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

2019 1ST QUARTER

Purpose and Basis of Consolidation

The information contained in this Regulatory Disclosure Statement (the "Statement") is for Industrial and Commercial Bank of China (Asia) Limited and its subsidiaries to comply with the Banking (Disclosure) Rules ("BDR") (Cap. 155M) and does not constitute statutory financial statements.

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

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

KM1: Key prudential ratios

		Restated				
		(HK$'000)				
		(a)	(b)	(c)	(d)	(e)
		31/03/19	31/12/18	30/09/18	30/06/18	31/03/18
	Regulatory capital (amount)					
1	Common Equity Tier 1 (CET1)	87,240,964	83,758,638	81,016,715	80,184,650	78,997,582
2	Tier 1	114,986,024	111,439,018	108,675,358	107,919,636	106,738,577
3	Total capital	125,286,922	122,647,581	123,832,810	123,282,400	121,982,515
	RWA (amount)					
4	Total RWA	649,954,945	621,102,763	641,201,309	673,325,490	649,923,036
	Risk-based regulatory capital ratios (as a percentage of RWA)					
5	CET1 ratio (%)	13.42%	13.49%	12.64%	11.91%	12.15%
6	Tier 1 ratio (%)	17.69%	17.94%	16.95%	16.03%	16.42%
7	Total capital ratio (%)	19.28%	19.75%	19.31%	18.31%	18.77%
	Additional CET1 buffer requirements (as a percentage of RWA)					
8	Capital conservation buffer requirement (%)	2.50%	1.88%	1.88%	1.88%	1.88%
9	Countercyclical capital buffer requirement (%)	1.46%	1.11%	1.09%	1.08%	1.10%
10	Higher loss absorbency requirements (%) (applicable only to G-SIBs or D-SIBs)	1.00%	1.00%	N/A	N/A	N/A
11	Total AI-specific CET1 buffer requirements (%)	4.96%	3.99%	2.97%	2.95%	2.98%
12	CET1 available after meeting the AI's minimum capital requirements (%)	7.80%	7.85%	7.00%	6.28%	6.52%
	Basel III leverage ratio					
13	Total leverage ratio (LR) exposure measure	970,830,470	954,169,051	983,523,454	1,041,366,278	979,721,132
14	LR (%)	11.84%	11.68%	11.05%	10.36%	10.89%
	Liquidity Coverage Ratio (LCR) / Liquidity Maintenance Ratio (LMR)					
	Applicable to category 1 institution only:					
15	Total high quality liquid assets (HQLA)	71,532,834	72,846,277	70,385,574	74,826,216	83,538,175
16	Total net cash outflows	38,832,316	39,346,587	43,480,966	50,127,499	51,800,139
17	LCR (%)	184.02%	185.90%	162.07%	150.74%	167.17%
	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	534,852,915	529,123,985	531,644,002	552,428,403	529,535,446
19	Total required stable funding	473,250,523	446,290,441	443,864,921	449,835,014	430,466,360
20	NSFR (%)	113.02%	118.56%	119.78%	122.81%	123.01%
	Applicable to category 2A institution only:					
20a	CFR (%)	N/A	N/A	N/A	N/A	N/A

KM1: Key prudential ratios (continued)

The reason of 0.62% increase in the Capital conservation buffer requirement is mainly due to HKMA new buffer requirements effective from 1 January 2019. The reason of 0.35% increase in the Countercyclical capital buffer requirement is mainly due to HKMA new buffer requirements effective from 1 January 2019. The reason of 0.97% increase in the total AI-specific CET1 buffer requirements is mainly due to sum of above changes in HKMA new buffer requirements effective from 1 January 2019.

