



**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

2021 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 (the "Bank") and its subsidiaries (collectively the "Group") to comply with the Banking (Disclosure) Rules (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 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.

## OV1: Overview of RWA

		(HK\$'000)		
		(a)	(b)	(c)
		RWA		Minimum capital requirements
		31/3/2021	31/12/2020	31/3/2021
1	Credit risk for non-securitization exposures	602,897,252	596,075,158	48,231,780
2	Of which STC approach	602,897,252	596,075,158	48,231,780
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	11,324,066	11,646,242	905,925
7	Of which SA-CCR	N/A	N/A	N/A
7a	Of which CEM	8,971,040	9,208,010	717,683
8	Of which IMM(CCR) approach	N/A	N/A	N/A
9	Of which others	2,353,026	2,438,232	188,242
10	CVA risk	3,406,000	3,714,050	272,480
11	Equity positions in banking book under the simple risk-weight method and internal models method	-	-	-
12	Collective investment scheme ("CIS") exposures – LTA	N/A	N/A	N/A
13	CIS exposures – MBA	N/A	N/A	N/A
14	CIS exposures – FBA	N/A	N/A	N/A
14a	CIS exposures – combination of approaches	N/A	N/A	N/A
15	Settlement risk	-	-	-
16	Securitization exposures in banking book	-	-	-
17	Of which SEC-IRBA	-	-	-
18	Of which SEC-ERBA (Including IAA)	-	-	-
19	Of which SEC-SA	-	-	-
19a	Of which SEC-FBA	-	-	-
20	Market risk	23,932,288	22,196,000	1,914,583
21	Of which STM approach	23,932,288	22,196,000	1,914,583
22	Of which IMM approach	-	-	-
23	Capital charge for switch between exposures in trading book and banking book (not applicable before the revised market risk framework takes effect)	N/A	N/A	N/A
24	Operational risk	26,149,875	26,332,163	2,091,990
24a	Sovereign concentration risk	N/A	N/A	N/A
25	Amounts below the thresholds for deduction (subject to 250% RW)	1,859,273	1,872,253	148,742

OV1: Overview of RWA (continued)

		(HK\$'000)		
		(a)	(b)	(c)
		RWA		Minimum capital requirements
		31/3/2021	31/12/2020	31/3/2021
26	Capital floor adjustment	-	-	-
26a	Deduction to RWA	345,866	340,066	27,669
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	345,866	340,066	27,669
27	Total	669,222,888	661,495,800	53,537,831

The Group is in compliance with the Banking (Capital) Rules to calculate the risk-weighted assets (RWA). The Group adopts the standardized (credit risk) approach (STC) for the non-securitization credit risk RWA (including equity exposure and CIS exposure) calculation, the current exposure method (CEM) for the counterparty credit risk RWA calculation, standardized CVA method for the CVA risk RWA calculation, the standardized (market risk) approach (STM) for the market risk RWA calculation, the basic indicator approach (BIA) for the operational risk RWA calculation. There was neither settlement risk, nor securitization exposure RWA on 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 RWA items only experienced small or moderate fluctuations which were in line with business development within the first quarter of 2021.

KM1: Key prudential ratios

Restated

		(HK\$'000)				
		(a)	(b)	(c)	(d)	(e)
		31/3/2021	31/12/2020	30/9/2020	30/6/2020	31/3/2020
<b>Regulatory capital (amount)</b>						
1	Common Equity Tier 1 (CET1)	107,974,372	106,683,635	104,650,155	103,519,734	101,862,258
2	Tier 1	135,453,996	134,082,144	132,041,949	130,911,881	129,265,008
3	Total capital	141,237,202	139,623,507	137,632,613	136,252,629	135,284,687
<b>RWA (amount)</b>						
4	Total RWA	669,222,888	661,495,800	685,839,232	664,165,526	665,683,935
<b>Risk-based regulatory capital ratios (as a percentage of RWA)</b>						
5	CET1 ratio (%)	16.13%	16.13%	15.26%	15.59%	15.30%
6	Tier 1 ratio (%)	20.24%	20.27%	19.25%	19.71%	19.42%
7	Total capital ratio (%)	21.10%	21.11%	20.07%	20.51%	20.32%
<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 (%)	0.59%	0.58%	0.61%	0.60%	0.61%
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 (%)	4.09%	4.08%	4.11%	4.10%	4.11%
12	CET1 available after meeting the AI's minimum capital requirements (%)	11.63%	11.63%	10.76%	11.09%	10.80%
<b>Basel III leverage ratio</b>						
13	Total leverage ratio (LR) exposure measure	986,213,349	983,440,204	1,025,036,782	1,003,459,751	999,337,753
14	LR (%)	13.73%	13.63%	12.88%	13.05%	12.94%
<b>Liquidity Coverage Ratio (LCR) / Liquidity Maintenance Ratio (LMR)</b>						
Applicable to category 1 institution only:						
15	Total high quality liquid assets (HQLA)	114,974,223	115,780,699	117,152,338	98,723,133	115,697,884
16	Total net cash outflows	52,729,983	57,302,634	62,926,580	54,175,923	49,136,245
17	LCR (%)	223.95%	207.41%	194.37%	186.61%	239.91%
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	532,416,963	539,864,938	524,109,034	546,833,859	553,024,230
19	Total required stable funding	445,519,783	452,776,338	466,124,321	473,668,074	467,448,819
20	NSFR (%)	119.50%	119.23%	112.44%	115.45%	118.31%
Applicable to category 2A institution only:						
20a	CFR (%)	N/A	N/A	N/A	N/A	N/A

