



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, 2024

(UNAUDITED)

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1. Purpose and Basis of Consolidation

The information contained in this Regulatory Disclosure Statement (the "Statement") is for Industrial and Commercial Bank of China (Asia) Limited (the "Bank") and its subsidiaries (collectively the "Group") to comply with the Banking (Disclosure) Rules ("BDR") (Cap. 155M) and Part 6 of the Financial Institutions (Resolution) (Loss-absorbing Capacity Requirements – Banking Sector) Rules, and does not constitute statutory financial statements.

While the 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)
		30/06/2024	31/03/2024	31/12/2023	30/09/2023	30/06/2023
Regulatory capital (amount)						
1	Common Equity Tier 1 (CET1)	120,551,656	119,178,824	116,273,462	113,376,766	113,656,329
2	Tier 1	148,163,051	146,841,845	143,903,421	141,057,467	141,361,428
3	Total capital	153,899,414	152,330,528	150,159,969	147,742,370	148,122,175
RWA (amount)						
4	Total RWA	632,812,917	625,710,160	622,030,858	627,876,035	642,522,902
Risk-based regulatory capital ratios (as a percentage of RWA)						
5	CET1 ratio (%)	19.05%	19.05%	18.69%	18.06%	17.69%
6	Tier 1 ratio (%)	23.41%	23.47%	23.13%	22.47%	22.00%
7	Total capital ratio (%)	24.32%	24.35%	24.14%	23.53%	23.05%
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 (%)	0.64%	0.66%	0.64%	0.67%	0.67%
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 (%)	4.14%	4.16%	4.14%	4.17%	4.17%
12	CET1 available after meeting the AI's minimum capital requirements (%)	14.55%	14.55%	14.19%	13.56%	13.19%
Basel III leverage ratio						
13	Total leverage ratio (LR) exposure measure	1,002,309,501	993,738,293	976,370,799	976,873,356	974,644,412
14	LR (%)	14.78%	14.78%	14.74%	14.44%	14.50%
Liquidity Coverage Ratio (LCR) / Liquidity Maintenance Ratio (LMR)						
Applicable to category 1 institution only:						
15	Total high quality liquid assets (HQLA)	176,836,420	162,309,250	166,846,872	152,072,287	136,216,518
16	Total net cash outflows	113,986,928	99,930,839	86,638,224	82,811,529	83,121,607
17	LCR (%)	156.50%	164.61%	198.04%	184.69%	168.05%
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	572,065,836	573,485,855	558,705,332	556,637,149	535,922,830
19	Total required stable funding	435,825,946	447,200,985	446,453,370	442,122,014	441,538,570
20	NSFR (%)	131.26%	128.24%	125.14%	125.90%	121.38%
Applicable to category 2A institution only:						
20a	CFR (%)	N/A	N/A	N/A	N/A	N/A

2. Key Prudential Ratios and Metrics (continued)

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

		(HK\$'000)				
		(a)	(b)	(c)	(d)	(e)
		30/06/2024	31/03/2024	31/12/2023	30/09/2023	30/06/2023
Of the material entity at LAC consolidation group level						
1	Internal loss-absorbing capacity available	163,660,477	162,109,841	159,927,594	158,154,209	158,543,191
2	Risk-weighted amount under the LAC Rules	632,812,917	625,710,160	622,030,858	627,876,035	642,522,902
3	Internal LAC risk-weighted ratio	25.86%	25.91%	25.71%	25.19%	24.68%
4	Exposure measure under the LAC Rules	1,002,309,501	993,738,293	976,370,799	976,873,356	974,644,412
5	Internal LAC leverage ratio	16.33%	16.31%	16.38%	16.19%	16.27%
6a	Does the subordination exemption in the antepenultimate paragraph of Section 11 of the FSB TLAC Term Sheet apply?(Note 1)	N/A	N/A	N/A	N/A	N/A
6b	Does the subordination exemption in the penultimate paragraph of Section 11 of the FSB TLAC Term Sheet apply?(Note 1)	N/A	N/A	N/A	N/A	N/A
6c	If the capped subordination exemption applies, the amount of funding issued that ranks pari passu with excluded liabilities and that is recognised as external loss-absorbing capacity, divided by funding issued that ranks pari passu with excluded liabilities and that would be recognised as external loss-absorbing capacity if no cap was applied (Note 1)	N/A	N/A	N/A	N/A	N/A

Note 1: The subordination exemptions in the antepenultimate and penultimate paragraphs of Section 11 of the Financial Stability Board ("FSB") Total Loss Absorbing Capacity ("TLAC") Term Sheet do not apply in Hong Kong under the Loss Absorbing Capacity ("LAC") Rules.

