



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

2023 1ST QUARTER

(UNAUDITED)

Table of Contents

<i>Table of Contents</i>	1
<i>1. Purpose and Basis of Consolidation</i>	2
<i>2. Key Prudential Ratios and Metrics</i>	3
<i>a. Key Prudential Ratios (KM1)</i>	3
<i>b. Key Metrics – LAC Requirements for the Group (at LAC Consolidation Group Level) (KM2(A))</i>	4
<i>c. Key Metrics – TLAC Requirements for Non-HK Resolution Entity (at Resolution Group Level) (KM2(B))</i>	5
<i>3. Overview of Risk Management and RWA</i>	6
<i>Overview of Risk-Weighted Amount (“RWA”) (OV1)</i>	6
<i>4. Leverage Ratio</i>	8
<i>Leverage Ratio (LR2)</i>	8
<i>5. Liquidity</i>	10
<i>Liquidity Coverage Ratio – for Category 1 Institution (LIQ1)</i>	10

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)
		31/03/2023	31/12/2022	30/09/2022	30/06/2022	31/03/2022
	Regulatory capital (amount)					
1	Common Equity Tier 1 (CET1)	112,619,097	110,089,333	108,943,192	109,792,117	110,785,649
2	Tier 1	140,375,822	137,659,888	136,699,208	137,531,868	138,470,240
3	Total capital	146,724,305	144,597,623	143,308,672	144,054,372	145,552,029
	RWA (amount)					
4	Total RWA	672,328,778	645,838,318	664,786,630	668,370,142	648,767,848
	Risk-based regulatory capital ratios (as a percentage of RWA)					
5	CET1 ratio (%)	16.75%	17.05%	16.39%	16.43%	17.08%
6	Tier 1 ratio (%)	20.88%	21.31%	20.56%	20.58%	21.34%
7	Total capital ratio (%)	21.83%	22.39%	21.56%	21.55%	22.44%
	Additional CET1 buffer requirements (as a percentage of RWA)					
8	Capital conservation buffer requirement (%)	2.50%	2.50%	2.50%	2.50%	2.50%
9	Countercyclical capital buffer requirement (%)	0.65%	0.63%	0.63%	0.63%	0.60%
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 (%)	4.15%	4.13%	4.13%	4.13%	4.10%
12	CET1 available after meeting the AI's minimum capital requirements (%)	12.25%	12.55%	11.89%	11.93%	12.58%
	Basel III leverage ratio					
13	Total leverage ratio (LR) exposure measure	1,022,298,594	1,005,216,518	1,023,988,058	1,023,497,078	990,986,885
14	LR (%)	13.73%	13.69%	13.35%	13.44%	13.97%
	Liquidity Coverage Ratio (LCR) / Liquidity Maintenance Ratio (LMR)					
	Applicable to category 1 institution only:					
15	Total high quality liquid assets (HQLA)	135,371,630	136,036,946	132,281,298	149,198,277	163,317,217
16	Total net cash outflows	67,890,520	79,550,945	72,938,388	90,166,170	83,826,650
17	LCR (%)	204.38%	176.53%	184.77%	166.77%	198.45%
	Applicable to category 2 institution only:					
17a	LMR (%)	N/A	N/A	N/A	N/A	N/A
	Net Stable Funding Ratio (NSFR) / Core Funding Ratio (CFR)					
	Applicable to category 1 institution only:					
18	Total available stable funding	545,238,097	527,781,945	514,655,856	512,983,197	519,482,017
19	Total required stable funding	455,734,585	448,990,411	432,401,648	435,048,667	431,719,342
20	NSFR (%)	119.64%	117.55%	119.02%	117.91%	120.33%
	Applicable to category 2A institution only:					
20a	CFR (%)	N/A	N/A	N/A	N/A	N/A

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

		(HK\$'000)				
		(a)	(b)	(c)	(d)	(e)
		31/03/2023	31/12/2022	30/09/2022	30/06/2022	31/03/2022
Of the material entity at LAC consolidation group level						
1	Internal loss-absorbing capacity available	157,164,739	154,968,032	143,308,672	144,054,372	145,552,029
2	Risk-weighted amount under the LAC Rules	672,328,778	645,838,318	664,786,630	668,370,142	648,767,848
3	Internal LAC risk-weighted ratio	23.38%	23.99%	21.56%	21.55%	22.44%
4	Exposure measure under the LAC Rules	1,022,298,594	1,005,216,518	1,023,988,058	1,023,497,078	990,986,885
5	Internal LAC leverage ratio	15.37%	15.42%	14.00%	14.07%	14.69%
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.

