased, Counterparty Credit Risk (“CCR”) exposure for SFT assets decreased by HKD 1.13 billion or a decrease of 30.06%.

## 7. Liquidity

### a. Liquidity Coverage Ratio – for Category 1 Institution (LIQ1)

Number of data points used in calculating the average value of the LCR and related components set out in this template: (71)		(HK\$'000)	
		(a)	(b)
Basis of disclosure: consolidated		<b>Unweighted value</b> (average)	<b>Weighted value</b> (average)
<b>A. HQLA</b>			
1	Total HQLA		136,216,518
<b>B. Cash outflows</b>			
2	Retail deposits and small business funding, of which:	166,487,972	15,886,814
3	<i>Stable retail deposits and stable small business funding</i>	10,885,468	326,564
4	<i>Less stable retail deposits and less stable small business funding</i>	155,602,504	15,560,250
4a	<i>Retail term deposits and small business term funding</i>	-	-
5	Unsecured wholesale funding (other than small business funding), and debt securities and prescribed instruments issued by the AI, of which:	300,001,186	155,786,831
6	<i>Operational deposits</i>	7,547,484	1,881,366
7	<i>Unsecured wholesale funding (other than small business funding) not covered in row 6</i>	291,706,392	153,158,155
8	<i>Debt securities and prescribed instruments issued by the AI and redeemable within the LCR period</i>	747,310	747,310
9	Secured funding transactions (including securities swap transactions)		170,541
10	Additional requirements, of which:	81,272,157	15,363,204
11	<i>Cash outflows arising from derivative contracts and other transactions, and additional liquidity needs arising from related collateral requirements</i>	9,372,935	7,413,238
12	<i>Cash outflows arising from obligations under structured financing transactions and repayment of funding obtained from such transactions</i>	-	-
13	<i>Potential drawdown of undrawn committed facilities (including committed credit facilities and committed liquidity facilities)</i>	71,899,222	7,949,966
14	Contractual lending obligations (not otherwise covered in Section B) and other contractual cash outflows	11,579,348	11,579,348
15	Other contingent funding obligations (whether contractual or non-contractual)	373,593,306	1,629,660
16	<b>Total Cash Outflows</b>		<b>200,416,398</b>
<b>C. Cash Inflows</b>			
17	Secured lending transactions (including securities swap transactions)	530,333	-
18	Secured and unsecured loans (other than secured lending transactions covered in row 17) and operational deposits placed at other financial institutions	145,944,156	108,738,325
19	Other cash inflows	18,469,690	8,952,165
20	<b>Total Cash Inflows</b>	<b>164,944,179</b>	<b>117,690,490</b>
<b>D. Liquidity Coverage Ratio</b>			<b>Adjusted value</b>
21	<b>Total HQLA</b>		<b>136,216,518</b>



## 7. Liquidity (continued)

### a. Liquidity Coverage Ratio – for Category 1 Institution (LIQ1) (continued)

Number of data points used in calculating the average value of the LCR and related components set out in this template: (71)		(HK\$'000)	
		(a)	(b)
Basis of disclosure: consolidated		<b>Unweighted value</b> (average)	<b>Weighted value</b> (average)
22	<b>Total Net Cash Outflows</b>		<b>83,121,607</b>
23	<b>LCR (%)</b>		<b>168.05%</b>

#### Liquidity Coverage Ratio

The Liquidity Coverage Ratio ("LCR") throughout the second quarter of 2023 meets the regulatory requirement and maintains at a safe level.

The average LCR as of the second quarter of 2023 decreased by 36.33% compared to that as of the first quarter of 2023. Such decrease was mainly due to the increase of total net cash outflows by HKD 15.2 billion resulting from the maturing impact from various kinds of asset and liability, which was partially net off by the increase of HQLA by HKD 0.8 billion.

#### (i) Main drivers of LCR results

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

#### (ii) Composition of High Quality Liquid Assets ("HQLA")

The Bank holds a portfolio of unencumbered HQLA which can be readily liquidated to meet cash flow obligations under stress scenarios, as defined in the LCR rules. These liquid assets consist primarily of Level 1 HQLA, such as the Hong Kong Exchange Fund Bills and Notes as well as other government debt securities, supplemented by Level 2A and 2B HQLA, such as bonds issued by highly rated corporate issuers.

## 7. Liquidity (continued)

### a. Liquidity Coverage Ratio – for Category 1 Institution (LIQ1) (continued)

#### (iii) Concentration of funding sources

The Bank maintains a diversified funding base composed mainly by retail and corporate customer deposits, supplemented by wholesale funding including but not limited to issuance of certificates of deposit and term debts. Short-term interbank money market borrowing is also used from time to time to meet temporary funding needs. The Bank continues to expand and diversify its deposit base, and to increase the proportion of stable deposits in its overall funding pool.

#### (iv) Derivative exposures

The Bank closely monitors all its exchange traded and over-the-counter derivative exposures arising from customer transactions and their corresponding hedging activities. Such derivative contracts comprise mainly of foreign exchange forwards, interest rate and cross currency swaps. Collateral may be required to be posted to counterparties depending on the marked-to-market of the derivative contracts.

#### (v) Currency mismatch

The fundings of the Bank are mainly customer deposits and capital 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, 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.

## 7. Liquidity (continued)

### a. Liquidity Coverage Ratio – for Category 1 Institution (LIQ1) (continued)

#### (vii) Approach to liquidity risk management

The Bank has established a comprehensive liquidity risk management framework in accordance with the HKMA requirements and Basel Committee on Banking Supervision guidance. The Board is ultimately responsible for liquidity risk management, with the support from the Risk Management Committee of Board of Directors, senior management committees including the Senior Executive Risk Management Committee and the Asset and Liability Committee. Policies and procedures are in place, with properly approved limits and indicators in order to identify, measure and monitor liquidity risk. Stress tests are conducted regularly, and the Bank has readied the Contingency Funding Plan with detailed procedures in dealing with a potential liquidity crisis.