2. Key Prudential Ratios and Metrics (continued)

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

		(HK\$ Million)				
		(a)	(b)	(c)	(d)	(e)
		30/06/2024	31/03/2024	31/12/2023	30/09/2023	30/06/2023
Of the non-HK resolution entity at resolution group level (Note 1)						
1	External loss-absorbing capacity available	5,196,966	5,244,648	5,185,172	4,950,726	4,818,261
2	Total risk-weighted amount under the relevant non-HK LAC regime	26,907,457	27,307,252	27,144,334	26,343,412	26,109,873
3	External loss-absorbing capacity as a percentage of risk-weighted amount	19.31%	19.21%	19.10%	18.79%	18.45%
4	Leverage ratio exposure measure under the relevant non-HK LAC regime	52,635,905	53,984,831	51,749,986	50,750,460	49,465,934
5	External loss-absorbing capacity as a percentage of leverage ratio exposure measure	9.87%	9.72%	10.02%	9.76%	9.74%
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, TLAC non-capital bonds, 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 (OV1)

		(HK\$'000)		
		(a)	(b)	(c)
		RWA		Minimum capital requirements
		30/06/2024	31/03/2024	30/06/2024
1	Credit risk for non-securitization exposures	568,595,634	562,137,754	45,487,651
2	Of which STC approach	568,595,634	562,137,754	45,487,651
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	7,834,163	7,985,936	626,733
7	Of which SA-CCR approach	6,120,737	5,353,545	489,659
7a	Of which CEM	-	-	-
8	Of which IMM(CCR) approach	N/A	N/A	N/A
9	Of which others	1,713,426	2,632,391	137,074
10	CVA risk	2,172,250	1,929,813	173,780
11	Equity positions in banking book under the simple risk-weight method and internal models method	-	-	-
12	Collective investment scheme ("CIS") exposures – LTA	5,249,942	5,595,678	419,995
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	22,937,863	22,105,200	1,835,029
21	Of which STM approach	22,937,863	22,105,200	1,835,029
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	24,788,288	24,346,163	1,983,063
24a	Sovereign concentration risk	N/A	N/A	N/A

3. Overview of Risk Management and RWA (continued)

Overview of Risk-weighted Amount (OV1) (continued)

		(HK\$'000)		
		(a)	(b)	(c)
		RWA		Minimum capital requirements
		30/06/2024	31/03/2024	30/06/2024
25	Amounts below the thresholds for deduction (subject to 250% RW)	1,694,630	2,072,300	135,570
26	Capital floor adjustment	-	-	-
26a	Deduction to RWA	459,853	462,683	36,788
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	459,853	462,683	36,788
27	Total	632,812,917	625,710,161	50,625,033

In the second quarter of 2024, total risk-weighted amounts of the Group amounted to HKD 632.81 billion, which increased by HKD 7.1 billion or uplift by 1.14% compared to the first quarter. In addition, because of decrease of Securities Financing Transactions (SFT), “of which others” RWA under Counterparty default risk and default fund contributions dropped by HKD 0.92 billion or 34.91%. Other RWA items experienced small or moderate fluctuations in the second quarter of 2024, 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. 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	d
2	Retained earnings	77,622,206	e
3	Disclosed reserves	2,101,919	
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	123,911,756	
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)	17,210	b
10	Deferred tax assets (net of associated deferred tax liabilities)	1,411,533	c
11	Cash flow hedge reserve	98,480	
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	16,388	g
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

4 Composition of Regulatory Capital (continued)

a. Composition of Regulatory Capital (CC1) (continued)

		(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	836,335	
26a	Cumulative fair value gains arising from the revaluation of land and buildings (own-use and investment properties)	836,096	
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	239	
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	3,360,100	
29	CET1 capital	120,551,656	
	AT1 capital: instruments		
30	Qualifying AT1 capital instruments plus any related share premium	27,611,395	
31	of which: classified as equity under applicable accounting standards	27,611,395	
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	27,611,395	
	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	-	

4 Composition of Regulatory Capital (continued)

a. Composition of Regulatory Capital (CC1) (continued)

