



**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 September 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 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)
		30/09/2023	30/06/2023	31/03/2023	31/12/2022	30/09/2022
<b>Regulatory capital (amount)</b>						
1	Common Equity Tier 1 (CET1)	113,376,766	113,656,329	112,619,097	110,089,333	108,943,192
2	Tier 1	141,057,467	141,361,428	140,375,822	137,659,888	136,699,208
3	Total capital	147,742,370	148,122,175	146,724,305	144,597,623	143,308,672
<b>Risk-weighted asset (RWA) (amount)</b>						
4	Total RWA	627,876,035	642,522,902	672,328,778	645,838,318	664,786,630
<b>Risk-based regulatory capital ratios (as a percentage of RWA)</b>						
5	CET1 ratio (%)	18.06%	17.69%	16.75%	17.05%	16.39%
6	Tier 1 ratio (%)	22.47%	22.00%	20.88%	21.31%	20.56%
7	Total capital ratio (%)	23.53%	23.05%	21.83%	22.39%	21.56%
<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%	0.67%	0.65%	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%	4.17%	4.15%	4.13%	4.13%
12	CET1 available after meeting the AI's minimum capital requirements (%)	13.56%	13.19%	12.25%	12.55%	11.89%
<b>Basel III leverage ratio</b>						
13	Total leverage ratio (LR) exposure measure	976,873,356	974,644,412	1,022,298,594	1,005,216,518	1,023,988,058
14	LR (%)	14.44%	14.50%	13.73%	13.69%	13.35%
<b>Liquidity Coverage Ratio (LCR) / Liquidity Maintenance Ratio (LMR)</b>						
Applicable to category 1 institution only:						
15	Total high quality liquid assets (HQLA)	152,072,287	136,216,518	135,371,630	136,036,946	132,281,298
16	Total net cash outflows	82,811,529	83,121,607	67,890,520	79,550,945	72,938,388
17	LCR (%)	184.69%	168.05%	204.38%	176.53%	184.77%
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	556,637,149	535,922,830	545,238,097	527,781,945	514,655,856
19	Total required stable funding	442,122,014	441,538,570	455,734,585	448,990,411	432,401,648
20	NSFR (%)	125.90%	121.38%	119.64%	117.55%	119.02%
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)
		30/09/2023	30/06/2023	31/03/2023	31/12/2022	30/09/2022
Of the material entity at LAC consolidation group level						
1	Internal loss-absorbing capacity available	158,154,209	158,543,191	157,164,739	154,968,032	143,308,672
2	Risk-weighted amount under the LAC Rules	627,876,035	642,522,902	672,328,778	645,838,318	664,786,630
3	Internal LAC risk-weighted ratio	25.19%	24.68%	23.38%	23.99%	21.56%
4	Exposure measure under the LAC Rules	976,873,356	974,644,412	1,022,298,594	1,005,216,518	1,023,988,058
5	Internal LAC leverage ratio	16.19%	16.27%	15.37%	15.42%	14.00%
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") TLAC Term Sheet do not apply in Hong Kong under the 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)
		30/09/2023	30/06/2023	31/03/2023	31/12/2022	30/09/2022
Of the non-HK resolution entity at resolution group level (Note 1)						
1	External loss-absorbing capacity available	4,950,726	4,818,261	5,016,821	4,791,628	4,627,873
2	Total risk-weighted amount under the relevant non-HK LAC regime	26,343,412	26,109,873	26,706,153	24,875,791	24,534,963
3	External loss-absorbing capacity as a percentage of risk-weighted amount	18.79%	18.45%	18.79%	19.26%	18.86%
4	Leverage ratio exposure measure under the relevant non-HK LAC regime	50,750,460	49,465,934	50,490,228	46,763,178	46,216,435
5	External loss-absorbing capacity as a percentage of leverage ratio exposure measure	9.76%	9.74%	9.94%	10.25%	10.01%
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 ("RWA") (OV1)