7. Liquidity (continued)

b. Net Stable Funding Ratio – for Category 1 Institution (LIQ2)

		30/06/2023				
		(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	
<b>A. Available stable funding (“ASF”) item</b>						
1	Capital:	151,812,935	-	-	-	151,812,935
2	<i>Regulatory capital</i>	151,812,935	-	-	-	151,812,935
2a	<i>Minority interests not covered by row 2</i>	-	-	-	-	-
3	<i>Other capital instruments</i>	-	-	-	-	-
4	Retail deposits and small business funding:	-	169,099,793	417,121	3,790	153,108,741
5	<i>Stable deposits</i>	-	10,432,254	362,321	3,790	10,258,636
6	<i>Less stable deposits</i>	-	158,667,539	54,800	-	142,850,105
7	Wholesale funding:	-	509,045,492	41,844,927	16,746,439	215,180,500
8	<i>Operational deposits</i>	-	4,662,354	-	-	2,331,177
9	<i>Other wholesale funding</i>	-	504,383,138	41,844,927	16,746,439	212,849,323
10	Liabilities with matching interdependent assets	-	-	-	-	-
11	Other liabilities:	6,361,384	6,725,639	-	15,820,654	15,820,654
12	<i>Net derivative liabilities</i>	-	-	-	-	-
13	<i>All other funding and liabilities not included in the above categories</i>	6,361,384	6,725,639	-	15,820,654	15,820,654
14	<b>Total ASF</b>	-	-	-	-	<b>535,922,830</b>
<b>B. Required stable funding (“RSF”) item</b>						
15	Total HQLA for NSFR purposes	-	-	-	163,205,793	21,631,917
16	Deposits held at other financial institutions for operational purposes	-	541,558	-	-	270,779
17	Performing loans and securities:	4,972,586	269,109,206	85,951,917	322,982,647	381,652,971
18	<i>Performing loans to financial institutions secured by Level 1 HQLA</i>	-	1,310,476	-	-	131,048
19	<i>Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions</i>	-	181,036,954	25,252,705	13,297,773	53,079,669

7. Liquidity (continued)

b. Net Stable Funding Ratio – for Category 1 Institution (LIQ2) (continued)

		30/06/2023				
		(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	<i>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:</i>	4,972,586	79,383,914	48,950,298	254,580,726	274,816,118
21	<i>With a risk-weight of less than or equal to 35% under the STC approach</i>	-	376,905	370,193	49,856,515	32,780,284
22	<i>Performing residential mortgages, of which:</i>	-	1,295,955	1,188,100	29,834,109	23,825,242
23	<i>With a risk-weight of less than or equal to 35% under the STC approach</i>	-	842,381	765,369	13,878,888	9,825,152
24	<i>Securities that are not in default and do not qualify as HQLA, including exchange-traded equities</i>	-	6,081,907	10,560,814	25,270,039	29,800,894
25	Assets with matching interdependent liabilities	-	-	-	-	-
26	Other assets:	44,873,216	38,655,188	-	-	34,518,924
27	<i>Physical traded commodities, including gold</i>	-	-	-	-	-
28	<i>Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs</i>	293,210	-	-	-	249,229
29	<i>Net derivative assets</i>	5,335,969	-	-	-	5,335,969
30	<i>Total derivative liabilities before deduction of variation margin posted</i>	13,561,856	-	-	-	678,093
31	<i>All other assets not included in the above categories</i>	25,682,181	38,655,188	-	-	28,255,633
32	Off-balance sheet items	-	-	-	447,235,566	3,463,979
33	<b>Total RSF</b>	-	-	-	-	<b>441,538,570</b>
34	<b>Net Stable Funding Ratio (%)</b>	-	-	-	-	<b>121.38%</b>

7. Liquidity (continued)

b. Net Stable Funding Ratio – for Category 1 Institution (LIQ2) (continued)

		31/03/2023				
		(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	
<b>A. Available stable funding ("ASF") item</b>						
1	Capital:	150,541,804	-	-	-	150,541,804
2	<i>Regulatory capital</i>	150,541,804	-	-	-	150,541,804
2a	<i>Minority interests not covered by row 2</i>	-	-	-	-	-
3	<i>Other capital instruments</i>	-	-	-	-	-
4	Retail deposits and small business funding:	-	164,087,127	462,415	5,439	148,654,958
5	<i>Stable deposits</i>	-	10,655,198	443,391	5,439	10,549,099
6	<i>Less stable deposits</i>	-	153,431,930	19,024	-	138,105,859
7	Wholesale funding:	-	530,954,395	47,636,158	17,954,901	229,031,341
8	<i>Operational deposits</i>	-	7,686,556	-	-	3,843,278
9	<i>Other wholesale funding</i>	-	523,267,838	47,636,158	17,954,901	225,188,063
10	Liabilities with matching interdependent assets	-	-	-	-	-
11	Other liabilities:	7,445,567	4,530,894	1,450,136	16,284,927	17,009,994
12	<i>Net derivative liabilities</i>	-	-	-	-	-
13	<i>All other funding and liabilities not included in the above categories</i>	7,445,567	4,530,894	1,450,136	16,284,927	17,009,994
14	<b>Total ASF</b>					<b>545,238,097</b>
<b>B. Required stable funding ("RSF") item</b>						
15	Total HQLA for NSFR purposes				172,772,630	23,445,518
16	Deposits held at other financial institutions for operational purposes	-	470,699	-	-	235,350
17	Performing loans and securities:	4,962,370	292,705,872	81,988,571	329,098,150	393,190,895
18	<i>Performing loans to financial institutions secured by Level 1 HQLA</i>	-	3,017,587	-	-	301,759
19	<i>Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions</i>	-	189,546,534	30,487,117	13,858,148	57,533,686

7. Liquidity (continued)

b. Net Stable Funding Ratio – for Category 1 Institution (LIQ2) (continued)

		31/03/2023				
		(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	<i>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:</i>	4,962,370	89,156,606	43,424,422	214,788,834	249,745,979
21	<i>With a risk-weight of less than or equal to 35% under the STC approach</i>	-	391,289	387,101	16,665,292	11,221,635
22	<i>Performing residential mortgages, of which:</i>	-	1,414,283	1,222,947	74,351,974	55,212,682
23	<i>With a risk-weight of less than or equal to 35% under the STC approach</i>	-	979,163	803,488	46,525,554	31,132,935
24	<i>Securities that are not in default and do not qualify as HQLA, including exchange-traded equities</i>	-	9,570,862	6,854,085	26,099,195	30,396,789
25	Assets with matching interdependent liabilities	-	-	-	-	-
26	Other assets:	44,517,027	26,035,329	-	-	35,336,052
27	<i>Physical traded commodities, including gold</i>	-	-	-	-	-
28	<i>Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs</i>	360,795	-	-	-	306,676
29	<i>Net derivative assets</i>	4,179,642	-	-	-	4,179,643
30	<i>Total derivative liabilities before deduction of variation margin posted</i>	12,337,938	-	-	-	616,898
31	<i>All other assets not included in the above categories</i>	27,638,652	26,035,329	-	-	30,232,835
32	Off-balance sheet items	-	-	-	430,782,852	3,526,770
33	<b>Total RSF</b>					<b>455,734,585</b>
34	<b>Net Stable Funding Ratio (%)</b>					<b>119.64%</b>

## 7. Liquidity (continued)

### b. Net Stable Funding Ratio – for Category 1 Institution (LIQ2) (continued)

The above disclosures are made pursuant to the section 16FL and 103AB of Banking (Disclosure) Rules. The items disclosed are measured according to the methodology and instructions set out in the Stable Funding Position Return (MA(BS)26) and the requirements set out in Banking (Liquidity) Rules.

