



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, 2022

(UNAUDITED)

Table of Contents

<i>Table of Contents</i>	1
<i>1. Purpose and basis of consolidation</i>	4
<i>2. Key prudential ratios and metrics</i>	5
<i>a. Key prudential ratios (KM1)</i>	5
<i>b. Key metrics – LAC requirements for the Group (at LAC consolidation group level) (KM2(A))</i> ...	6
<i>c. Key metrics – TLAC requirements for non-HK resolution entity (at resolution group level) (KM2(B))</i>	7
<i>3. Overview of risk management and RWA</i>	8
<i>Overview of risk-weighted amount ("RWA") (OV1)</i>	8
<i>4. Composition of regulatory capital</i>	10
<i>a. Composition of regulatory capital (CC1)</i>	10
<i>b. Reconciliation between accounting and regulatory balance sheets (CC2)</i>	18
<i>c. Main features of regulatory capital instruments (CCA) and non-capital LAC debt instruments (CCA(A))</i>	20
<i>d. LAC composition of material subsidiary (at LAC consolidation group level) (TLAC1 (A))</i>	27
<i>e. Material subsidiary – creditor ranking at legal entity level (TLAC2)</i>	29
<i>5. Macroprudential supervisory measures</i>	30
<i>Geographical distribution of credit exposures used in countercyclical capital buffer (CCyB1)</i>	30
<i>6. Leverage Ratio</i>	32
<i>a. Summary comparison of accounting asset against leverage ratio exposure measure (LR1)</i> ... 32	
<i>b. Leverage ratio (LR2)</i>	33

7. Liquidity.....	35
a. Liquidity Coverage Ratio – for category 1 institution (LIQ1).....	35
b. Net Stable Funding Ratio – for category 1 institution (LIQ2).....	39
8. Credit risk for non-securitization exposures.....	44
a. Credit quality of exposures (CR1).....	44
b. Changes in defaulted loans and debt securities (CR2).....	45
c. Overview of recognized credit risk mitigation (CR3).....	46
d. Credit risk exposures and effects of recognized credit risk mitigation – for STC approach (CR4)	47
e. Credit risk exposures by asset classes and by risk weights – for STC approach (CR5).....	50
9. Counterparty credit risk.....	52
a. Analysis of counterparty default risk exposures (other than those to CCPs) by approaches (CCR1).....	52
b. CVA capital charge (CCR2).....	53
c. Counterparty default risk exposures (other than those to CCPs) by asset classes and by risk weights – for STC approach (CCR3).....	54
d. Composition of collateral for counterparty default risk exposures (including those for contracts or transactions cleared through CCPs) (CCR5).....	55
e. Credit-related derivatives contracts (CCR6).....	56
f. Exposures to CCPs (CCR8).....	57
10. Securitization exposures.....	58
a. Securitization exposures in banking book (SEC1).....	58
b. Securitization exposures in trading book (SEC2).....	59
c. Securitization exposures in banking book and associated capital requirements – where AI	

<i>acts as originator (SEC3).....</i>	<i>60</i>
<i>d. Securitization exposures in banking book and associated capital requirements – where AI acts as investor (SEC4).....</i>	<i>61</i>
<i>11. Market risk.....</i>	<i>62</i>
<i>Market risk under STM approach (MR1).....</i>	<i>62</i>
<i>12. International claims.....</i>	<i>63</i>
<i>13. Loan and advances to customers analysed by industry sectors.....</i>	<i>65</i>
<i>14. Loans and advances to customers analysed by geographical location.....</i>	<i>67</i>
<i>15. Mainland activities.....</i>	<i>68</i>
<i>16. Currency Concentrations.....</i>	<i>70</i>
<i>17. Off-balance sheet exposures.....</i>	<i>71</i>
<i>18. Analysis of fees and commission income.....</i>	<i>71</i>
<i>19. Overdue advances to customers and banks and other assets.....</i>	<i>71</i>
<i>20. Rescheduled exposures.....</i>	<i>71</i>
<i>21. Repossessed assets.....</i>	<i>71</i>

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)
		30/06/2022	31/03/2022	31/12/2021	30/09/2021	30/06/2021
	Regulatory capital (amount)					
1	Common Equity Tier 1 (CET1)	109,792,117	110,785,649	111,514,944	110,790,710	109,754,586
2	Tier 1	137,531,868	138,470,240	139,083,204	138,328,384	137,200,633
3	Total capital	144,054,372	145,552,029	146,216,341	144,986,350	143,711,961
	RWA (amount)					
4	Total RWA	668,370,142	648,767,848	643,834,669	659,705,592	663,110,493
	Risk-based regulatory capital ratios (as a percentage of RWA)					
5	CET1 ratio (%)	16.43%	17.08%	17.32%	16.79%	16.55%
6	Tier 1 ratio (%)	20.58%	21.34%	21.60%	20.97%	20.69%
7	Total capital ratio (%)	21.55%	22.44%	22.71%	21.98%	21.67%
	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 (%)	0.63%	0.60%	0.59%	0.60%	0.59%
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 (%)	4.13%	4.10%	4.09%	4.10%	4.09%
12	CET1 available after meeting the AI's minimum capital requirements (%)	11.93%	12.58%	12.82%	12.29%	12.05%
	Basel III leverage ratio					
13	Total leverage ratio (LR) exposure measure	1,023,497,078	990,986,885	1,012,403,043	999,615,886	1,023,898,158
14	LR (%)	13.44%	13.97%	13.74%	13.84%	13.40%
	Liquidity Coverage Ratio (LCR) / Liquidity Maintenance Ratio (LMR)					
	Applicable to category 1 institution only:					
15	Total high quality liquid assets (HQLA)	149,198,277	163,317,217	169,910,145	158,723,983	141,825,765
16	Total net cash outflows	90,166,170	83,826,650	96,705,162	83,598,067	73,993,929
17	LCR (%)	166.77%	198.45%	178.92%	192.50%	195.44%
	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	512,983,197	519,482,017	515,689,181	527,708,003	532,922,631
19	Total required stable funding	435,048,667	431,719,342	440,419,908	450,311,022	453,946,792
20	NSFR (%)	117.91%	120.33%	117.09%	117.19%	117.40%
	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)
		30/06/2022	31/03/2022	31/12/2021	30/09/2021	30/06/2021
Of the material entity at LAC consolidation group level						
1	Internal loss-absorbing capacity available	144,054,372	145,552,029	146,216,341	144,986,350	135,958,259
2	Risk-weighted amount under the LAC Rules	668,370,142	648,767,848	643,834,669	659,705,592	663,110,493
3	Internal LAC risk-weighted ratio	21.55%	22.44%	22.71%	21.98%	20.50%
4	Exposure measure under the LAC Rules	1,023,497,078	990,986,885	1,012,403,043	999,615,886	1,023,898,158
5	Internal LAC leverage ratio	14.07%	14.69%	14.44%	14.50%	13.28%
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.