LR2: Leverage ratio ("LR")

		(a)	(b)
		(HK\$'000)	
		31/3/2021	31/12/2020
<b>On-balance sheet exposures</b>			
1	On-balance sheet exposures (excluding those arising from derivative contracts and SFTs, but including collateral)	904,775,978	919,201,933
2	Less: Asset amounts deducted in determining Tier 1 capital	(1,012,281)	(921,771)
3	<b>Total on-balance sheet exposures (excluding derivative contracts and SFTs)</b>	903,763,697	918,280,162
<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)	12,415,071	14,424,330
5	Add-on amounts for PFE associated with all derivative contracts	11,383,779	9,636,952
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	(5,354,698)	(7,451,962)
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	<b>Total exposures arising from derivative contracts</b>	18,444,152	16,609,320
<b>Exposures arising from SFTs</b>			
12	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	15,572,199	7,222,373
13	Less: Netted amounts of cash payables and cash receivables of gross SFT assets	-	-
14	CCR exposure for SFT assets	1,523,375	1,101,586
15	Agent transaction exposures	-	-
16	<b>Total exposures arising from SFTs</b>	17,095,574	8,323,959
<b>Other off-balance sheet exposures</b>			
17	Off-balance sheet exposure at gross notional amount	236,441,160	213,759,993
18	Less: Adjustments for conversion to credit equivalent amounts	(182,001,190)	(165,499,219)
19	<b>Off-balance sheet items</b>	54,439,970	48,260,774
<b>Capital and total exposures</b>			
20	<b>Tier 1 capital</b>	135,453,996	134,082,144
20a	<b>Total exposures before adjustments for specific and collective provisions</b>	993,743,393	991,474,215
20b	<b>Adjustments for specific and collective provisions</b>	(7,530,044)	(8,034,011)
21	<b>Total exposures after adjustments for specific and collective provisions</b>	986,213,349	983,440,204
<b>Leverage ratio</b>			
22	<b>Leverage ratio</b>	13.73%	13.63%

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

**Item 7:**

Due to the decrease in the clearing settlement account balance, the receivables assets for cash variation margin provided under derivative contracts has decreased by HKD 2,097 million (-28.1%).

**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 8,350 million (+115.6%) and HKD 422 million (+38.3%) respectively, the total exposure arising from SFTs increased by HKD 8,772 million (+105.4%).

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		<b>Unweighted value</b> (average)	<b>Weighted value</b> (average)
<b>A. HQLA</b>			
1	Total HQLA		123,021,202
<b>B. Cash outflows</b>			
2	Retail deposits and small business funding, of which:	140,081,880	13,240,065
3	<i>Stable retail deposits and stable small business funding</i>	10,973,178	329,195
4	<i>Less stable retail deposits and less stable small business funding</i>	129,108,702	12,910,870
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:	298,977,308	141,200,422
6	<i>Operational deposits</i>	68,256,075	16,968,980
7	<i>Unsecured wholesale funding (other than small business funding) not covered in row 6</i>	230,488,352	123,998,561
8	<i>Debt securities and prescribed instruments issued by the AI and redeemable within the LCR period</i>	232,881	232,881
9	Secured funding transactions (including securities swap transactions)		1,054,828
10	Additional requirements, of which:	51,450,015	12,307,063
11	<i>Cash outflows arising from derivative contracts and other transactions, and additional liquidity needs arising from related collateral requirements</i>	7,882,571	7,839,602
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>	43,567,444	4,467,461
14	Contractual lending obligations (not otherwise covered in Section B) and other contractual cash outflows	5,049,249	5,049,249
15	Other contingent funding obligations (whether contractual or non-contractual)	549,345,097	1,108,446
16	<b>Total Cash Outflows</b>		173,960,073
<b>C. Cash Inflows</b>			
17	Secured lending transactions (including securities swap transactions)	149,563	71,777
18	Secured and unsecured loans (other than secured lending transactions covered in row 17) and operational deposits placed at other financial institutions	145,084,419	116,682,497
19	Other cash inflows	108,616,787	6,036,049
20	<b>Total Cash Inflows</b>	253,850,769	122,790,324
<b>D. Liquidity Coverage Ratio</b> Adjusted value			
21	<b>Total HQLA</b>		114,974,223
22	<b>Total Net Cash Outflows</b>		52,729,983
23	<b>LCR (%)</b>		223.95%



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

### **Liquidity Coverage Ratio**

The Liquidity Coverage Ratio (“LCR”) throughout the first quarter of 2021 meets the regulatory requirement and maintains at a safe level. The LCR as of the first quarter of 2021 increases by 16.54% compared to that as of the fourth quarter of 2020. Such increase is mainly due to the decrease in total net cash outflow by HKD 4.6 billion, which is resulted from the maturing impact from various kinds of asset and liability.