Net Stable Funding Ratio (“NSFR”) is defined as the amount of available stable funding (“ASF”) relative to the amount of required stable funding (“RSF”). The ratio is calculated after applying the respective ASF or RSF factors required under the Stable Funding Position Return (MA(BS)26). It requires banks to maintain a stable funding profile in relation to the composition of banks’ assets and off-balance sheet activities.

The Net Stable Funding Ratio throughout the second quarter of 2023 meets the regulatory requirement and maintains at a safe level.

#### (i) Main drivers of NSFR results

The Bank's NSFR is mainly driven by 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. 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.



## 8. Credit Risk for Non-Securitization Exposures

### a. Credit Quality of Exposures (CR1)

		(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	3,761,784	655,261,988	8,150,444	2,339,976	5,810,468	-	650,873,328
2	Debt securities	15,378	226,285,043	98,409	-	98,409	-	226,202,012
3	Off-balance sheet exposures	-	226,078,017	279,604	-	279,604	-	225,798,413
4	<b>Total</b>	<b>3,777,162</b>	<b>1,107,625,048</b>	<b>8,528,457</b>	<b>2,339,976</b>	<b>6,188,481</b>	<b>-</b>	<b>1,102,873,753</b>

#### Definition of default

A credit exposure is defined as defaulted if borrower is displaying a definable weakness which is likely to jeopardize repayment, including but not limiting to:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held);
- the borrower is more than 90 days past due on any material credit obligation to the Group.; or
- it is becoming probable that the borrower will restructure the asset as a result of bankruptcy due to the borrower's inability to pay its credit obligations.

8. Credit Risk for Non-Securitization Exposures (continued)

b. Changes in Defaulted Loans and Debt Securities (CR2)

		(HK\$'000)
		(a)
		Amount
1	<b>Defaulted loans and debt securities at the end of the previous reporting period</b>	<b>3,950,487</b>
2	Loans and debt securities that have defaulted since the last reporting period	211,552
3	Returned to non-defaulted status	-
4	Amounts written off	(318,088)
5	Other changes	(66,789)
6	<b>Defaulted loans and debt securities at the end of the current reporting period</b>	<b>3,777,162</b>

Loans and debt securities that have defaulted since the last reporting period amounted to HKD212 million. Since sufficient provision has been made based on assessments of the aforesaid defaulted loans, risk is considered controllable. During the period, loans written off amounted to HKD318 million. 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 proceeds of full or partial settlement of the defaulted loans and exchange rate difference, etc.

8. Credit Risk for Non-Securitization Exposures (continued)

c. Overview of Recognized Credit Risk Mitigation (CR3)

		(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	643,783,013	7,090,315	1,209,257	5,881,058	-
2	Debt securities	196,024,644	30,177,368	-	30,177,368	-
3	<b>Total</b>	<b>839,807,657</b>	<b>37,267,683</b>	<b>1,209,257</b>	<b>36,058,426</b>	-
4	Of which defaulted	383,425	1,053,761	709,448	344,313	-

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.

In the first half of 2023, "Exposures secured by recognized collateral" of loans decreased by HKD 732.60 million or a decrease of 37.73%, mainly due to the decrease of term loans and syndicated loans to corporates secured by recognized collateral. Mainly because of increase in debt securities exposures to corporates secured by recognized collateral, "Exposures to be secured" of debt securities and in which "Exposures secured by recognized guarantees" increased by 44.88% amounting HKD 9.35 billion respectively. Besides, the decrease in "exposures secured by recognized guarantees" of "of which defaulted" is HKD 208.85 million or drop of 22.74%, mainly due to the decrease of loan exposures which were past due over 90 days..

8. Credit Risk for Non-Securitization Exposures (continued)

d. Credit Risk Exposures and Effects of Recognized Credit Risk Mitigation – for STC Approach (CR4)

		(HK\$'000)				%	
		(a)	(b)	(c)	(d)	(e)	(f)
		<b>Exposures pre-CCF and pre-CRM</b>		<b>Exposures post-CCF and post-CRM</b>		<b>RWA and RWA density</b>	
Exposure classes		On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
1	Sovereign exposures	98,444,448	-	128,756,751	263	2,779,111	2%
2	PSE exposures	20,112,289	3,100,000	24,065,000	1,000,000	4,687,270	19%
2a	Of which: domestic PSEs	9,097,912	3,100,000	13,050,623	1,000,000	2,810,125	20%
2b	Of which: foreign PSEs	11,014,377	-	11,014,377	-	1,877,145	17%
3	Multilateral development bank exposures	2,174,359	-	2,174,359	-	-	0%
4	Bank exposures	232,448,361	3,571,385	237,807,057	2,453,091	91,985,558	38%
5	Securities firm exposures	846,748	1,075,000	846,748	-	423,374	50%
6	Corporate exposures	410,509,052	200,162,586	374,477,524	38,064,679	386,685,774	94%
7	CIS exposures	8,492,520	169,933	8,491,992	169,933	5,942,837	69%
8	Cash items	346,845	-	848,552	1,999,199	98,073	3%
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	26,214,297	17,504,611	26,123,577	13,634	19,602,909	75%
11	Residential mortgage loans	82,187,875	-	78,229,977	-	43,526,446	56%
12	Other exposures which are not past due exposures	20,546,233	194,502	20,500,964	-	20,500,964	100%
13	Past due exposures	1,123,974	-	1,123,974	-	1,257,898	112%

8. Credit Risk for Non-Securitization Exposures (continued)

d. Credit Risk Exposures and Effects of Recognized Credit Risk Mitigation – for STC Approach (CR4) (continued)

		(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
14	Significant exposures to commercial entities	-	-	-	-	-	NA
15	<b>Total</b>	<b>903,447,001</b>	<b>225,778,017</b>	<b>903,446,475</b>	<b>43,700,799</b>	<b>577,490,214</b>	<b>61%</b>

## 8. Credit Risk for Non-Securitization Exposures (continued)

### d. Credit Risk Exposures and Effects of Recognized Credit Risk Mitigation – for STC Approach (CR4) (continued)

In the first half of 2023, mainly due to decrease of trade-related contingencies secured by sovereigns, the off-balance sheet amount of "Exposures post-CCF and post-CRM" to sovereign exposures decreased by HKD 822 thousand or 75.76%. Besides, mainly because of increase in debt securities exposures of sovereigns, RWA to sovereign exposures increased by HKD 2.63 billion or 1820.26% with its RWA density uplifted by 1626.15%.