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

		(HK\$ Million)				
		(a)	(b)	(c)	(d)	(e)
		30/06/2022	31/03/2022	31/12/2021	30/09/2021	30/06/2021
Of the non-HK resolution entity at resolution group level (Note 1)						
1	External loss-absorbing capacity available	4,742,175	4,968,407	4,783,054	4,481,393	4,305,030
2	Total risk-weighted amount under the relevant non-HK LAC regime	25,903,640	27,229,091	26,535,778	25,684,585	25,316,048
3	External loss-absorbing capacity as a percentage of risk-weighted amount	18.31%	18.25%	18.02%	17.45%	17.01%
4	Leverage ratio exposure measure under the relevant non-HK LAC regime	48,010,899	48,765,062	45,623,336	45,370,349	44,886,821
5	External loss-absorbing capacity as a percentage of leverage ratio exposure measure	9.88%	10.19%	10.48%	9.88%	9.59%
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
		30/06/2022	31/03/2022	30/06/2022
1	Credit risk for non-securitization exposures	596,467,233	579,052,576	47,717,379
2	Of which STC approach	596,467,233	579,052,576	47,717,379
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	15,509,647	14,666,205	1,240,772
7	Of which SA-CCR approach	14,597,258	13,754,737	1,167,781
7a	Of which CEM	-	-	-
8	Of which IMM(CCR) approach	N/A	N/A	N/A
9	Of which others	912,389	911,468	72,991
10	CVA risk	4,786,463	3,939,563	382,917
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	25,643,950	24,501,588	2,051,516
21	Of which STM approach	25,643,950	24,501,588	2,051,516
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	23,937,788	24,520,688	1,915,023
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
		30/06/2022	31/03/2022	30/06/2022
25	Amounts below the thresholds for deduction (subject to 250% RW)	2,421,246	2,431,868	193,700
26	Capital floor adjustment	-	-	-
26a	Deduction to RWA	396,185	344,640	31,695
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	396,185	344,640	31,695
27	Total	668,370,142	648,767,848	53,469,612

In the second quarter of 2022, total amount of risk-weighted asset (RWA) of the Group amounted to HKD 668.37 billion, which increased by HKD 19.60 billion or an uplift of 3.02% compared to the first quarter. Of which, non-securitization credit risk RWA increased by HKD 17.41 billion or 3.01% compared with figures of the first quarter of 2022, mainly due to increase in the on-balance sheet amount of loan exposures as well as increase in forward deposits placed. Meanwhile, mainly owing to increase in capital charge of counterparties' credit valuation adjustments, CVA risk uplifted by HKD 846.90 million or 21.50% compared to the first quarter of 2022. Other RWA items experienced small or moderate fluctuations in the second quarter of 2022, 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. 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. 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
	CET1 capital: instruments and reserves		
1	Directly issued qualifying CET1 capital instruments plus any related share premium	44,187,631	e
2	Retained earnings	67,758,064	f
3	Disclosed reserves	1,217,269	
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	CET1 capital before regulatory deductions	113,162,964	
	CET1 capital: regulatory deductions		
7	Valuation adjustments	-	
8	Goodwill (net of associated deferred tax liabilities)	980,154	a
9	Other intangible assets (net of associated deferred tax liabilities)	13,684	b
10	Deferred tax assets (net of associated deferred tax liabilities)	1,640,583	c
11	Cash flow hedge reserve	(65,650)	d
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	81,489	h
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

		(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	720,587	
26a	Cumulative fair value gains arising from the revaluation of land and buildings (own-use and investment properties)	720,339	
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	248	
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	Total regulatory deductions to CET1 capital	3,370,847	
29	CET1 capital	109,792,117	
	AT1 capital: instruments		
30	Qualifying AT1 capital instruments plus any related share premium	27,739,751	
31	of which: classified as equity under applicable accounting standards	27,739,751	
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	AT1 capital before regulatory deductions	27,739,751	
	AT1 capital: regulatory deductions		
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	-	

		(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	Total regulatory deductions to AT1 capital	-	
44	AT1 capital	27,739,751	
45	Tier 1 capital (T1 = CET1 + AT1)	137,531,868	
Tier 2 capital: instruments and provisions			
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	6,198,351	g
51	Tier 2 capital before regulatory deductions	6,198,351	
Tier 2 capital: regulatory deductions			
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	324,153	
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	324,153	

		(a)	(b)
		Amount (HK\$'000)	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
56b	Regulatory deductions applied to Tier 2 capital to cover the required deductions falling within §48(1)(g) of BCR	-	
57	Total regulatory adjustments to Tier 2 capital	324,153	
58	Tier 2 capital (T2)	6,522,504	
59	Total regulatory capital (TC = T1 + T2)	144,054,372	
60	Total RWA	668,370,142	
	Capital ratios (as a percentage of RWA)		
61	CET1 capital ratio	16.43%	
62	Tier 1 capital ratio	20.58%	
63	Total capital ratio	21.55%	
64	Institution-specific buffer requirement (capital conservation buffer plus countercyclical capital buffer plus higher loss absorbency requirements)	4.13%	
65	of which: capital conservation buffer requirement	2.50%	
66	of which: bank specific countercyclical capital buffer requirement	0.63%	
67	of which: higher loss absorbency requirement	1.00%	
68	CET1 (as a percentage of RWA) available after meeting minimum capital requirements	11.93%	
	National minima (if different from Basel 3 minimum)		
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
	Amounts below the thresholds for deduction (before risk weighting)		
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	4,853,166	
73	Significant LAC investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	1,118,499	
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
	Applicable caps on the inclusion of provisions in Tier 2 capital		
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)	6,198,351	
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	7,678,882	

		(a)	(b)
		Amount (HK\$'000)	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
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
	Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2018 and 1 Jan 2022)		
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>	-	

a. Composition of regulatory capital (CC1) (continued)

Notes to the Template

	Description	Hong Kong basis (HK\$'000)	Basel III basis (HK\$'000)
9	Other intangible assets (net of associated deferred tax liabilities)	13,684	13,684
	<u>Explanation</u> 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.		
10	Deferred tax assets (net of associated deferred tax liabilities)	1,640,583	-
	<u>Explanation</u> 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.		
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)	-	-
	<u>Explanation</u> 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.		
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)	-	-

	Description	Hong Kong basis (HK\$'000)	Basel III basis (HK\$'000)
	<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	<p>Insignificant LAC investments in AT1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)</p> <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	<p>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)</p> <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>			

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	7,146	7,133
ICBC Asset Management (Global) Company Limited*	Provision of asset management services	501,134	454,451
ICBC (Asia) Securities Limited	Provision of securities brokerage services	1,991,520	1,329,049
ICBC (Asia) Trustee Company Limited	Provision of trustee services	176,661	169,335
ICBC (Asia) Financial Services Company Limited	Provision of trustee and company services	-	-
Greater China Fund	Trust fund	5,766,683	5,764,155

* Included a consolidated subsidiary in the name of ICBC (Asia) Investment Management (Shenzhen) Co., Ltd.

As at 30 June 2022, 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.

b. Reconciliation between accounting and regulatory balance sheets (CC2)

	(HK\$'000)		
	(a)	(b)	(c)
	Balance sheet as in published financial statements 30/06/2022	Under regulatory scope of consolidation 30/06/2022	Reference
Assets			
Cash and balances with banks and other financial institutions	145,838,425	145,809,243	
Placements with banks and other financial institutions	75,171,498	75,171,498	
Financial assets held for trading	2,266,911	2,266,911	
Financial assets at fair value through profit or loss	5,868,769	492,470	
Derivative financial instruments	16,167,299	16,167,299	
Advances and other accounts	472,398,429	472,424,530	
of which: collective impairment allowances reflected in regulated capital	-	(6,198,351)	g
Financial investments:	194,568,022	194,401,987	
– measured at fair value through other comprehensive income	135,528,649	135,362,614	
– measured at amortised cost	59,039,373	59,039,373	
Investment in an associate	270,423	429,308	
Investment in subsidiaries	-	5,853,082	
Goodwill and other intangible assets	1,015,294	993,838	
of which: goodwill	-	980,154	a
of which: other intangible asset	-	13,684	b
Investment properties	144,015	144,015	
of which: cumulative revaluation gain on investment properties	-	23,838	
Property, plant and equipment	2,031,305	2,003,318	
Current income tax asset	5,803	-	
Deferred income tax assets	1,642,725	1,640,583	c
Other assets	9,478,013	9,837,008	
Total assets	926,866,931	927,635,090	
Liabilities			
Deposits from banks and other financial institutions	159,928,871	159,928,871	