		(HK\$'000)		
		(a)	(b)	(c)
		RWA		Minimum capital requirements
		30/09/2023	30/06/2023	30/09/2023
1	Credit risk for non-securitization exposures	568,750,407	571,547,375	45,500,033
2	Of which STC approach	568,750,407	571,547,375	45,500,033
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	6,607,499	10,050,327	528,600
7	Of which SA-CCR approach	4,943,913	7,288,934	395,513
7a	Of which CEM	-	-	-
8	Of which IMM(CCR) approach	N/A	N/A	N/A
9	Of which others	1,663,586	2,761,393	133,087
10	CVA risk	2,822,388	9,083,963	225,791
11	Equity positions in banking book under the simple risk-weight method and internal models method	-	-	-
12	Collective investment scheme ("CIS") exposures – LTA	5,570,668	5,942,837	445,653
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	19,062,838	20,923,475	1,525,027
21	Of which STM approach	19,062,838	20,923,475	1,525,027
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	23,798,675	23,414,050	1,903,894
24a	Sovereign concentration risk	N/A	N/A	N/A

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

#### Overview of Risk-Weighted Amount ("RWA") (OV1) (continued)

		(HK\$'000)		
		(a)	(b)	(c)
		RWA		Minimum capital requirements
		30/09/2023	30/06/2023	30/09/2023
25	Amounts below the thresholds for deduction (subject to 250% RW)	1,727,865	2,025,180	138,229
26	Capital floor adjustment		-	
26a	Deduction to RWA	464,305	464,305	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	464,305	37,144
27	Total	627,876,035	642,522,902	50,230,083

In the third quarter of 2023, total RWA of the Group amounted to HKD 627.88 billion, which decreased by HKD 14.65 billion or a downturn of 2.28% compared to the second quarter. Of which, non-securitization credit risk RWA decreased by HKD 2.8 billion or 0.49% compared with figures of the second quarter of 2023. Meanwhile, under Counterparty default risk and default fund contributions of which adopts "SA-CCR approach" RWA decreased by HKD2.35 billion or a downshift of 32.17%, mainly due to decrease in RWA of OTC with netting. Furthermore, "of which others" RWA dropped by HKD 1.10 billion or 39.76% 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 3.44 billion or 34.26% in total. As for CVA risk, due to decrease in capital charge of counterparties' credit valuation adjustments, CVA risk downshifted by HKD 6.26 billion or 68.93% compared to the second quarter of 2023. Other RWA items experienced small or moderate fluctuations in the third 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. Of which, counterparty credit risk RWA adopts SA-CCR approach for the calculation of default risk exposure ("DRE") arising



from the Bank's derivatives contracts and derivatives cleared through central counterparty ("CCP"). The Group adopts standardized CVA method for the CVA risk RWA calculation, the standardized (market risk) approach ("STM") for the market risk RWA calculation, the basic indicator approach ("BIA") for the operational risk RWA calculation.

#### 4. Leverage Ratio (LR2)

		(a)	(b)
		(HK\$'000)	
		30/09/2023	30/06/2023
<b>On-balance sheet exposures</b>			
1	On-balance sheet exposures (excluding those arising from derivative contracts and Securities financing transactions(SFTs), but including collateral)	901,514,122	880,257,857
2	Less: Asset amounts deducted in determining Tier 1 capital	(1,841,472)	(1,825,748)
3	<b>Total on-balance sheet exposures (excluding derivative contracts and SFTs)</b>	<b>899,672,650</b>	<b>878,432,109</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)	4,658,350	7,116,324
5	Add-on amounts for PFE associated with all derivative contracts	11,753,498	14,183,726
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	(2,363,722)	(3,772,564)
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>14,048,126</b>	<b>17,527,486</b>
<b>Exposures arising from SFTs</b>			
12	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	13,495,865	38,911,001
13	Less: Netted amounts of cash payables and cash receivables of gross SFT assets	(8,028,434)	(11,722,461)
14	CCR exposure for SFT assets	1,336,670	2,627,621
15	Agent transaction exposures	-	-
16	<b>Total exposures arising from SFTs</b>	<b>6,804,101</b>	<b>29,816,161</b>
<b>Other off-balance sheet exposures</b>			
17	Off-balance sheet exposure at gross notional amount	236,238,782	226,078,017
18	Less: Adjustments for conversion to credit equivalent amounts	(171,085,613)	(168,617,442)
19	<b>Off-balance sheet items</b>	<b>65,153,169</b>	<b>57,460,575</b>
<b>Capital and total exposures</b>			
20	<b>Tier 1 capital</b>	<b>141,057,467</b>	<b>141,361,428</b>
20a	<b>Total exposures before adjustments for specific and collective provisions</b>	<b>985,678,046</b>	<b>983,236,331</b>
20b	<b>Adjustments for specific and collective provisions</b>	<b>(8,804,690)</b>	<b>(8,591,919)</b>
21	<b>Total exposures after adjustments for specific and collective provisions</b>	<b>976,873,356</b>	<b>974,644,412</b>
<b>Leverage ratio</b>			
22	<b>Leverage ratio</b>	<b>14.44%</b>	<b>14.50%</b>