Of which in PSE exposures, the on-balance sheet amount of "Exposures pre-CCF and pre-CRM" and "Exposures post-CCF and post-CRM" to domestic PSEs exposures increased by HKD 3.76 billion or 70.44% and HKD 4.44 billion or 51.54% respectively, mainly because of increase in debt securities exposures of domestic PSEs. The off-balance sheet amount of "Exposures pre-CCF and pre-CRM" to domestic PSEs exposures increased by HKD 1.00 billion or 47.62%, mainly due to increase in commitments that are cancellable unconditionally. Thus, RWA to domestic PSEs increased by HKD 887.77 million or 46.18%. Overall, the on-balance sheet amount of "Exposures pre-CCF and pre-CRM" and "Exposures post-CCF and post-CRM" to PSE exposures increased by HKD 4.36 billion or 27.72% and HKD 5.04 billion or 26.52% respectively, whereas, the off-balance sheet amount of "Exposures pre-CCF and pre-CRM" to domestic PSEs exposures increased by HKD 1.00 billion or 47.62%.

The on-balance sheet amount of "Exposures pre-CCF and pre-CRM" and "Exposures post-CCF and post-CRM" to multilateral development bank exposures both are increased by HKD 1.48 billion or 211.95%, mainly due to increase of bonds investment to multilateral development bank.

The off-balance sheet amount of "Exposures pre-CCF and pre-CRM" and "Exposures post-CCF and post-CRM" to bank exposures increased by HKD 2.15 billion and HKD 1.28 billion, or 151.79% and 108.47% respectively, mainly due to increase of commitments to banks with original maturity more than one year.

The on-balance sheet amount of "Exposures pre-CCF and pre-CRM" and "Exposures post-CCF and post-CRM" to securities firm exposures both increased by HKD 846.75 million or uplift by 100.00%, mainly due to increase of loan exposures to securities firms, which its RWA increase by HKD 423.37 million or 100%. The off-balance sheet amount of "Exposures pre-CCF and pre-CRM" to securities firm exposures decreased by HKD 350.00 million or 24.56%, mainly owing to decrease of commitments that are cancellable unconditionally.

8. Credit Risk for Non-Securitization Exposures (continued)

d. Credit Risk Exposures and Effects of Recognized Credit Risk Mitigation – for STC Approach (CR4) (continued)

Mainly due to the decrease of cash collateral, the on-balance sheet amount of "Exposures post-CCF and post-CRM" to cash items decreased by HKD 580.35 million or 40.62%, its RWA decreased by HKD 110.91 million or 53.07% as well as its RWA density decreased by 41.25%.

In the first half of 2023, total on-balance sheet and off-balance sheet amount of "Exposures pre-CCF and pre-CRM" and "Exposures post-CCF and post-CRM" only experienced small fluctuations compared to the fourth quarter of 2022.

8. Credit Risk for Non-Securitization Exposures (continued)

e. Credit Risk Exposures by Asset Classes and by Risk Weights – for STC Approach (CR5)

		(HK\$'000)										(j) Total credit risk exposures amount (post CCF and post CRM)
		(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(ha)	(i)	
Exposure classes	Risk Weight	0%	10%	20%	35%	50%	75%	100%	150%	250%	Others	
	1	Sovereign exposures	114,861,457	-	13,895,557	-	-	-	-	-	-	-
2	PSE exposures	1,628,651	-	23,436,349	-	-	-	-	-	-	-	25,065,000
2a	Of which: domestic PSEs	-	-	14,050,623	-	-	-	-	-	-	-	14,050,623
2b	Of which: foreign PSEs	1,628,651	-	9,385,726	-	-	-	-	-	-	-	11,014,377
3	Multilateral development bank exposures	2,174,359	-	-	-	-	-	-	-	-	-	2,174,359
4	Bank exposures	-	-	93,815,053	-	146,445,095	-	-	-	-	-	240,260,148
5	Securities firm exposures	-	-	-	-	846,748	-	-	-	-	-	846,748
6	Corporate exposures	-	-	4,003,106	-	45,307,887	-	363,231,210	-	-	-	412,542,203
7	CIS exposures	-	-	-	-	-	-	-	-	-	8,661,925	8,661,925
8	Cash items	2,357,384	-	490,367	-	-	-	-	-	-	-	2,847,751
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	-	-	-	-	-	26,137,211	-	-	-	-	26,137,211
11	Residential mortgage loans	-	-	-	51,051,317	-	6,080,699	21,097,961	-	-	-	78,229,977
12	Other exposures which are not past due exposures	-	-	-	-	-	-	20,500,964	-	-	-	20,500,964
13	Past due exposures	-	-	-	-	-	-	856,126	267,848	-	-	1,123,974



8. Credit Risk for Non-Securitization Exposures (continued)

e. Credit Risk Exposures by Asset Classes and by Risk Weights – for STC Approach (CR5) (continued)

		(HK\$'000)										
		(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(ha)	(i)	(j)
Exposure classes		0%	10%	20%	35%	50%	75%	100%	150%	250%	Others	Total credit risk exposures amount (post CCF and post CRM)
14	Significant exposures to commercial entities	-	-	-	-	-	-	-	-	-	-	-
<b>15</b>	<b>Total</b>	<b>121,021,851</b>	<b>-</b>	<b>135,640,432</b>	<b>51,051,317</b>	<b>192,599,730</b>	<b>32,217,910</b>	<b>405,686,261</b>	<b>267,848</b>	<b>-</b>	<b>8,661,925</b>	<b>947,147,274</b>

## 8. Credit Risk for Non-Securitization Exposures (continued)

### e. Credit Risk Exposures by Asset Classes and by Risk Weights – for STC Approach (CR5) (continued)

In the first half of 2023, the sovereign exposures with 20% risk weight increased by HKD 13.17 billion or 1820.26%, mainly due to the increase in debt securities exposures with 20% risk weight to sovereign exposures.

The domestic PSEs exposures with 20% risk weight increased by HKD 4.44 billion or 46.18%, mainly because of increase in debt securities exposures with 20% risk weight of domestic PSEs. Its total credit risk exposures amount increased by HKD 4.44 billion or 46.18%. The foreign PSEs exposures with 0% risk weight increased by HKD 1.32 billion or 423.51%, mainly because of increase in debt securities exposures with 0% risk weight of foreign PSEs. Thus, total credit risk exposures amount of PSE exposures increased by HKD 5.04 billion or 25.19%.