	(HK\$'000)		
	(a)	(b)	(c)
	Balance sheet as in published financial statements 30/06/2022	Under regulatory scope of consolidation 30/06/2022	Reference
Trading liabilities	51,913	51,913	
Derivative financial instruments	11,818,210	11,818,210	
of which: debit valuation adjustments in respect of derivative contracts	-	81,489	h
Deposits from customers	570,967,984	573,010,793	
Certificates of deposit issued at amortised cost	4,726,334	4,726,334	
Debt securities in issue	23,729,415	23,729,415	
- Designated at fair value through profit or loss	-	8,101,223	
- At amortised cost	-	15,628,192	
Current income tax liabilities	1,079,852	1,060,911	
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	11,895,671	12,371,679	
Total liabilities	784,198,250	786,698,126	
Shareholders' equity			
Share capital	44,187,631	44,187,631	e
Retained earnings	69,567,827	67,758,064	f
of which: regulatory reserve for general banking risks	-	-	
Other reserves	1,244,458	1,322,504	
of which: bank premises revaluation reserve	-	605,370	
of which: investment revaluation reserve	-	(3,253,077)	
of which: cash flow hedge reserve	-	(65,650)	d
of which: exchange reserve	-	493,369	
of which: general reserve	-	3,542,492	
Additional equity instruments	27,668,765	27,668,765	
Total shareholders' equity	142,668,681	140,936,964	
Total shareholders' equity and liabilities	926,866,931	927,635,090	

c. Main features of regulatory capital instruments (CCA) and non-capital LAC debt instruments (CCA(A))

The following is a summary of CET1 capital instrument and AT1 capital instrument that meet both regulatory capital and LAC requirement. The full terms and conditions of the Group's capital instruments can be found in the "Terms and conditions of the capital instruments issued" of Regulatory Disclosures section of our website, www.icbcasia.com.

The regulatory capital and/or LAC instruments included in the Bank's consolidated capital base as of 30 June 2022 are as follows:

Both regulatory capital and LAC requirement

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

The main features of the regulatory capital instruments are set out in the following sections.

c. Main features of regulatory capital instruments (CCA) and non-capital LAC debt instruments (CCA(A)) (continued)

(ii) 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

[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.

c. Main features of regulatory capital instruments (CCA) and non-capital LAC debt instruments (CCA(A)) (continued)

(ii) 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 [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
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\$19,895 million
8a	Amount recognised in loss-absorbing capacity (currency in millions, as of most recent reporting date)	HK\$19,895 million
9	Par value of instrument	USD 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	21 March 2023(Redemptions in whole at 100%)
16	Subsequent call dates, if applicable	any distribution payment date thereafter
	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 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	Partially 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
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 and all other unsubordinated creditors of the Issuer, creditors in respect of Tier 2 Capital Instruments and all other Subordinated Indebtedness 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.

c. Main features of regulatory capital instruments (CCA) and non-capital LAC debt instruments (CCA(A)) (continued)

(ii) 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\$7,845 million
8a	Amount recognised in loss-absorbing capacity (currency in millions, as of most recent reporting date)	HK\$7,845 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
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.

d. LAC composition of material subsidiary (at LAC consolidation group level) (TLAC1 (A))

		(a)
		Amount (HK\$'000)
	Regulatory capital elements of internal loss-absorbing capacity and adjustments	
1	Common Equity Tier 1 ("CET1") capital	109,792,117
2	Additional Tier 1 ("AT1") capital before LAC adjustments	27,739,751
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	27,739,751
6	Tier 2 ("T2") capital before LAC adjustments	6,522,504
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	6,522,504
11	Internal loss-absorbing capacity arising from regulatory capital	144,054,372
	Non-regulatory capital elements of internal loss-absorbing capacity	
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	-
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	Internal loss-absorbing capacity arising from non-capital LAC debt instruments before adjustments	-
	Non-regulatory capital elements of internal loss-absorbing capacity: adjustments	
18	Internal loss-absorbing capacity before deductions	144,054,372
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	Internal loss-absorbing capacity after deductions	144,054,372
	Risk-weighted amount and exposure measure under the LAC Rules for internal loss-absorbing capacity purposes	
23	Risk-weighted amount under the LAC Rules	668,370,142
24	Exposure measure under the LAC Rules	1,023,497,078

		(a)
		Amount (HK\$'000)
	Internal LAC ratios and buffers	
25	Internal LAC risk-weighted ratio	21.55%
26	Internal LAC leverage ratio	14.07%
27	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	11.93%
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)	4.13%
29	Of which: capital conservation buffer requirement	2.50%
30	Of which: institution-specific countercyclical capital buffer requirement	0.63%
31	Of which: higher loss absorbency requirement	1.00%

e. Material subsidiary – creditor ranking at legal entity level (TLAC2)

		Creditor ranking HK\$ million		Total HK\$ million
		1 (most junior)	2	
1	Is a resolution entity or a non-HK resolution entity the creditor/investor? (yes or no)	Yes	Yes	
2	Description of creditor ranking (free text)	CET1 capital instruments (Note 1)	AT1 capital instruments	
3	Total capital and liabilities net of credit risk mitigation	44,188	27,740	71,928
4	Subset of row 3 that are excluded liabilities	-	-	-
5	Total capital and liabilities less excluded liabilities	44,188	27,740	71,928
6	Subset of row 5 that are eligible as internal loss-absorbing capacity	44,188	27,740	71,928
7	Subset of row 6 with 1 year \leq residual maturity < 2 years	-	-	-
8	Subset of row 6 with 2 years \leq residual maturity < 5 years	-	-	-
9	Subset of row 6 with 5 years \leq residual maturity < 10 years	-	-	-
10	Subset of row 6 with residual maturity \geq 10 years, but excluding perpetual securities	-	-	-
11	Subset of row 6 that is perpetual securities	44,188	27,740	71,928

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%	318,057,488		
2	China	0.00%	152,641,809		
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)	0.00%	2,104,998		
4	Cambodia (formerly Kampuchea)	0.00%	2,369,854		
5	Canada	0.00%	9,337		
6	Cayman Islands	0.00%	1,864,561		
7	France (includes French Guiana, French Southern Territories, Guadeloupe, Martinique, Mayotte, Monaco, Reunion and St. Pierre and Miquelon)	0.00%	4,401		
8	Germany (includes the European Central Bank)	0.00%	6,313,038		
9	Guinea	0.00%	486,445		
10	India	0.00%	1,506		
11	Indonesia	0.00%	1,045,631		
12	Ireland	0.00%	1,077,979		
13	Luxembourg	0.50%	4,813,531		
14	Macau, China	0.00%	367,765		
15	Malaysia (includes Labuan International Financial Offshore Centre)	0.00%	1,379,696		
16	Myanmar (formerly Burma)	0.00%	18,900		
17	Nepal	0.00%	2		
18	Netherlands	0.00%	4,872,594		
19	New Zealand (includes Cook Islands, Minor Islands, Niue, Ross Dependency and Tokelau)	0.00%	97,798		
20	Philippines	0.00%	527,509		
21	Singapore	0.00%	772,974		
22	South Africa	0.00%	597		
23	South Korea	0.00%	22		
24	Sweden	0.00%	338		
25	Switzerland (includes Bank for International Settlements)	0.00%	958		
26	Taiwan, China	0.00%	70,617		
27	Thailand	0.00%	190,941		