#### 4. Leverage Ratio (LR2) (continued)

**Item 4:**

The replacement cost associated with all derivative contracts decreased by HKD 2.46 billion or 34.54% compared to last quarter due to fair value change of derivative contracts.

**Item 7:**

Due to decrease in the clearing settlement account balance, the receivables assets for cash variation margin provided under derivative contracts decreased by HKD 1.41 billion or a decrease of 37.34% compared to last quarter.

**Item 12:**

As the amount of repo used to finance the purchase of debt securities decreased, the Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions, decreased by HKD 25.42 billion or a decrease of 65.32% 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 1.29 billion or a decrease of 49.13%.

**Item 16 (include 12 and 14):**

The Gross SFT assets (with no recognition of netting) after adjusting for sale accounting transactions and CCR exposure for SFT assets decreased by HKD 25.42 billion or a decrease of 65.32% and HKD 1.29 billion or a decrease of 49.13% respectively. The total exposures arising from SFTs decreased by HKD 23.01 billion or a decrease of 77.18%.

## 5. 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: (74)		(HK\$'000)	
		(a)	(b)
Basis of disclosure: consolidated		<b>Unweighted value</b> (average)	<b>Weighted value</b> (average)
<b>A. High quality liquid assets (HQLA)</b>			
1	Total HQLA		152,072,287
<b>B. Cash outflows</b>			
2	Retail deposits and small business funding, of which:	171,177,739	16,381,167
3	<i>Stable retail deposits and stable small business funding</i>	10,523,171	315,710
4	<i>Less stable retail deposits and less stable small business funding</i>	160,654,568	16,065,457
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:	314,455,415	162,840,235
6	<i>Operational deposits</i>	4,553,817	1,134,187
7	<i>Unsecured wholesale funding (other than small business funding) not covered in row 6</i>	309,803,750	161,608,200
8	<i>Debt securities and prescribed instruments issued by the AI and redeemable within the LCR period</i>	97,848	97,848
9	Secured funding transactions (including securities swap transactions)		686,625
10	Additional requirements, of which:	75,497,652	15,547,551
11	<i>Cash outflows arising from derivative contracts and other transactions, and additional liquidity needs arising from related collateral requirements</i>	11,617,304	8,875,127
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>	63,880,348	6,672,424
14	Contractual lending obligations (not otherwise covered in Section B) and other contractual cash outflows	8,906,174	8,906,174
15	Other contingent funding obligations (whether contractual or non-contractual)	362,530,181	1,956,685
16	<b>Total Cash Outflows</b>		<b>206,318,437</b>
<b>C. Cash Inflows</b>			
17	Secured lending transactions (including securities swap transactions)	966,272	-
18	Secured and unsecured loans (other than secured lending transactions covered in row 17) and operational deposits placed at other financial institutions	145,366,852	113,628,697
19	Other cash inflows	20,405,495	9,878,211
20	<b>Total Cash Inflows</b>	<b>166,738,619</b>	<b>123,506,908</b>
<b>D. Liquidity Coverage Ratio</b>			<b>Adjusted value</b>
21	<b>Total HQLA</b>		<b>152,072,287</b>

## 5. 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: (77)		(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>82,811,529</b>
23	<b>LCR (%)</b>		<b>184.69%</b>

### Liquidity Coverage Ratio

The LCR throughout the third quarter of 2023 meets the regulatory requirement and maintains at a safe level.

The average LCR as of the third quarter of 2023 increased by 16.64% compared to that as of the second quarter of 2023. Such increase was mainly due to the average HQLA increased by HKD 15.86 billion, and the average total net cash outflows decreased by HKD 0.31 billion, which was resulted from the maturing impact from various kinds of assets and liabilities.

#### (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 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.

## 5. 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.

### (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.