The multilateral development bank exposure with 0% risk weight increased by HKD 1.48 billion or 211.95%, mainly owing to increase of bonds investment to multilateral development bank, resulting in total credit risk exposure of multilateral development bank uplifted by HKD 1.48 billion or 211.95%.

Compared to 31 December 2022, the bank exposures with 20% risk weight decreased by HKD 24.74 billion or 20.87%, mainly due to the decrease in debt securities exposures with original maturity less than 3 months of 20% risk weight to bank exposures. Besides, mainly owing to decrease in bills exchange under documentary credits with 100% risk weight, bank exposures with 100% risk weight decreased by HKD 183 thousand or 100%.

For securities firm exposures with 50% risk weight and its total credit risk exposures amount both increased by HKD 846.75 million or 100.00%, mainly due to increase of loan exposures to securities firms compared to the fourth quarter of 2022.

Due to increase of debt securities to the corporate exposures with 20% risk weight, the corporate exposures with 20% risk weight increased by HKD1.92 billion or 92.56%.

Exposures to cash items with 20% risk weight decreased by HKD 554.53 million or 53.07%, mainly due to the decrease of cash collateral. Meanwhile, owing to reduction of the loans which was past due over 90 days with 100% risk weights, past due exposures with 100% risk weight decreased by HKD 244.48 million or 22.21%, whereas, past due exposures with 150%

8. Credit Risk for Non-Securitization Exposures (continued)

e. Credit Risk Exposures by Asset Classes and by Risk Weights – for STC Approach (CR5) (continued)

risk weights increased by HKD 52.14 million or 24.17% due to uplift of the syndicated loan and debt securities exposures which was past due over 90 days with 150% risk weights.

Overall, total exposure with 150% risk weight increased by HKD 52.14 million or 24.17%, due to the increase of past due exposures with 150% risk weights. Total exposure with other risk weights only experienced small fluctuations compared to 31 December 2022.

## 9. Counterparty Credit Risk

### a. Analysis of Counterparty Default Risk Exposures (other than those to CCPs) by Approaches (CCR1)

		(HK\$'000)					
		(a)	(b)	(c)	(d)	(e)	(f)
		Replacement cost (RC)	PFE	Effective EPE	Alpha ( $\alpha$ ) used for computing default risk exposure	Default risk exposure after CRM	RWA
1	SA-CCR (for derivative contracts)	3,531,864	8,054,755		1.4	16,221,267	7,288,932
1a	CEM (for derivative contracts)	-	-		1.4	-	-
2	IMM (CCR) approach			-	-	-	-
3	Simple Approach (for SFTs)					38,911,002	2,662,824
4	Comprehensive Approach (for SFTs)					-	-
5	VaR (for SFTs)					-	-
6	<b>Total</b>						<b>9,951,756</b>

The Group uses SA-CCR approach and Simple approach to calculate counterparty default risk exposure for derivative contracts and SFTs respectively. Compared with 31 December 2022, total RWA of counterparty default risk exposures decreased by HKD 0.9 billion, which was mainly driven by the default risk exposure decrease from the derivative contracts.

9. Counterparty Credit Risk (continued)

b. CVA Capital Charge (CCR2)

		(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	16,221,267	9,083,963
4	<b>Total</b>	<b>16,221,267</b>	<b>9,083,963</b>

Compared with 31 December 2022, the CVA RWA amount increased by HKD 1.7 billion, which was mainly driven by the increase in average risk weights.

9. Counterparty Credit Risk (continued)

c. Counterparty Default Risk Exposures (other than those to CCPs) by Asset Classes and by Risk Weights – for STC Approach (CCR3)

		(HK\$'000)										
		(a)	(b)	(c)	(ca)	(d)	(e)	(f)	(g)	(ga)	(h)	(i)
Risk Weight		0%	10%	20%	35%	50%	75%	100%	150%	250%	Others	Total default risk exposure after CRM
Exposure classes												
1	Sovereign exposures	-	-	-	-	-	-	-	-	-	-	-
2	PSE exposures	-	-	-	-	-	-	-	-	-	-	-
2a	Of which: domestic PSEs	-	-	-	-	-	-	-	-	-	-	-
2b	Of which: foreign PSEs	-	-	-	-	-	-	-	-	-	-	-
3	Multilateral development bank exposures	-	-	-	-	-	-	-	-	-	-	-
4	Bank exposures	34,436,766	-	7,158,340	-	8,943,459	-	-	-	-	-	50,538,565
5	Securities firm exposures	-	-	-	-	1,040,668	-	-	-	-	-	1,040,668
6	Corporate exposures	-	-	-	-	-	-	3,409,406	-	-	-	3,409,406
7	CIS exposures	-	-	-	-	-	-	-	-	-	-	-
8	Regulatory retail exposures	-	-	-	-	-	100,046	-	-	-	-	100,046
9	Residential mortgage loans	-	-	-	-	-	-	-	-	-	-	-
10	Other exposures which are not past due exposures	-	-	-	-	-	-	43,584	-	-	-	43,584
11	Significant exposures to commercial entities	-	-	-	-	-	-	-	-	-	-	-
12	<b>Total</b>	<b>34,436,766</b>	-	<b>7,158,340</b>	-	<b>9,984,127</b>	<b>100,046</b>	<b>3,452,990</b>	-	-	-	<b>55,132,269</b>

Compared with 31 December 2022, the overall default risk exposure increased by HKD 8.7 billion, mainly contributed by changes in volume of the respective transactions. The 0% risk weight exposure showed a notable increase of HKD 18.6 billion, mainly from bank exposures. In contrast, the 20% risk weight exposure decreased by HKD 12.0 billion. The remaining risk weight exposures did not have significant movement.

9. Counterparty Credit Risk (continued)

d. Composition of Collateral for Counterparty Default Risk Exposures (including those for Contracts or Transactions Cleared Through CCPs) (CCR5)

	(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	-	-	-	-	-	1,083,692
Cash - other currencies	-	3,623,847	-	3,926,109	34,436,765	1,416,103
Domestic sovereign debt	-	-	-	-	-	-
Other sovereign debt	-	-	-	-	986,779	2,807,214
Domestic PSE debt	-	-	-	-	-	5,771,898
Government agency debt	-	-	-	-	-	-
Corporate bonds	-	-	-	-	83,340	7,814,646
Bank bonds/debts	-	-	-	-	-	19,240,807
Equity securities	-	-	-	-	776,642	-
Other collateral	-	-	-	-	-	-
<b>Total</b>	-	<b>3,623,847</b>	-	<b>3,926,109</b>	<b>36,283,526</b>	<b>38,134,360</b>

Compared with 31 December 2022, the net fair value of recognized collateral from derivatives contracts and SFTs have increased by HKD 1.4 billion and decreased by HKD 0.2 billion respectively, which was mainly driven by the increase of derivatives' replacement cost with counterparties under the margin agreements as well as the decrease in volume of the SFT transactions in the first half of 2023.