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

The change in the Bank’s LCR is mainly due to the changes in HQLA position, as well as the maturing impact from various kinds of asset and liability 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 and the China Government bonds, supplemented by Level 2A and 2B HQLA, such as bonds issued by highly rated corporate issuers.

#### **(iii) Concentration of funding sources**

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

#### **(iv) Derivative Exposures**

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

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

### **(v) Currency mismatch**

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

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

### **(vi) Centralization of liquidity management**

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

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

The Bank has established a comprehensive liquidity risk management framework in accordance with the HKMA requirements and BCBS guidance. The Board is ultimately responsible for liquidity risk management, with the support from the Risk Management Committee of Board of Directors ("BRMC"), senior management committees including the SERMC and the ALCO. Policies and procedures are in place, with properly approved limits and indicators in order to identify, measure and monitor liquidity risk. Cash flow stress tests are conducted regularly, and the Bank has readied the Contingent Funding Plan with details the procedures in dealing with a potential liquidity crisis.

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

		(HK\$'000)				
		(a)	(b)	(c)	(d)	(e)
		31/3/2021	31/12/2020	30/9/2020	30/6/2020	31/3/2020 (Note1)
Of the material entity at LAC consolidation group level						
1	Internal loss-absorbing capacity available	133,474,014	131,883,235	129,123,214	127,743,120	N/A
2	Risk-weighted amount under the LAC Rules	669,222,888	661,495,800	685,839,232	664,165,526	N/A
3	Internal LAC risk-weighted ratio	19.94%	19.94%	18.83%	19.23%	N/A
4	Exposure measure under the LAC Rules	986,213,349	983,440,204	1,025,036,782	1,003,459,751	N/A
5	Internal LAC leverage ratio	13.53%	13.41%	12.60%	12.73%	N/A
6a	Does the subordination exemption in the antepenultimate paragraph of Section 11 of the FSB TLAC Term Sheet apply?(Note 2)	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
6b	Does the subordination exemption in the penultimate paragraph of Section 11 of the FSB TLAC Term Sheet apply? (Note 2)	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
6c	If the capped subordination exemption applies, the amount of funding issued that ranks pari passu with excluded liabilities and that is recognised as external loss-absorbing capacity, divided by funding issued that ranks pari passu with excluded liabilities and that would be recognised as external loss-absorbing capacity if no cap was applied (Note 2)	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable

Note 1: The LAC disclosures for the Group commences from 30 June 2020 in accordance with the Financial Institutions (Resolution) (Loss-absorbing Capacity Requirements – Banking Sector) Rules (“LAC Rules”), accordingly the prior periods’ ratio are not applicable.

Note 2: The subordination exemptions in the antepenultimate and penultimate paragraphs of Section 11 of the FSB TLAC Term Sheet do not apply in Hong Kong under the LAC Rules.

KM2(B): Key metrics – TLAC requirements for non-HK resolution entity (at resolution group level)

		(HK\$ Million)				
		(a)	(b)	(c)	(d)	(e)
		31/3/2021	31/12/2020	30/9/2020	30/6/2020	31/3/2020 (Note1)
Of the non-HK resolution entity at resolution group level (Note 2)						
1	External loss-absorbing capacity available	4,149,256	4,044,284	3,742,908	3,461,757	N/A
2	Total risk-weighted amount under the relevant non-HK LAC regime	24,390,428	23,964,449	22,722,856	21,642,285	N/A
3	External loss-absorbing capacity as a percentage of risk-weighted amount	17.01%	16.88%	16.47%	16.00%	N/A
4	Leverage ratio exposure measure under the relevant non-HK LAC regime	43,142,686	42,036,737	40,339,230	38,578,603	N/A
5	External loss-absorbing capacity as a percentage of leverage ratio exposure measure	9.62%	9.62%	9.28%	8.97%	N/A
6a	Does the subordination exemption in the antepenultimate paragraph of Section 11 of the FSB TLAC Term Sheet apply?	N/A	N/A	N/A	N/A	N/A
6b	Does the subordination exemption in the penultimate paragraph of Section 11 of the FSB TLAC Term Sheet apply?	N/A	N/A	N/A	N/A	N/A
6c	If the capped subordination exemption applies, the amount of funding issued that ranks pari passu with excluded liabilities and that is recognised as external loss-absorbing capacity, divided by funding issued that ranks pari passu with excluded liabilities and that would be recognised as external loss-absorbing capacity if no cap was applied	N/A	N/A	N/A	N/A	N/A

Note 1: The LAC disclosures for the Group commences from 30 June 2020 in accordance with the LAC Rules, accordingly the prior periods' ratio are not applicable.

Note 2: As LAC requirement under a regulatory regime in the mainland China is not yet implemented, so the values for row 1 to 5 are reported using the values of total regulatory capital, risk-weighted amount and leverage ratio exposure measure of the non-HK resolution entity.