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 Arab Emirates	0.00%	349,864		
29	United Kingdom (excludes Guernsey, Isle of Man and Jersey)	0.00%	1,240,487		
30	United States (includes American Samoa, Guam, Midway Islands, Northern Mariana Islands, Puerto Rico, US Virgin Islands and Wake Islands)	0.00%	1,228,488		
31	West Indies UK (includes Anguilla, Antigua and Barbuda, British Virgin Islands, Montserrat and St. Christopher/St. Kitts – Nevis)	0.00%	4,090,114		
	Sum		506,000,242		
	Total		506,000,242	0.63%	3,204,643

6. Leverage Ratio

a. Summary comparison of accounting asset against leverage ratio exposure measure (LR1)

		(a)
	Item	Value under the LR framework (HK\$'000)
1	Total consolidated assets as per published financial statements	926,866,931
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	6,011,967
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	16,820,269
5	Adjustment for SFTs (i.e. repos and similar secured lending)	1,945,709
6	Adjustment for off-balance sheet ("OBS") items (i.e. conversion to credit equivalent amounts of OBS exposures)	78,440,382
6a	Adjustments for prudent valuation adjustments and specific and collective provisions that are allowed to be excluded from exposure measure	(7,628,316)
7	Other adjustments	1,040,136
8	Leverage ratio exposure measure	1,023,497,078

b. Leverage ratio (LR2)

		(a)	(b)
		(HK\$'000)	
		30/06/2022	31/03/2022
On-balance sheet exposures			
1	On-balance sheet exposures (excluding those arising from derivative contracts and SFTs, but including collateral)	902,481,228	866,790,696
2	Less: Asset amounts deducted in determining Tier 1 capital	(1,648,527)	(1,441,175)
3	Total on-balance sheet exposures (excluding derivative contracts and SFTs)	900,832,701	865,349,521
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)	12,923,317	10,594,431
5	Add-on amounts for PFE associated with all derivative contracts	21,512,098	18,741,241
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	(1,603,313)	(540,474)
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	32,832,102	28,795,198
Exposures arising from SFTs			
12	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	17,074,500	34,247,207
13	Less: Netted amounts of cash payables and cash receivables of gross SFT assets	-	-
14	CCR exposure for SFT assets	1,945,709	2,223,848
15	Agent transaction exposures	-	-
16	Total exposures arising from SFTs	19,020,209	36,471,055
Other off-balance sheet exposures			
17	Off-balance sheet exposure at gross notional amount	244,070,461	247,111,132
18	Less: Adjustments for conversion to credit equivalent amounts	(165,630,079)	(179,083,430)
19	Off-balance sheet items	78,440,382	68,027,702
Capital and total exposures			
20	Tier 1 capital	137,531,868	138,470,240
20a	Total exposures before adjustments for specific and collective provisions	1,031,125,394	998,643,476
20b	Adjustments for specific and collective provisions	(7,628,316)	(7,656,591)
21	Total exposures after adjustments for specific and collective provisions	1,023,497,078	990,986,885
Leverage ratio			
22	Leverage ratio	13.44%	13.97%

b. Leverage ratio (LR2) (continued)

Item 4:

The replacement cost associated with all derivative contracts has increased by HKD2,329 million or an increase of 21.98% 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 has increased by HKD1,063 million or an increase of 196.65%.

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 HKD17,173 million or a decrease of 50.14%.

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 17,173 million or a decrease of 50.14% and HKD 278 million or a decrease of 12.51% respectively. The total exposures arising from SFTs decreased by HKD17,451 million or a decrease of 47.85%.

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		Unweighted value (average)	Weighted value (average)
A. HQLA			
1	Total HQLA		151,102,003
B. Cash outflows			
2	Retail deposits and small business funding, of which:	134,135,218	12,642,713
3	<i>Stable retail deposits and stable small business funding</i>	11,011,549	330,346
4	<i>Less stable retail deposits and less stable small business funding</i>	123,123,669	12,312,367
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:	315,058,644	166,044,694
6	<i>Operational deposits</i>	20,817,451	5,159,417
7	<i>Unsecured wholesale funding (other than small business funding) not covered in row 6</i>	292,639,649	159,283,733
8	<i>Debt securities and prescribed instruments issued by the AI and redeemable within the LCR period</i>	1,601,544	1,601,544
9	Secured funding transactions (including securities swap transactions)		2,883,360
10	Additional requirements, of which:	72,168,205	12,094,449
11	<i>Cash outflows arising from derivative contracts and other transactions, and additional liquidity needs arising from related collateral requirements</i>	6,484,446	5,437,828
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>	65,683,759	6,656,621
14	Contractual lending obligations (not otherwise covered in Section B) and other contractual cash outflows	7,962,195	7,962,195
15	Other contingent funding obligations (whether contractual or non-contractual)	412,851,175	2,532,573
16	Total Cash Outflows		204,159,984
C. Cash Inflows			
17	Secured lending transactions (including securities swap transactions)	7,893	6,220
18	Secured and unsecured loans (other than secured lending transactions covered in row 17) and operational deposits placed at other financial institutions	144,833,143	107,655,981
19	Other cash inflows	106,625,327	6,331,613
20	Total Cash Inflows	251,466,363	113,993,814
D. Liquidity Coverage Ratio			
21	Total HQLA		149,198,277

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		Unweighted value (average)	Weighted value (average)
22	Total Net Cash Outflows		90,166,170
23	LCR (%)		166.77%

Liquidity Coverage Ratio

The Liquidity Coverage Ratio ("LCR") throughout the second quarter of 2022 meets the regulatory requirement and maintains at a safe level.

The average LCR as of the second quarter of 2022 decreased by 31.68% compared to that as of the first quarter of 2022. Such decrease was mainly due to the average HQLA decreased by HKD 14.12 billion, and the average total net cash outflows increased by HKD 6.34 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 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.

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.

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.

b. Net Stable Funding Ratio – for category 1 institution (LIQ2)

		30/06/2022				
		(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	
A. Available stable funding ("ASF") item						
1	Capital:	147,425,219	-	-	-	147,425,219
2	Regulatory capital	147,425,219	-	-	-	147,425,219
2a	Minority interests not covered by row 2	-	-	-	-	-
3	Other capital instruments	-	-	-	-	-
4	Retail deposits and small business funding:	-	137,448,389	46,921	-	124,302,733
5	Stable deposits		11,117,484	21,600	-	10,582,130
6	Less stable deposits		126,330,905	25,321	-	113,720,603
7	Wholesale funding:	-	527,246,221	48,257,961	19,581,457	233,237,354
8	Operational deposits		14,941,240	-	-	7,470,620
9	Other wholesale funding	-	512,304,981	48,257,961	19,581,457	225,766,734
10	Liabilities with matching interdependent assets	-	-	-	-	-
11	Other liabilities:	11,475,761	31,445,578	1,568,250	7,233,765	8,017,891
12	Net derivative liabilities	-				
13	All other funding and liabilities not included in the above categories	11,475,761	31,445,578	1,568,250	7,233,765	8,017,891
14	Total ASF					512,983,197
B. Required stable funding ("RSF") item						
15	Total HQLA for NSFR purposes	179,248,997				27,279,854
16	Deposits held at other financial institutions for operational purposes	-	379,780	-	-	189,890
17	Performing loans and securities:	3,314,624	311,319,683	66,957,478	316,162,053	374,538,557
18	Performing loans to financial institutions secured by Level 1 HQLA	-	-	-	-	-
19	Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	-	212,354,575	24,963,388	4,215,225	48,550,105