9. Counterparty Credit Risk (continued)  
e. Credit-Related Derivatives Contracts (CCR6)

	(HK\$'000)	
	(a)	(b)
	Protection bought	Protection sold
<b>Notional amounts</b>		
Single-name credit default swaps	-	-
Index credit default swaps	-	-
Total return swaps	-	-
Credit-related options	-	-
Other credit-related derivative contracts	-	-
<b>Total notional amounts</b>	-	-
<b>Fair values</b>		
Positive fair value (asset)	-	-
Negative fair value (liability)	-	-



9. Counterparty Credit Risk (continued)

f. Exposures to CCPs (CCR8)

		(HK\$'000)	
		(a)	(b)
		Exposure after CRM	RWA
<b>1</b>	<b>Exposures of the AI as clearing member or client to qualifying CCPs (total)</b>		<b>98,569</b>
2	Default risk exposures to qualifying CCPs (excluding items disclosed in rows 7 to 10), of which:	3,520,961	70,419
3	(i) OTC derivative transactions	3,520,961	70,419
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	1,236,826	24,737
9	Funded default fund contributions	124,722	3,413
10	Unfunded default fund contributions	-	-
<b>11</b>	<b>Exposures of the AI as clearing member or client to non-qualifying CCPs (total)</b>		<b>-</b>
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	-	-

Compared with 31 December 2022, the qualifying CCPs RWA amount increased by HKD 3.52 million, which was mainly driven by the increase in the unsegregated initial margin exposure.

10. Securitization Exposures

a. Securitization Exposures in Banking Book (SEC1)

		(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	-	-	-	-	-	-	-	-	-

10. Securitization Exposures (continued)

b. Securitization Exposures in Trading Book (SEC2)

		(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	-	-	-	-	-	-	-	-	-

10. Securitization Exposures (continued)

c. Securitization Exposures in Banking Book and Associated Capital Requirements - where AI acts as Originator (SEC3)

		(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	SEC-IRBA	SEC-ERB A (incl. IAA)	SEC-SA	SEC-FBA	SEC-IRBA	SEC-ERB A (incl. IAA)	SEC-SA	SEC-FBA	SEC-IRBA	SEC-ERB A (incl. IAA)	SEC-SA	SEC-FBA
1	<b>Total exposures</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
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	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

10. Securitization Exposures (continued)

d. Securitization Exposures in Banking Book and Associated Capital Requirements - where AI acts as Investor (SEC4)

		(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	SEC-IRBA	SEC-ERB A (incl. IAA)	SEC-SA	SEC-FBA	SEC-IRBA	SEC-ERB A (incl. IAA)	SEC-SA	SEC-FBA	SEC-IRBA	SEC-ERB A (incl. IAA)	SEC-SA	SEC-FBA
<b>1</b>	<b>Total exposures</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
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	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

## 11. Market risk

### Market Risk under STM Approach (MR1)

		(HK\$'000)
		(a)
		RWA
	Outright product exposures	
1	Interest rate exposures (general and specific risk)	5,948,400
2	Equity exposures (general and specific risk)	-
3	Foreign exchange (including gold) exposures	14,798,050
4	Commodity exposures	100,025
	Option exposures	
5	Simplified approach	-
6	Delta-plus approach	77,000
7	Other approach	-
8	Securitization exposures	-
9	<b>Total</b>	<b>20,923,475</b>

In comparison with 2022 Q4, the total RWA of Market risk diminished by 1.47% to HKD 20.92 billion in 2023 Q2, which could be attributable to an increment of 1.03% in Interest rate exposure RWA, a decline of 2.04% in Foreign exchange exposure RWA, an augment of 2.26% in commodity exposure RWA as well as a decrement of 46.21% in option exposure RWA. The reduction in the foreign exchange option exposure triggers off the curtailment of 71.42% and 38.50% in gamma risk and vega risk respectively.

## 12. International Claims

The information on international claims discloses exposures to foreign counterparties on which the ultimate risk lies, and is derived according to the location of the counterparties after taking into account any recognised risk transfer. In general, such transfer of risk takes place if the claims are guaranteed by a party in a country which is different from that of the counterparty or if the claims are on an overseas branch of a bank whose head office is located in another country. Only regions constituting 10% or more of the aggregate international claims after taking into account any recognised risk transfer are disclosed.

Analysis of the Bank's international claims by location and by type of counterparty is as follows:

	<b>Banks</b>	<b>Official sector</b>	<b>Non-bank private sector</b>		<b>Total</b>
	<b>HK\$ million</b>	<b>HK\$ million</b>	<b>Non-bank financial institutions</b>	<b>Non-financial private sector</b>	<b>HK\$ million</b>
			<b>HK\$ million</b>	<b>HK\$ million</b>	
<b>30 June 2023</b>					
<b>Developed countries</b>	<b>44,031</b>	<b>28,461</b>	<b>4,564</b>	<b>46,096</b>	<b>123,152</b>
<b>Offshore centers</b>	<b>10,628</b>	<b>48,492</b>	<b>17,627</b>	<b>322,421</b>	<b>399,168</b>
<b>Developing Europe</b>	<b>504</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>504</b>
<b>Developing Latin America and Caribbean</b>	<b>107</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>107</b>
<b>Developing Africa and Middle East</b>	<b>164</b>	<b>-</b>	<b>-</b>	<b>152</b>	<b>316</b>
<b>Developing Asia-Pacific, of which</b>	<b>159,048</b>	<b>36,751</b>	<b>39,564</b>	<b>131,382</b>	<b>366,745</b>
—Mainland China	156,814	36,751	39,564	126,404	359,533
—Others	2,234	-	-	4,978	7,212
<b>International organizations</b>	<b>-</b>	<b>2,564</b>	<b>-</b>	<b>-</b>	<b>2,564</b>
	<b>214,482</b>	<b>116,268</b>	<b>61,755</b>	<b>500,051</b>	<b>892,556</b>

## 12. International Claims (continued)

	Banks	Official sector	Non-bank private sector Non-bank financial institutions	Non-financial private sector	Total
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million
31 December 2022					
Developed countries	50,648	16,110	3,544	39,664	109,966
Offshore centers	11,256	50,732	16,118	303,792	381,898
Developing Europe	675	-	-	-	675
Developing Latin America and Caribbean	-	-	-	-	-
Developing Africa and Middle East	166	-	-	349	515
Developing Asia-Pacific, of which	191,039	40,493	39,757	135,922	407,211
— Mainland China	188,099	40,493	39,757	131,109	399,458
— Others	2,940	-	-	4,813	7,753
International organizations	-	1,085	-	-	1,085
	253,784	108,420	59,419	479,727	901,350