OV1: Overview of RWA

		(HK$'000)		
		(a)	(b)	(c)
		RWA		Minimum capital requirements
		31/03/2019	31/12/2018	31/03/2019
1	Credit risk for non-securitization exposures	587,112,626	559,954,216	46,969,010
2	Of which STC approach	587,112,626	559,954,216	46,969,010
2a	Of which BSC approach	-	-	-
3	Of which foundation IRB approach	-	-	-
4	Of which supervisory slotting criteria approach	-	-	-
5	Of which advanced IRB approach	-	-	-
6	Counterparty default risk and default fund contributions	11,845,775	10,330,166	947,662
7	Of which SA-CCR	N/A	N/A	N/A
7a	Of which CEM	9,179,856	8,035,704	734,388
8	Of which IMM(CCR) approach	-	-	-
9	Of which others	2,665,919	2,294,462	213,274
10	CVA risk	5,705,638	5,329,775	456,451
11	Equity positions in banking book under the simple risk-weight method and internal models method	-	-	-
12	Collective investment scheme ("CIS") exposures – LTA	N/A	N/A	N/A
13	CIS exposures – MBA	N/A	N/A	N/A
14	CIS exposures – FBA	N/A	N/A	N/A
14a	CIS exposures – combination of approaches	N/A	N/A	N/A
15	Settlement risk	-	-	-
16	Securitization exposures in banking book	-	-	-
17	Of which SEC-IRBA	-	-	-
18	Of which SEC-ERBA	-	-	-
19	Of which SEC-SA	-	-	-
19a	Of which SEC-FBA	-	-	-
20	Market risk	19,282,238	19,733,863	1,542,579
21	Of which STM approach	19,282,238	19,733,863	1,542,579
22	Of which IMM approach	-	-	-
23	Capital charge for switch between exposures in trading book and banking book (not applicable before the revised market risk framework takes effect)	N/A	N/A	N/A
24	Operational risk	25,213,388	24,984,000	2,017,071
25	Amounts below the thresholds for deduction (subject to 250% RW)	1,139,633	1,115,943	91,171
26	Capital floor adjustment	-	-	-

OV1: Overview of RWA (continued)

		(HK$'000)		
		(a)	(b)	(c)
		RWA		Minimum capital requirements
		31/03/2019	31/12/2018	31/03/2019
26a	Deduction to RWA	344,353	345,200	27,548
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	344,353	345,200	27,548
27	Total	649,954,945	621,102,763	51,996,396

The Group is in compliance with the Banking (Capital) Rules to calculate the risk-weighted assets (RWA). The Group adopts the standardized (credit risk) approach (STC) for the non-securitization credit risk RWA (including equity exposure and CIS exposure) calculation, the current exposure method (CEM) for the counterparty credit risk RWA calculation, standardized CVA method for the CVA risk RWA calculation, the standardized (market risk) approach (STM) for the market risk RWA calculation, the basic indicator approach (BIA) for the operational risk RWA calculation. There was no settlement risk, nor securitization exposure RWA on the reporting date. There was neither regulatory reserve nor collective provision which needed to be deducted from RWA. All the RWA items only had small or moderate fluctuations as business development.

LR2: Leverage ratio ("LR")

		(a)	(b)
		(HK$'000)	
		31/03/2019	31/12/2018
On-balance sheet exposures			
1	On-balance sheet exposures (excluding those arising from derivative contracts and SFTs, but including collateral)	877,563,587	865,645,801
2	Less: Asset amounts deducted in determining Tier 1 capital	(3,091,939)	(3,889,938)
3	**Total on-balance sheet exposures (excluding derivative contracts and SFTs)**	874,471,648	861,755,863
Exposures arising from derivative contracts			
4	Replacement cost associated with all derivative contracts (where applicable net of eligible cash variation margin and/or with bilateral netting)	8,019,123	7,832,478
5	Add-on amounts for PFE associated with all derivative contracts	12,273,293	9,546,681
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework	-	-
7	Less: Deductions of receivables assets for cash variation margin provided under derivative contracts	(3,477,542)	(3,282,526)
8	Less: Exempted CCP leg of client-cleared trade exposures	-	-
9	Adjusted effective notional amount of written credit derivative contracts	-	-
10	Less: Adjusted effective notional offsets and add-on deductions for written credit derivative contracts	-	-
11	**Total exposures arising from derivative contracts**	16,814,874	14,096,633
Exposures arising from SFTs			
12	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	28,340,718	26,225,880
13	Less: Netted amounts of cash payables and cash receivables of gross SFT assets	-	-
14	CCR exposure for SFT assets	2,491,327	3,134,254
15	Agent transaction exposures	-	-
16	**Total exposures arising from SFTs**	30,832,045	29,360,134
Other off-balance sheet exposures			
17	Off-balance sheet exposure at gross notional amount	236,720,716	237,488,281
18	Less: Adjustments for conversion to credit equivalent amounts	(182,574,104)	(183,222,682)
19	**Off-balance sheet items**	54,146,612	54,265,599
Capital and total exposures			
20	**Tier 1 capital**	114,986,024	111,438,049
20a	**Total exposures before adjustments for specific and collective provisions**	976,265,179	959,478,229
20b	**Adjustments for specific and collective provisions**	(5,434,709)	(5,309,178)
21	**Total exposures after adjustments for specific and collective provisions**	970,830,470	954,169,051
Leverage ratio			
22	**Leverage ratio**	11.84%	11.68%