		30/06/2022				
		(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	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:	3,314,624	94,081,016	35,512,349	212,762,085	248,131,490
21	With a risk-weight of less than or equal to 35% under the STC approach	-	1,913,120	87,579	1,651,978	2,074,136
22	Performing residential mortgages, of which:	-	1,615,272	1,368,416	75,049,776	53,151,168
23	With a risk-weight of less than or equal to 35% under the STC approach	-	1,372,493	1,133,694	60,664,930	40,685,298
24	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	-	3,268,820	5,113,325	24,134,967	24,705,794
25	Assets with matching interdependent liabilities	-	-	-	-	-
26	Other assets:	35,713,228	25,373,647	2,951,921	2,428,016	30,267,101
27	Physical traded commodities, including gold	-				-
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs	123,222				104,739
29	Net derivative assets	7,286,241				7,286,241
30	Total derivative liabilities before deduction of variation margin posted	10,791,634				539,582
31	All other assets not included in the above categories	17,512,131	25,373,647	2,951,921	2,428,016	22,336,539
32	Off-balance sheet items					2,773,265
33	Total RSF					435,048,667
34	Net Stable Funding Ratio (%)					117.91%

b. Net Stable Funding Ratio – for category 1 institution (LIQ2) (continued)

		31/03/2022				
		(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	
A. Available stable funding ("ASF") item						
1	Capital:	148,397,591	-	-	-	148,397,591
2	Regulatory capital	148,397,591	-	-	-	148,397,591
2a	Minority interests not covered by row 2	-	-	-	-	-
3	Other capital instruments	-	-	-	-	-
4	Retail deposits and small business funding:	-	131,615,661	11,144	-	119,012,167
5	Stable deposits		10,954,296	6,531	-	10,412,786
6	Less stable deposits		120,661,365	4,613	-	108,599,381
7	Wholesale funding:	-	512,977,546	44,769,501	25,669,752	236,861,941
8	Operational deposits		32,086,694	-	-	16,043,347
9	Other wholesale funding	-	480,890,852	44,769,501	25,669,752	220,818,594
10	Liabilities with matching interdependent assets	-	-	-	-	-
11	Other liabilities:	10,776,251	9,638,563	11,808,776	9,305,931	15,210,318
12	Net derivative liabilities	-				
13	All other funding and liabilities not included in the above categories	10,776,251	9,638,563	11,808,776	9,305,931	15,210,318
14	Total ASF					519,482,017
B. Required stable funding ("RSF") item						
15	Total HQLA for NSFR purposes	197,140,526				25,434,407
16	Deposits held at other financial institutions for operational purposes	-	2,182,364	-	-	1,091,182
17	Performing loans and securities:	3,793,195	252,632,310	70,186,470	309,363,633	356,347,379
18	Performing loans to financial institutions secured by Level 1 HQLA	-	-	-	-	-
19	Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	-	169,664,485	19,160,797	4,635,235	39,665,306

		31/03/2022				
		(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	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:	3,793,195	77,938,351	46,438,253	209,161,985	242,863,579
21	With a risk-weight of less than or equal to 35% under the STC approach	-	1,950,468	67,790	1,683,129	2,103,163
22	Performing residential mortgages, of which:	-	1,531,533	1,415,154	75,554,210	53,473,018
23	With a risk-weight of less than or equal to 35% under the STC approach	-	1,281,819	1,167,351	61,107,022	40,944,149
24	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	-	3,497,941	3,172,266	20,012,203	20,345,476
25	Assets with matching interdependent liabilities	-	-	-	-	-
26	Other assets:	38,619,778	22,480,207	809,359	16,353,715	45,292,578
27	Physical traded commodities, including gold	-				-
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs	123,222				104,739
29	Net derivative assets	7,411,757				7,411,757
30	Total derivative liabilities before deduction of variation margin posted	7,066,236				353,312
31	All other assets not included in the above categories	24,018,563	22,480,207	809,359	16,353,715	37,422,770
32	Off-balance sheet items				-	3,553,796
33	Total RSF					431,719,342
34	Net Stable Funding Ratio (%)					120.33%

b. Net Stable Funding Ratio – for category 1 institution (LIQ2) (continued)

The Net Stable Funding Ratio ("NSFR") throughout the second quarter of 2022 meets the regulatory requirement and maintains at a safe level.

(i) Main drivers of NSFR results

The change in the Bank's NSFR's is mainly due to the change in 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 which grows smoothly in size. 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	2,844,758	696,697,122	7,215,161	1,514,065	5,701,096	-	692,326,719
2	Debt securities	156,999	191,970,300	288,860	130,119	158,741	-	191,838,439
3	Off-balance sheet exposures	-	244,070,461	304,248	-	304,248	-	243,766,213
4	Total	3,001,757	1,132,737,883	7,808,269	1,644,184	6,164,085	-	1,127,931,371

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.

b. Changes in defaulted loans and debt securities (CR2)

		(HK\$'000)
		(a)
		Amount
1	Defaulted loans and debt securities at the end of the previous reporting period	6,128,949
2	Loans and debt securities that have defaulted since the last reporting period	1,187,330
3	Returned to non-defaulted status	(2,843)
4	Amounts written off	(116,914)
5	Other changes	(4,194,765)
6	Defaulted loans and debt securities at the end of the current reporting period	3,001,757

Loans and debt securities that have defaulted since the last reporting period amounted to HKD1,187 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 HKD117 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. During the reporting period, the Bank strengthened the recovery of non-performing loans, completed full recovery of large-amount NPL efficiently. Due to the effective asset quality control measures, the Bank's asset quality is better than the market average.

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	684,375,950	7,950,769	3,168,412	4,782,357	-
2	Debt securities	173,572,149	18,266,290	-	18,266,290	-
3	Total	857,948,099	26,217,059	3,168,412	23,048,647	-
4	Of which defaulted	1,798,573	1,203,184	967,634	235,550	-

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 2022, "Exposures to be secured" of loans approximately decreased by HKD 9.15 billion or a decrease of 53.51% compared with the fourth quarter of 2021, in which "Exposures secured by recognized collateral" of loans decreased by HKD 5.30 billion or a decrease of 62.56%, as well as "Exposures secured by recognized guarantees" decreased by HKD 3.86 billion or 44.65%, mainly due to the decrease of term loans and syndicated loans to corporates. Besides, mainly because of increase in debt securities exposures to corporates, "Exposures to be secured" of debt securities and in which "Exposures secured by recognized guarantees" increased by 36.85% amounting HKD 4.92 billion respectively. Mainly owing to the accounting adjustments of reversal of defaulted loans in the fourth quarter of 2021, among "Of which defaulted" items, "Exposures to be secured" and "Exposures secured by recognized collateral" decreased by 74.50% and 79.38%. Whereas because of increase of debt securities which were past due over 90 days, "Exposures secured by recognized guarantees" increased by 785.16%.

d. Credit risk exposures and effects of recognized credit risk mitigation – for STC approach (CR4)