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

		(HK\$ Million)				
		(a)	(b)	(c)	(d)	(e)
		31/03/2023	31/12/2022	30/09/2022	30/06/2022	31/03/2022
Of the non-HK resolution entity at resolution group level (Note 1)						
1	External loss-absorbing capacity available	5,016,821	4,791,628	4,627,873	4,742,175	4,968,407
2	Total risk-weighted amount under the relevant non-HK LAC regime	26,706,153	24,875,791	24,534,963	25,903,640	27,229,091
3	External loss-absorbing capacity as a percentage of risk-weighted amount	18.79%	19.26%	18.86%	18.31%	18.25%
4	Leverage ratio exposure measure under the relevant non-HK LAC regime	50,490,228	46,763,178	46,216,435	48,010,899	48,765,062
5	External loss-absorbing capacity as a percentage of leverage ratio exposure measure	9.94%	10.25%	10.01%	9.88%	10.19%
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 has not yet been 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
		31/03/2023	31/12/2022	31/03/2023
1	Credit risk for non-securitization exposures	593,456,589	575,001,111	47,476,527
2	Of which STC approach	593,456,589	575,001,111	47,476,527
2a	Of which BSC approach	-	-	-
3	Of which foundation IRB approach	-	-	-
4	Of which supervisory slotting criteria approach	-	-	-
5	Of which advanced IRB approach	-	-	-
6	Counterparty default risk and default fund contributions	13,617,629	10,962,586	1,089,411
7	Of which SA-CCR approach	9,646,244	9,243,900	771,700
7a	Of which CEM	-	-	-
8	Of which IMM(CCR) approach	N/A	N/A	N/A
9	Of which others	3,971,385	1,718,686	317,711
10	CVA risk	13,450,150	7,342,163	1,076,012
11	Equity positions in banking book under the simple risk-weight method and internal models method	-	-	-
12	Collective investment scheme ("CIS") exposures – LTA	5,826,333	6,222,946	466,107
13	CIS exposures – MBA	N/A	N/A	N/A
14	CIS exposures – FBA	N/A	N/A	N/A
14a	CIS exposures – combination of approaches	N/A	N/A	N/A
15	Settlement risk	-	-	-
16	Securitization exposures in banking book	-	-	-
17	Of which SEC-IRBA	-	-	-
18	Of which SEC-ERBA (including IAA)	-	-	-
19	Of which SEC-SA	-	-	-
19a	Of which SEC-FBA	-	-	-
20	Market risk	21,667,213	21,234,613	1,733,377
21	Of which STM approach	21,667,213	21,234,613	1,733,377
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	22,803,900	23,196,100	1,824,312
24a	Sovereign concentration risk	N/A	N/A	N/A

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

		(HK\$'000)		
		(a)	(b)	(c)
		RWA		Minimum capital requirements
		31/03/2023	31/12/2022	31/03/2022
25	Amounts below the thresholds for deduction (subject to 250% RW)	2,026,548	2,398,383	162,124
26	Capital floor adjustment	-	-	-
26a	Deduction to RWA	519,584	519,584	41,568
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	519,584	519,584	41,568
27	Total	672,328,778	645,838,318	53,786,303

In the first quarter of 2023, total amount of risk-weighted asset ("RWA") of the Group amounts to HKD 672.33 billion, which is increased by HKD 26.49 billion with an uplift of 4.10%. Of which, counterparty default risk and default fund contributions RWA is increased by HKD 2.66 billion or 24.22%, mainly due to increase of Securities Financing Transactions ("SFT"), resulting in "of which others" RWA uplifted by HKD 2.25 billion or 131.07%. In addition, owing to increase in capital charge of counterparties' credit valuation adjustments, CVA risk RWA experienced slightly larger fluctuation, which is uplifted by HKD 6.11 billion or 83.19% compared to the last quarter. All other RWA items experienced small or moderate fluctuations in the first 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 needed to be deducted from RWA. There was no RWA capital floor adjustment.

The Group is in compliance with the Banking (Capital) Rules to calculate RWA. The Group adopts the standardized (credit risk) approach ("STC") for the non-securitization credit risk RWA (including equity exposure and CIS exposure) calculation. Starting from 30 June 2021, in accordance with the Banking (Capital) (Amendment) Rules 2020 enacted by "HKMA", the Group adopts SA-CCR approach 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. Leverage Ratio

Leverage Ratio (LR2)