### 13. Loan and Advances to Customers Analysed by Industry Sectors

	<b>30 June 2023</b>	<b>30 June 2023</b>	31 December 2022	31 December 2022
	<b>Gross loans and advances HK\$'000</b>	<b>% of secured loans and advances</b>	Gross loans and advances HK\$'000	% of secured loans and advances
Loans for use in Hong Kong				
Industrial, commercial and financial				
- Property development	<b>62,710,167</b>	<b>36.03%</b>	58,826,639	39.99%
- Property investment	<b>31,032,415</b>	<b>50.05%</b>	24,092,889	65.19%
- Financial concerns	<b>25,615,146</b>	<b>3.96%</b>	23,057,792	5.14%
- Stockbrokers	<b>940,242</b>	<b>0.00%</b>	1,842,694	0.00%
- Wholesale and retail trade	<b>4,592,639</b>	<b>45.51%</b>	5,223,578	45.20%
- Civil engineering works	<b>1,819,384</b>	<b>15.37%</b>	1,580,992	17.50%
- Manufacturing	<b>1,959,604</b>	<b>40.64%</b>	3,069,932	28.41%
- Transport and transport equipment	<b>18,736,736</b>	<b>55.59%</b>	18,187,200	61.81%
- Electricity and gas	<b>12,296,303</b>	<b>0.00%</b>	13,731,352	0.00%
- Information technology	<b>11,759,566</b>	<b>0.61%</b>	12,685,655	0.58%
- Hotels, boarding houses and catering	<b>1,912,335</b>	<b>22.82%</b>	2,472,384	38.43%
- Recreational activities	<b>120,184</b>	<b>0.15%</b>	120,402	0.33%
- Others	<b>30,730,918</b>	<b>23.01%</b>	32,830,517	22.53%
Individuals				
- Loans for the purchase of flats in Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme	<b>248,672</b>	<b>99.07%</b>	256,444	99.33%
- Loans for the purchase of other residential properties	<b>65,207,886</b>	<b>98.81%</b>	59,057,185	99.05%
- Credit card advances	<b>408,864</b>	<b>0.00%</b>	463,938	0.00%
- Others	<b>21,907,660</b>	<b>94.32%</b>	20,286,221	93.92%
Trade finance	<b>9,217,673</b>	<b>19.41%</b>	3,471,882	44.90%
Loans for use outside Hong Kong	<b>153,125,682</b>	<b>21.86%</b>	157,759,477	23.97%
	<b>454,342,076</b>	<b>39.82%</b>	439,017,173	41.17%

13. Loan and Advances to Customers Analysed by Industry Sectors  
(continued)

Individually impaired loans, overdue loans and advances over three months, impairment allowances and impaired loans and advances written off in respect of industry sectors that constitute 10% or more of the total advances to customers are as follows:

	<b>30 June 2023 HK\$'000</b>	31 December 2022 HK\$'000
Loans for use outside Hong Kong		
Individually impaired loans	<b>1,551,660</b>	1,685,276
Overdue loans and advances over three months	<b>1,551,232</b>	1,685,751
Lifetime ECL credit-impaired	<b>1,646,301</b>	1,663,121
Lifetime ECL not credit-impaired	<b>433,422</b>	418,831
12-month ECL	<b>3,360,866</b>	3,869,915
New impairment allowances (credited)/ charged to income statement	<b>(234,169)</b>	1,678,052
Impaired loans and advances written off during the year	<b>277,109</b>	424,983
Loans for use in Hong Kong		
Industrial, commercial and financial		
Property development		
Individually impaired loans	<b>690,349</b>	618,401
Overdue loans and advances over three months	<b>690,349</b>	618,401
Lifetime ECL credit-impaired	<b>527,051</b>	463,579
Lifetime ECL not credit-impaired	<b>87,681</b>	15,515
12-month ECL	<b>75,573</b>	90,819
New impairment allowances charged/(credited) to income statement	<b>120,392</b>	(100,875)
Impaired loans and advances written off during the year	-	-
Loans for use in Hong Kong		
Individuals		
Loans for the purchase of other residential properties		
Individually impaired loans	<b>38,136</b>	35,071
Overdue loans and advances over three months	<b>4,012</b>	35,071
Lifetime ECL credit-impaired	-	-
Lifetime ECL not credit-impaired	<b>5,318</b>	3,402
12-month ECL	<b>136,473</b>	79,505
New impairment allowances charged/(credited) to income statement	<b>58,884</b>	(7,308)
Impaired loans and advances written off during the year	-	-

#### 14. Loans and Advances to Customers Analysed by Geographical Location

The Group's gross advances to customers by country or geographical area after taking into account any risk transfers are as follows:

	<b>Gross advances to customers HK\$'000</b>	<b>Overdue advances for over three months HK\$'000</b>	<b>Impaired loans and advances HK\$'000</b>	<b>Lifetime ECL credit impaired HK\$'000</b>	<b>Non-credit impaired ECL HK\$'000</b>
<b>30 June 2023</b>					
<b>Hong Kong</b>	<b>310,689,979</b>	<b>998,640</b>	<b>1,140,560</b>	<b>425,427</b>	<b>2,388,081</b>
<b>Mainland China</b>	<b>122,013,128</b>	<b>1,654,412</b>	<b>2,401,552</b>	<b>1,688,340</b>	<b>2,445,620</b>
<b>Macau</b>	<b>95,401</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>279</b>
<b>Asia Pacific Region (excluding Hong Kong, Mainland China and Macau)</b>	<b>5,753,432</b>	<b>214,298</b>	<b>214,298</b>	<b>214,959</b>	<b>259,833</b>
<b>Others</b>	<b>15,790,136</b>	<b>5,948</b>	<b>5,374</b>	<b>11,250</b>	<b>594,609</b>
<b>Total</b>	<b>454,342,076</b>	<b>2,873,298</b>	<b>3,761,784</b>	<b>2,339,976</b>	<b>5,688,422</b>
	<b>Gross advances to customers HK\$'000</b>	<b>Overdue advances for over three months HK\$'000</b>	<b>Impaired loans and advances HK\$'000</b>	<b>Lifetime ECL credit impaired HK\$'000</b>	<b>Non-credit impaired ECL HK\$'000</b>
<b>31 December 2022</b>					
<b>Hong Kong</b>	<b>292,462,334</b>	<b>1,102,147</b>	<b>1,097,279</b>	<b>384,785</b>	<b>1,927,149</b>
<b>Mainland China</b>	<b>123,864,110</b>	<b>1,758,371</b>	<b>2,606,028</b>	<b>1,675,408</b>	<b>3,103,482</b>
<b>Macau</b>	<b>103,989</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>276</b>
<b>Asia Pacific Region (excluding Hong Kong, Mainland China and Macau)</b>	<b>6,042,167</b>	<b>213,263</b>	<b>213,263</b>	<b>213,580</b>	<b>290,291</b>
<b>Others</b>	<b>16,544,573</b>	<b>4,450</b>	<b>5,022</b>	<b>9,442</b>	<b>530,329</b>
<b>Total</b>	<b>439,017,173</b>	<b>3,078,231</b>	<b>3,921,592</b>	<b>2,283,215</b>	<b>5,851,527</b>