		(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
1	Sovereign exposures	99,463,266	-	117,839,882	-	177,195	0%
2	PSE exposures	14,648,010	2,100,000	17,863,307	1,000,000	3,708,865	20%
2a	Of which: domestic PSEs	3,531,409	2,100,000	6,746,706	1,000,000	1,549,341	20%
2b	Of which: foreign PSEs	11,116,601	-	11,116,601	-	2,159,524	19%
3	Multilateral development bank exposures	393,771	-	393,771	-	-	0%
4	Bank exposures	243,832,481	11,629,293	249,205,791	11,612,167	95,081,428	36%
5	Securities firm exposures	1,465,238	1,425,000	1,465,238	-	732,619	50%
6	Corporate exposures	411,091,139	205,820,334	385,274,100	47,336,627	404,689,580	94%
7	CIS exposures	7,804,231	4,557,393	7,804,231	2,278,697	10,082,928	100%
8	Cash items	356,072	-	2,591,900	1,691,170	437,982	10%
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	27,228,788	18,099,160	27,158,019	19,777	20,383,349	75%
11	Residential mortgage loans	78,337,670	-	75,131,530	-	39,785,686	53%
12	Other exposures which are not past due exposures	20,206,785	139,281	20,099,683	-	20,099,683	100%
13	Past due exposures	1,247,591	-	1,247,591	-	1,287,919	103%
14	Significant exposures to commercial entities	-	-	-	-	-	NA
15	Total	906,075,042	243,770,461	906,075,043	63,938,438	596,467,234	61%

d. Credit risk exposures and effects of recognized credit risk mitigation – for STC approach (CR4) (continued)

In the first half of 2022, mainly owing to decrease of exposures to HKMA, the on-balance sheet amount of "Exposures pre-CCF and pre-CRM" to sovereign exposures decreased by HKD 32.18 billion or 24.44%. The off-balance sheet amount of "Exposures post-CCF and post-CRM" to sovereign exposures decreased by HKD 679 thousand or 100%, mainly due to decrease of trade-related contingencies secured by sovereigns. Thus, RWA to sovereign exposures decreased by 30.65%.

Of which in PSE exposures, the on-balance sheet amount of "Exposures pre-CCF and pre-CRM" to domestic PSEs exposures increased by HKD 1.08 billion or 44.06%, 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 2 billion, as well as the off-balance sheet amount of "Exposures post-CCF and post-CRM" to domestic PSEs exposures increased by HKD 1 billion, mainly due to the uplift of commitments with original maturity more than one year. Thus, RWA to domestic PSEs exposures increases by 36.16%.

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 10.37 billion and HKD 10.38 million, or 825.88% and 839.35% respectively, mainly due to increase of forward deposits exposures. Meanwhile, because of the increase in money market placements of bank exposures, RWA to bank exposures increased by HKD 22.37 billion or 30.76%.

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 974.86 million or uplift by 198.80%, mainly due to increase of loan exposures to securities firms, which its RWA increase by 198.80%. The off-balance sheet amount of "Exposures pre-CCF and pre-CRM" to securities firm exposures decreased by HKD 1.1 billion or 43.49% in percentage, mainly owing to decrease of commitments that are cancellable unconditionally.

Mainly due to the decrease of cash collateral, the on-balance sheet amount and the off-balance sheet amount of "Exposures post-CCF and post-CRM" to cash items decreased by HKD 1.49 billion and HKD 470.38 million, or 36.57% and 21.76% respectively. RWA density of cash items thus uplift by 20.94%. The off-balance sheet amount of "Exposures post-CCF and post-CRM" to regulatory retail exposures decreased by HKD 6.54 million or 24.84%, mainly due to decrease of direct credit substitutes exposures to regulatory retail clients.

d. Credit risk exposures and effects of recognized credit risk mitigation – for STC approach (CR4) (continued)

Overall, mainly because of increase in the off-balance sheet amount of bank exposures, the off-balance sheet amount of total "Exposures post-CCF and post-CRM" uplifted 28.68% compared to 31 December 2021.

e. Credit risk exposures by asset classes and by risk weights – for STC approach (CR5)

		(HK\$'000)										
		(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(ha)	(i)	(j)
	<div>Risk Weight</div> <div>Exposure class</div>	0%	10%	20%	35%	50%	75%	100%	150%	250%	Others	Total credit risk exposures amount (post CCF and post CRM)
1	Sovereign exposures	116,953,905	-	885,977	-	-	-	-	-	-	-	117,839,882
2	PSE exposures	318,981	-	18,544,326	-	-	-	-	-	-	-	18,863,307
2a	Of which: domestic PSEs	-	-	7,746,706	-	-	-	-	-	-	-	7,746,706
2b	Of which: foreign PSEs	318,981	-	10,797,620	-	-	-	-	-	-	-	11,116,601
3	Multilateral development bank exposures	393,771	-	-	-	-	-	-	-	-	-	393,771
4	Bank exposures	-	-	117,758,498	-	143,059,460	-	-	-	-	-	260,817,958
5	Securities firm exposures	-	-	-	-	1,465,238	-	-	-	-	-	1,465,238
6	Corporate exposures	-	-	3,941,108	-	49,536,524	-	379,133,095	-	-	-	432,610,727
7	CIS exposures	-	-	-	-	-	-	10,082,928	-	-	-	10,082,928
8	Cash items	2,093,158	-	2,189,912	-	-	-	-	-	-	-	4,283,070
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	-	-	-	-	-	27,177,787	9	-	-	-	27,177,796
11	Residential mortgage loans	-	-	-	52,439,649	-	5,040,289	17,651,592	-	-	-	75,131,530
12	Other exposures which are not past due exposures	-	-	-	-	-	-	20,099,683	-	-	-	20,099,683
13	Past due exposures	369	-	-	-	-	-	1,165,827	81,395	-	-	1,247,591
14	Significant exposures to commercial entities	-	-	-	-	-	-	-	-	-	-	-
15	Total	119,760,184	-	143,319,821	52,439,649	194,061,222	32,218,076	428,133,134	81,395	-	-	970,013,481

e. Credit risk exposures by asset classes and by risk weights – for STC approach (CR5) (continued)

In the first half of 2022, the sovereign exposures with 10% risk weight decreased by HKD 52.23 million or 100%, mainly due to the decrease in debt securities exposures with 10% risk weight to sovereign exposures. The sovereign exposures with 20% risk weight decreased by HKD 365.39 million or 29.20%, mainly owing to decrease in debt securities exposures with 20% risk weight to sovereign exposures.

The domestic PSEs exposures with 20% risk weight increased by HKD 2.06 billion or 36.16%, mainly because of increase in debt securities exposures with 20% risk weight of domestic PSEs and uplift of commitments with original maturity more than one year with 20% risk weight; its total credit risk exposures amount increased by 36.16%.

Compared to 31 December 2021, the bank exposures with 50% risk weight increased by HKD 51.34 billion or 55.98%, mainly due to the increase of money market placement to other banks as well as increase in forward deposits exposures.

For securities firm exposures with 50% risk weight and its total credit risk exposures amount both increased by HKD 974.86 million or 198.80%, mainly due to increase of loan exposures to securities firms compared to the fourth quarter of 2021.

Due to decrease of syndicated loans and debt securities to the corporate exposures with 150% risk weight, the corporate exposures with 150% risk weight decreased by HKD 731.55 million or 100%.

Exposures to cash items with 0% risk weight and its total credit risk exposures amount decreased by HKD 1.51 billion and HKD 1.97 billion, or 41.96% and 31.45% respectively, mainly due to the decrease of cash collateral. Meanwhile, owing to reduction of the loans which was past due over 90 days with 0% risk weights, past due exposures with 0% risk weight decreased by 75.82%, whereas, past due exposures with 150% risk weights increased by HKD 15.34 million or 23.22% due to uplift of the loans which was past due over 90 days with 150% risk weights.

Overall, total exposure with 10% risk weight decreased by 100%, total exposure with 50% risk weight uplifted by 35.04%, whereas total exposure with 150% risk weight decreased by 89.80% compared to 31 December 2021.

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 (α) used for computing default risk exposure	Default risk exposure after CRM	RWA
1	SA-CCR (for derivative contracts)	7,899,410	13,155,717		1.4	29,477,178	14,597,258
1a	CEM (for derivative contracts)	-	-		1.4	-	-
2	IMM (CCR) approach			-	-	-	-
3	Simple Approach (for SFTs)					17,074,500	824,851
4	Comprehensive Approach (for SFTs)					-	-
5	VaR (for SFTs)					-	-
6	Total						15,422,109

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 2021, total RWA of counterparty default risk exposures slightly increased by HKD 0.1 billion, which was mainly driven by the default risk exposure increase from the derivative contracts.