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

Number of data points used in calculating the average value of the LCR and related components set out in this template: (73)		(HK$'000)	
		(a)	(b)
Basis of disclosure: consolidated		**Unweighted value** (average)	**Weighted value** (average)
A.	**HQLA**		
1	Total HQLA		72,167,977
B.	**Cash outflows**		
2	Retail deposits and small business funding, of which:	166,550,362	16,013,478
3	*Stable retail deposits and stable small business funding*	9,165,118	274,954
4	*Less stable retail deposits and less stable small business funding*	157,385,244	15,738,524
4a	*Retail term deposits and small business term funding*	-	-
5	Unsecured wholesale funding (other than small business funding), and debt securities and prescribed instruments issued by the AI, of which:	255,142,799	125,509,500
6	*Operational deposits*	30,171,034	7,461,635
7	*Unsecured wholesale funding (other than small business funding) not covered in row 6*	221,909,409	114,985,509
8	*Debt securities and prescribed instruments issued by the AI and redeemable within the LCR period*	3,062,356	3,062,356
9	Secured funding transactions (including securities swap transactions)		2,105,845
10	Additional requirements, of which:	61,665,378	9,128,449
11	*Cash outflows arising from derivative contracts and other transactions, and additional liquidity needs arising from related collateral requirements*	4,882,638	3,354,206
12	*Cash outflows arising from obligations under structured financing transactions and repayment of funding obtained from such transactions*	-	-
13	*Potential drawdown of undrawn committed facilities (including committed credit facilities and committed liquidity facilities)*	56,782,740	5,774,243
14	Contractual lending obligations (not otherwise covered in Section B) and other contractual cash outflows	1,615,666	1,615,666
15	Other contingent funding obligations (whether contractual or non-contractual)	670,553,311	956,325
16	**Total Cash Outflows**		155,329,263
C.	**Cash Inflows**		
17	Secured lending transactions (including securities swap transactions)	536,452	130,747
18	Secured and unsecured loans (other than secured lending transactions covered in row 17) and operational deposits placed at other financial institutions	172,295,952	138,827,373
19	Other cash inflows	77,101,792	6,164,250
20	**Total Cash Inflows**	249,934,196	145,122,370
D.	**Liquidity Coverage Ratio**		**Adjusted value**
21	**Total HQLA**		71,532,834
22	**Total Net Cash Outflows**		38,832,316
23	**LCR (%)**		184.02%

Liquidity Coverage Ratio

The Liquidity Coverage Ratio ("LCR") throughout the first quarter of 2019 meets regulatory requirement and maintains at a high level.

(i) Main drivers of its LCR results

The Bank's LCR's change is mainly due to the HQLA change, as well as various kinds of asset and liability matured. Currently, the high LCR level is due to less net cash outflow matured within 30-days range, which is result from outflow decrease and inflow decrease with being capped at 75% of outflow amount. Compared with previous reporting period's result, the "Debt securities and prescribed instruments" issued by the Bank has decreased from HKD 4.8bn to HKD 3.1bn, while "Secured funding transactions" decreased from HKD 4.4bn to HKD 2.1bn. This is caused by the increase of customer deposit from HKD 159.0bn to HKD 166.6bn.

(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 the US Treasuries, supplemented by Level 2A and 2B HQLA, such as bonds issued by highly rated corporate issuers.

(iii) Concentration of funding sources

The Bank maintains a diversified funding base composed mainly by retail and corporate customer deposits, supplemented by wholesale funding including but not limited to issuance of certificates of deposit and term debts. Short-term interbank money market borrowing is also used from time to time to meet temporary funding need.

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's customer deposits are mainly denominated in HKD. To meet customer loan demand, the Bank swaps surplus HKD funding into USD and other foreign currencies. This represents the major currency mismatch of the Bank.

On the other hand, as the supply of HKD denominated HQLA is relatively limited, the Bank covers its HKD mismatch by holding HQLA denominated in USD. This is in line with the LCR alternative liquidity approach option elected by the HKMA.

(v) Currency mismatch

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On the other hand, as the supply of HKD denominated HQLA is relatively limited, the Bank covers its HKD mismatch by holding HQLA denominated in USD when necessary. This is in line with the LCR alternative liquidity approach option elected by the HKMA.

(vi)Centralization of liquidity management

The Bank has a wholly owned subsidiary in the Mainland China, namely China Mercantile Bank ("CMB"), which has set up its own liquidity risk management policy and managed liquidity risk in accordance with its local regulatory requirements. CMB calculates its own LCR, which would then be consolidated with the Bank's LCR to reflect the liquidity position on a Group basis.

(vii) Approach to liquidity risk management

The Bank has established a comprehensive liquidity risk management framework in accordance with the HKMA requirements and BCBS guidance. The Board is ultimately responsible for liquidity risk management, with the support from Board-level Risk Management Committee, senior management committees including the Risk Management Committee and the Asset and Liability Management 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 Contingent Funding Plan which details the procedures in dealing with a potential liquidity crisis.