Risk transfers are only made if the claims are guaranteed by a party in a country which is different from that of the counterparty or if the claims are on an overseas branch of a bank whose head office is located in another country.

## 15. Mainland Activities

The analysis of non-bank Mainland China exposures is based on the categories of non-bank counterparties and the types of direct exposures defined by the HKMA under the Banking (Disclosure) Rules with reference to Part 3 of the "Return of Mainland China exposures - MA(BS) 20", which includes the Mainland China exposures extended by the Bank and its overseas subsidiary and branch.

<b>30 June 2023</b>	<b>On-balance sheet exposure HK\$'000</b>	<b>Off-balance sheet exposure HK\$'000</b>	<b>Total exposures HK\$'000</b>
<b>Type of counterparties</b>			
(a) Central government, central government owned entities and their subsidiaries and JVs	138,091,284	10,618,699	148,709,983
(b) Local government, local government owned entities and their subsidiaries and JVs	51,183,659	4,812,087	55,995,746
(c) PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	91,812,891	31,636,763	123,449,654
(c)(i) Of which, PRC nationals residing in Mainland China or entities beneficially owned by Mainland interest	86,611,058	31,377,941	117,988,999
(d) Other entities of central government not reported in item (a) above	17,182,035	1,560,311	18,742,346
(e) Other entities of local government not reported in item (b) above	1,382,841	150,013	1,532,854
(f) PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	1,952,227	492,716	2,444,943
(g) Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	4,455,305	535,611	4,990,916
	<b>306,060,242</b>	<b>49,806,200</b>	<b>355,866,442</b>

## 15. Mainland Activities (continued)

31 December 2022	On-balance sheet exposure HK\$'000	Off-balance sheet exposure HK\$'000	Total exposures HK\$'000
Type of counterparties			
(a) Central government, central government owned entities and their subsidiaries and JVs	147,592,668	13,565,656	161,158,324
(b) Local government, local government owned entities and their subsidiaries and JVs	52,038,884	3,518,359	55,557,243
(c) PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	93,403,665	30,899,416	124,303,081
(c)(i) Of which, PRC nationals residing in Mainland China or entities beneficially owned by Mainland interest	87,108,826	30,461,045	117,569,871
(d) Other entities of central government not reported in item (a) above	16,073,594	3,566,108	19,639,702
(e) Other entities of local government not reported in item (b) above	2,807,620	386,683	3,194,303
(f) PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	2,480,895	3,000	2,483,895
(g) Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	5,855,545	1,148,218	7,003,763
	320,252,871	53,087,440	373,340,311

## 16. Currency Concentrations

The table below summarises the net foreign currency positions of the Group and the Bank. The net positions in foreign currency is disclosed when the currency constitutes 10% or more of the total net position of all foreign currencies. A sensitivity analysis calculates the effect of a reasonably possible movement in a currency rate against the Hong Kong dollar, with all other variables in the income statement and equity held constant.

	US\$	RMB	Other foreign currencies	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>30 June 2023</b>				
<b>Non-structural position</b>				
<b>Spot assets</b>	272,087,041	202,822,095	53,545,814	528,454,950
<b>Spot liabilities</b>	(285,947,646)	(175,363,317)	(40,548,882)	(501,859,845)
<b>Forward purchases</b>	334,754,003	136,772,514	58,045,695	529,572,212
<b>Forward sales</b>	(351,452,567)	(162,396,290)	(71,804,519)	(585,653,376)
<b>Net option position</b>	63,209	(1,558,578)	(55,281)	(1,550,650)
<b>Net (short)/long position</b>	<b>(30,495,960)</b>	<b>276,424</b>	<b>(817,173)</b>	<b>(31,036,709)</b>
<b>Net structural position</b>	<b>214,979</b>	<b>14,094,151</b>	<b>-</b>	<b>14,309,130</b>

	US\$	RMB	Other foreign currencies	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>31 December 2022</b>				
<b>Non-structural position</b>				
<b>Spot assets</b>	297,584,205	214,506,448	44,268,357	556,359,010
<b>Spot liabilities</b>	(292,472,120)	(182,576,693)	(36,388,727)	(511,437,540)
<b>Forward purchases</b>	365,427,083	196,200,146	74,856,082	636,483,311
<b>Forward sales</b>	(401,366,162)	(225,550,332)	(83,146,846)	(710,063,340)
<b>Net option position</b>	405,979	(2,012,734)	8,014	(1,598,741)
<b>Net (short)/long position</b>	<b>(30,421,015)</b>	<b>566,835</b>	<b>(403,120)</b>	<b>(30,257,300)</b>
<b>Net structural position</b>	<b>213,935</b>	<b>14,292,594</b>	<b>-</b>	<b>14,506,529</b>

Foreign currency exposures include those arising from trading position. The net option position is calculated on the basis of the delta-weighted position of option contracts. The net structural position of the Group is the structural positions of the Bank's capital investment in Mainland subsidiary, Chinese Mercantile Bank.

17. Off-balance Sheet Exposures

Note 35.1 of the 2023 Interim financial statements of the Group lists out a summary of the contractual amounts of each significant contingent liability and commitments.

For the period ended 30 June 2023, the total credit risk weighted amount of contingent liabilities and commitments is HKD 37,533 million (31 December 2022: HKD 44,848 million).

18. Analysis of Fees and Commission Income

For details, please refer to Note 7 of the 2023 Interim financial statements of the Group.

19. Overdue Advances to Customers and Banks and Other Assets

For details, please refer to Notes 20.2 and 20.3 of the 2023 Interim financial statements of the Group.

20. Rescheduled Exposures

For details, please refer to Note 20.4 of the 2023 Interim financial statements of the Group.

21. Repossessed Assets

For details, please refer to Note 20.5 of the 2023 Interim financial statements of the Group.