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	29,477,178	4,786,463
4	Total	29,477,178	4,786,463

Compared with 31 December 2021, the CVA RWA amount increased by HKD 0.8 billion, which was mainly driven by the EAD increase from the derivative contracts.

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)
	<div>Risk Weight</div> <div>Exposure class</div>	0%	10%	20%	35%	50%	75%	100%	150%	250%	Others	Total default risk exposure after CRM
1	Sovereign exposures	86,844	-	-	-	-	-	-	-	-	-	86,844
2	PSE exposures	-	-	-	-	-	-	1,799	-	-	-	1,799
2a	Of which: domestic PSEs	-	-	-	-	-	-	-	-	-	-	-
2b	Of which: foreign PSEs	-	-	-	-	-	-	-	-	-	-	-
3	Multilateral development bank exposures	-	-	-	-	-	-	-	-	-	-	-
4	Bank exposures	15,035,125	-	15,330,980	-	4,955,171	-	-	-	-	-	35,321,276
5	Securities firm exposures	-	-	-	-	2,484,407	-	-	-	-	-	2,484,407
6	Corporate exposures	-	-	-	-	-	-	8,559,976	-	-	-	8,559,976
7	CIS exposures	-	-	-	-	-	-	-	-	-	-	-
8	Regulatory retail exposures	-	-	-	-	-	92,104	-	-	-	-	92,104
9	Residential mortgage loans	-	-	-	-	-	-	-	-	-	-	-
10	Other exposures which are not past due exposures	-	-	-	-	-	-	5,272	-	-	-	5,272
11	Significant exposures to commercial entities	-	-	-	-	-	-	-	-	-	-	-
12	Total	15,121,969	-	15,330,980	-	7,439,578	92,104	8,567,047	-	-	-	46,551,678

Compared with 31 December 2021, the overall default risk exposure decreased by HKD 17.74 billion, mainly contributed by the overall decrease in repo business. The 0% risk weight exposure showed a notable decrease of HKD 21.64 billion, mainly from bank exposures, while the 100% risk weight exposure decreased by HKD 1.15 billion. In contrast, the 20% and 50% risk weight exposure increased by HKD 4.15 billion and HKD 0.96 billion respectively. The remaining risk weight exposures did not have significant movement.

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	-	-	-	-	-	-
Cash - other currencies	-	1,214,704	-	1,919,483	5,309,379	-
Domestic sovereign debt	-	-	-	-	-	-
Other sovereign debt	-	-	-	-	-	2,016,948
Domestic PSE debt	-	-	-	-	-	-
Government agency debt	-	-	-	-	-	-
Corporate bonds	-	-	-	-	-	41,517
Bank bonds/debts	-	-	-	-	-	14,911,103
Equity securities	-	-	-	-	94,041	-
Other collateral	-	-	-	-	-	-
Total	-	1,214,704	-	1,919,483	5,403,420	16,969,568

Compared with 31 December 2021, the net fair value of recognized collateral from derivatives contracts and SFTs have decreased by HKD 0.9 billion and HKD 0.4 billion respectively, which was mainly driven by the decrease of derivatives' replacement cost with counterparties under the margin agreements as well as the decrease in volume of the REPO-style transactions in the first half of 2022.

e. Credit-related derivatives contracts (CCR6)

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

f. Exposures to CCPs (CCR8)

		(HK\$'000)	
		(a)	(b)
		Exposure after CRM	RWA
1	Exposures of the AI as clearing member or client to qualifying CCPs (total)		87,538
2	Default risk exposures to qualifying CCPs (excluding items disclosed in rows 7 to 10), of which:	3,226,331	64,526
3	(i) OTC derivative transactions	3,226,331	64,526
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	1,027,438	20,549
9	Funded default fund contributions	123,222	2,463
10	Unfunded default fund contributions	-	-
11	Exposures of the AI as clearing member or client to non-qualifying CCPs (total)		-
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 2021, the qualifying CCPs RWA amount decreased by 6.2%, which was mainly driven by the decrease 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	-	-	-	-	-	-	-	-	-

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	-	-	-	-	-	-	-	-	-

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	Total exposures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
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	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

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
1	Total exposures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
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)	9,083,525
2	Equity exposures (general and specific risk)	-
3	Foreign exchange (including gold) exposures	16,370,462
4	Commodity exposures	91,900
	Option exposures	
5	Simplified approach	-
6	Delta-plus approach	98,063
7	Other approach	-
8	Securitization exposures	-
9	Total	25,643,950

In this period, the RWA of market risk was stable compared to that on 31 December 2021, which slightly decreased by 0.37%.

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:

	Banks	Official sector	Non-bank private sector		
	HK\$ million	HK\$ million	Non-bank financial institutions	Non-financial private sector	Total
			HK\$ million	HK\$ million	HK\$ million
30 June 2022					
Developed countries	59,092	15,375	2,963	33,273	110,703
Offshore centers	5,774	56,019	11,739	319,617	393,149
Developing Europe	809	-	-	-	809
Developing Latin America and Caribbean	-	-	-	-	-
Developing Africa and Middle East	107	-	-	351	458
Developing Asia-Pacific, of which	163,205	40,823	42,634	144,929	391,591
— Mainland China	161,409	40,823	42,634	140,138	385,004
— Others	1,796	-	-	4,791	6,587
International organizations	-	394	-	-	394
	228,987	112,611	57,336	498,170	897,104

12. International claims (continued)

	Banks	Official sector	Non-bank private sector		Total
	HK\$ million	HK\$ million	Non-bank financial institutions HK\$ million	Non-financial private sector HK\$ million	HK\$ million
31 December 2021					
Developed countries	55,781	8,254	2,805	26,560	93,400
Offshore centers	5,211	94,555	11,734	304,024	415,524
Developing Europe	117	1	-	-	118
Developing Latin America and Caribbean	-	-	-	-	-
Developing Africa and Middle East	109	-	-	1,172	1,281
Developing Asia-Pacific, of which	143,193	41,189	50,861	155,510	390,753
— Mainland China	142,344	41,189	50,861	150,184	384,578
— Others	849	-	-	5,326	6,175
International organizations	-	340	-	-	340
	204,411	144,339	65,400	487,266	901,416

13. Loan and advances to customers analysed by industry sectors

	30 June 2022 Gross loans and advances HK\$'000	30 June 2022 % of secured advances	31 December 2021 Gross loans and advances HK\$'000	31 December 2021 % of secured advances
Loans for use in Hong Kong				
Industrial, commercial and financial				
- Property development	59,337,448	37.20%	58,173,554	45.38%
- Property investment	24,407,006	58.33%	22,299,396	53.00%
- Financial concerns	25,576,475	4.35%	27,147,666	4.18%
- Stockbrokers	2,928,759	0.00%	2,195,765	0.00%
- Wholesale and retail trade	4,715,110	77.17%	5,363,467	72.52%
- Civil engineering works	1,178,284	29.11%	1,323,625	32.31%
- Manufacturing	4,302,513	25.85%	4,029,054	31.67%
- Transport and transport equipment	22,459,724	55.33%	22,970,426	53.73%
- Electricity and gas	9,987,048	0.00%	4,723,371	0.00%
- Information technology	14,432,749	0.55%	11,978,926	0.73%
- Hotels, boarding houses and catering	2,793,674	34.47%	2,447,736	39.82%
- Recreational activities	10,791	100.00%	46,605	71.19%
- Others	37,843,227	13.45%	36,835,488	13.03%
Individuals				
- Loans for the purchase of flats in Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme	265,321	99.08%	276,920	98.74%
- Loans for the purchase of other residential properties	56,808,091	98.98%	53,912,813	98.91%
- Credit card advances	418,522	0.00%	482,939	0.00%
- Others	21,624,959	93.63%	22,002,855	92.97%
Trade finance	7,629,070	28.24%	5,026,641	42.95%
Loans for use outside Hong Kong	158,473,680	28.50%	168,751,257	30.09%
	<u>455,192,451</u>	<u>40.68%</u>	<u>449,988,504</u>	<u>42.26%</u>