		(a)	(b)
		(HK\$'000)	
		31/03/2023	31/12/2022
On-balance sheet exposures			
1	On-balance sheet exposures (excluding those arising from derivative contracts and SFTs, but including collateral)	915,813,065	898,322,088
2	Less: Asset amounts deducted in determining Tier 1 capital	(1,895,598)	(1,926,484)
3	Total on-balance sheet exposures (excluding derivative contracts and SFTs)	913,917,467	896,395,604
Exposures arising from derivative contracts			
4	Replacement cost associated with all derivative contracts (where applicable net of eligible cash variation margin and/or with bilateral netting)	4,807,677	10,538,095
5	Add-on amounts for PFE associated with all derivative contracts	20,225,726	22,915,593
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	(778,976)	(2,073,380)
8	Less: Exempted CCP leg of client-cleared trade exposures	-	-
9	Adjusted effective notional amount of written credit-related derivative contracts	-	-
10	Less: Adjusted effective notional offsets and add-on deductions for written credit-related derivative contracts	-	-
11	Total exposures arising from derivative contracts	24,254,427	31,380,308
Exposures arising from SFTs			
12	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	26,947,486	19,018,929
13	Less: Netted amounts of cash payables and cash receivables of gross SFT assets	-	-
14	CCR exposure for SFT assets	3,757,198	2,494,723
15	Agent transaction exposures	-	-
16	Total exposures arising from SFTs	30,704,684	21,513,652
Other off-balance sheet exposures			
17	Off-balance sheet exposure at gross notional amount	231,816,738	234,279,586
18	Less: Adjustments for conversion to credit equivalent amounts	(170,299,971)	(169,634,749)
19	Off-balance sheet items	61,516,767	64,644,837
Capital and total exposures			
20	Tier 1 capital	140,375,822	137,659,888
20a	Total exposures before adjustments for specific and collective provisions	1,030,393,345	1,013,934,401
20b	Adjustments for specific and collective provisions	(8,094,751)	(8,717,883)
21	Total exposures after adjustments for specific and collective provisions	1,022,298,594	1,005,216,518
Leverage ratio			
22	Leverage ratio	13.73%	13.69%

Leverage Ratio (LR2) (continued)

Item 4:

The replacement cost associated with all derivative contracts decreased by HKD 5,730 million or 54.38% 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 1,294 million or a decrease of 62.43% 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 7,929 million or an increase of 41.69% compared to last quarter.

Item 14:

Due to the amount of security repo increased, Counterparty Credit Risk ("CCR") exposure for SFT assets increased by HKD 1,262 million or an increase of 50.61%.

Item 16 (include 12 and 14):

The Gross SFT assets (with no recognition of netting) after adjusting for sale accounting transactions and CCR exposure for SFT assets increased by HKD 7,929 million or 41.69% and HKD 1,262 million or 50.61% respectively compared to last quarter. The total exposures arising from SFTs decreased by HKD 9,191 million or an increase of 42.72% compared to last quarter.

5. Liquidity

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: (73)		(HK\$'000)	
		(a)	(b)
Basis of disclosure: consolidated		Unweighted value (average)	Weighted value (average)
A. HQLA			
1	Total HQLA		135,371,630
B. Cash outflows			
2	Retail deposits and small business funding, of which:	160,387,038	15,289,861
3	<i>Stable retail deposits and stable small business funding</i>	10,697,755	320,933
4	<i>Less stable retail deposits and less stable small business funding</i>	149,689,283	14,968,928
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:	293,520,668	153,361,019
6	<i>Operational deposits</i>	7,444,861	1,855,072
7	<i>Unsecured wholesale funding (other than small business funding) not covered in row 6</i>	285,891,623	151,321,763
8	<i>Debt securities and prescribed instruments issued by the AI and redeemable within the LCR period</i>	184,184	184,184
9	Secured funding transactions (including securities swap transactions)		1,187,281
10	Additional requirements, of which:	76,626,246	15,441,918
11	<i>Cash outflows arising from derivative contracts and other transactions, and additional liquidity needs arising from related collateral requirements</i>	10,067,300	7,588,350
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>	66,558,946	7,853,568
14	Contractual lending obligations (not otherwise covered in Section B) and other contractual cash outflows	11,230,566	11,230,566
15	Other contingent funding obligations (whether contractual or non-contractual)	373,520,511	1,904,447
16	Total Cash Outflows		198,415,092
C. Cash Inflows			
17	Secured lending transactions (including securities swap transactions)	419,047	-
18	Secured and unsecured loans (other than secured lending transactions covered in row 17) and operational deposits placed at other financial institutions	157,740,086	120,390,562
19	Other cash inflows	22,139,041	10,134,010
20	Total Cash Inflows	180,298,174	130,524,572
D. Liquidity Coverage Ratio			Adjusted value
21	Total HQLA		135,371,630

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: (73)		(HK\$'000)	
		(a)	(b)
Basis of disclosure: consolidated		Unweighted value (average)	Weighted value (average)
22	Total Net Cash Outflows		67,890,520
23	LCR (%)		204.38%

Liquidity Coverage Ratio

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

The average LCR as of the first quarter of 2023 increased by 27.85% compared to that as of the fourth quarter of 2022. Such increase was mainly due to the average High Quality Liquid Assets ("HQLA") decreased by HKD 0.7 billion and the average total net cash outflows that decreased by HKD 11.7 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 was 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 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.

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.

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.