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:

	30 June 2022 HK\$'000	31 December 2021 HK\$'000
Loans for use outside Hong Kong		
Individually impaired loans	2,103,256	773,217
Overdue loans and advances over three months	2,103,779	774,244
Lifetime ECL credit-impaired	974,582	990,824
Lifetime ECL not credit-impaired	601,410	177,361
12-month ECL	3,100,324	3,530,613
New impairment allowances credited to income statement	(22,481)	(640,752)
Impaired loans and advances written off during the year	92,599	1,063,911
Loans for use in Hong Kong		
Industrial, commercial and financial		
Property development		
Individually impaired loans	616,200	4,137,593
Overdue loans and advances over three months	-	-
Lifetime ECL credit-impaired	413,651	442,213
Lifetime ECL not credit-impaired	15,827	32,601
12-month ECL	102,794	195,974
New impairment allowances (credited)/charged to income statement	(138,515)	545,849
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	7,013	7,609
Overdue loans and advances over three months	-	-
Lifetime ECL credit-impaired	-	-
Lifetime ECL not credit-impaired	2,391	1,444
12-month ECL	73,673	88,771
New impairment allowances (credited)/charged to income statement	(14,151)	39,598
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:

	Gross advances to customers HK\$'000	Overdue advances for over three months HK\$'000	Impaired loans and advances HK\$'000	Lifetime ECL credit impaired HK\$'000	Non-credit impaired ECL HK\$'000
30 June 2022					
Hong Kong	300,784,374	633,870	669,148	269,664	1,893,881
Mainland China	131,310,705	1,380,088	1,996,521	1,024,877	3,054,560
Macau	112,285	-	-	-	290
Asia Pacific Region (excluding Hong Kong, Mainland China and Macau)	6,994,349	214,563	214,563	215,576	236,041
Others	15,990,738	37	-	3,948	431,736
Total	<u>455,192,451</u>	<u>2,228,558</u>	<u>2,880,232</u>	<u>1,514,065</u>	<u>5,616,508</u>
	Gross advances to customers HK\$'000	Overdue advances for over three months HK\$'000	Impaired loans and advances HK\$'000	Lifetime ECL credit impaired HK\$'000	Non-credit impaired ECL HK\$'000
31 December 2021					
Hong Kong	281,942,858	638,538	4,825,664	724,041	2,228,823
Mainland China	145,949,958	1,139,662	1,143,134	497,094	3,157,556
Macau	117,381	-	-	-	315
Asia Pacific Region (excluding Hong Kong, Mainland China and Macau)	7,535,829	213,243	213,243	216,246	330,016
Others	14,442,478	58	-	2,186	446,203
Total	<u>449,988,504</u>	<u>1,991,501</u>	<u>6,182,041</u>	<u>1,439,567</u>	<u>6,162,913</u>

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.

	On-balance sheet exposure HK\$'000	Contingent Liabilities HK\$'000	FX and derivatives contract HK\$'000	Total exposures HK\$'000
30 June 2022				
Type of counterparties				
(a) Central government, central government owned entities and their subsidiaries and JVs	151,157,145	1,665,519	89,572	152,912,236
(b) Local government, local government owned entities and their subsidiaries and JVs	47,806,239	2,860,755	-	50,666,994
(c) PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	106,560,309	21,848,407	20,963	128,429,679
(c)(i) Of which, PRC nationals residing in Mainland China or entities beneficially owned by Mainland interest	99,292,927	21,591,217	20,963	120,905,107
(d) Other entities of central government not reported in item (a) above	19,420,033	184,343	3,604	19,607,980
(e) Other entities of local government not reported in item (b) above	3,636,213	261,841	10,350	3,908,404
(f) PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	2,788,686	3,000	-	2,791,686
(g) Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	6,863,013	157,284	13,690	7,033,987
	338,231,638	26,981,149	138,179	365,350,966

15. Mainland activities (continued)

31 December 2021	On-balance sheet exposure HK\$'000	Contingent Liabilities HK\$'000	FX and derivatives contract HK\$'000	Total exposures HK\$'000
Type of counterparties				
(a) Central government, central government owned entities and their subsidiaries and JVs	145,039,196	3,059,125	264,330	148,362,651
(b) Local government, local government owned entities and their subsidiaries and JVs	45,498,293	3,336,426	1,856	48,836,575
(c) PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	118,724,886	19,059,836	205,381	137,990,103
(c)(i) Of which, PRC nationals residing in Mainland China or entities beneficially owned by Mainland interest	109,575,003	18,859,888	205,381	128,640,272
(d) Other entities of central government not reported in item (a) above	18,567,282	121,543	45,911	18,734,736
(e) Other entities of local government not reported in item (b) above	3,154,438	785,268	-	3,939,706
(f) PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	2,436,768	3,000	-	2,439,768
(g) Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	7,712,745	353,514	32,382	8,098,641
	341,133,608	26,718,712	549,860	368,402,180

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
30 Jun 2022	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Non-structural position				
Spot assets	310,122,422	197,367,702	47,078,494	554,568,618
Spot liabilities	(282,660,519)	(187,552,659)	(39,035,185)	(509,248,363)
Forward purchases	327,484,912	193,544,105	64,227,346	585,256,363
Forward sales	(386,021,019)	(200,282,803)	(72,320,239)	(658,624,061)
Net option position	(109,684)	(2,090,493)	(53,121)	(2,253,298)
Net (short)/long position	(31,183,888)	985,852	(102,705)	(30,300,741)
Net structural position	215,248	15,036,248	-	15,251,496

	US\$	RMB	Other foreign currencies	Total
31 December 2021	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Non-structural position				
Spot assets	299,896,495	200,687,765	42,944,932	543,529,192
Spot liabilities	(309,616,866)	(176,347,900)	(49,549,874)	(535,514,640)
Forward purchases	298,992,554	140,941,131	61,950,867	501,884,552
Forward sales	(309,397,218)	(163,283,837)	(54,915,230)	(527,596,285)
Net option position	(3,579,743)	545,623	7,656	(3,026,464)
Net (short)/long position	(23,704,778)	2,542,782	438,351	(20,723,645)
Net structural position	213,917	15,132,916	-	15,346,833

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 overseas subsidiary Chinese Mercantile Bank.

17. Off-balance sheet exposures

Note 36.1 of the 2022 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 2022, the total credit risk weighted amount of contingent liabilities and commitments is HKD 53,105 million (31 December 2021: HKD 45,363 million).

18. Analysis of fees and commission income

For details, please refer to Note 7 of the 2022 Interim financial statements of the Group.

19. Overdue advances to customers and banks and other assets

For details, please refer to Notes 21.2 and 21.3 of the 2022 Interim financial statements of the Group.

20. Rescheduled exposures

For details, please refer to Note 21.4 of the 2022 Interim financial statements of the Group.

21. Repossessed assets

For details, please refer to Note 21.5 of the 2022 Interim financial statements of the Group.