		(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	27,611,395	
45	Tier 1 capital (T1 = CET1 + AT1)	148,163,051	
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	5,360,120	f
51	Tier 2 capital before regulatory deductions	5,360,120	
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	376,243	
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	376,243	

4 Composition of Regulatory Capital (continued)

a. Composition of Regulatory Capital (CC1) (continued)

		(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	376,243	
58	Tier 2 capital (T2)	5,736,363	
59	Total regulatory capital (TC = T1 + T2)	153,899,414	
60	Total RWA	632,812,917	
	Capital ratios (as a percentage of RWA)		
61	CET1 capital ratio	19.05%	
62	Tier 1 capital ratio	23.41%	
63	Total capital ratio	24.32%	
64	Institution-specific buffer requirement (capital conservation buffer plus countercyclical capital buffer plus higher loss absorbency requirements)	4.14%	
65	of which: capital conservation buffer requirement	2.50%	
66	of which: bank specific countercyclical capital buffer requirement	0.64%	
67	of which: higher loss absorbency requirement	1.00%	
68	CET1 (as a percentage of RWA) available after meeting minimum capital requirements	14.55%	
	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	5,929,825	
73	Significant LAC investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	827,852	
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)	5,360,120	

4 Composition of Regulatory Capital (continued)

a. Composition of Regulatory Capital (CC1) (continued)

		(a)	(b)
		Amount (HK\$'000)	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
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	7,291,176	
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>	-	

4 Composition of Regulatory Capital (continued)
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)	17,210	17,210
	<p><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.</p>		
10	Deferred tax assets (net of associated deferred tax liabilities)	1,411,533	-
	<p><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.</p>		
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)	-	-
	<p><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.</p>		

4 Composition of Regulatory Capital (continued)
a. Composition of Regulatory Capital (CC1) (continued)

Notes to the Template

	Description	Hong Kong basis (HK\$'000)	Basel III basis (HK\$'000)
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)	-	-
	<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	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><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	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><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>Remark:</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>			

4 Composition of Regulatory Capital (continued)

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	7,009	6,997
ICBC Asset Management (Global) Company Limited*	Provision of asset management services	596,913	569,436
ICBC (Asia) Securities Limited	Provision of securities brokerage services	2,125,885	1,462,946
ICBC (Asia) Trustee Company Limited	Provision of trustee services	258,632	254,045
ICBC (Asia) Financial Services Company Limited	Provision of trustee and company services	-	-
Greater China Fund	Trust fund	5,876,263	5,849,628

* Included consolidated subsidiaries in the name of 工銀亞投股權投資管理（深圳）有限公司, 亞投銀欣（廈門）投資管理有限公司, 蘇州銀晟投資管理有限公司.

As at 30 June 2024, 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.

4 Composition of Regulatory Capital (continued)

b. Reconciliation between Accounting and Regulatory Balance Sheets (CC2)

	(HK\$'000)		(c) Reference
	(a)	(b)	
	Balance sheet as in published financial statements 30/06/2024	Under regulatory scope of consolidation 30/06/2024	
Assets			
Cash and balances with banks and other financial institutions	33,690,585	33,656,845	
Placements with banks and other financial institutions	151,883,685	151,883,685	
Derivative financial instruments	12,543,821	12,543,790	
Advances and other accounts	450,198,473	450,208,451	
of which: collective impairment allowances reflected in regulated capital	-	(5,360,120)	f
Financial investments:	280,727,034	275,366,206	
- held for trading	9,971,302	9,971,302	
- measured at fair value through profit or loss other than held for trading	5,359,828	-	
- measured at fair value through other comprehensive income	198,611,476	198,610,476	
- measured at amortised cost	66,784,428	66,784,428	
Investment in associates	202,250	121,661	
Investment in subsidiaries	-	5,870,082	
Goodwill and other intangible assets	1,018,820	997,364	
of which: goodwill	-	980,154	a
of which: other intangible assets	-	17,210	b
Investment properties	203,600	203,600	
of which: cumulative revaluation gain on investment properties	-	(8,094)	
Property, plant and equipment	1,407,347	1,394,427	
Current income tax assets	14,797	9,837	
Deferred income tax assets	1,411,533	1,411,533	c
Other assets	9,980,509	10,115,598	
Total assets	943,282,454	943,783,079	

4 Composition of Regulatory Capital (continued)

b. Reconciliation between Accounting and Regulatory Balance Sheets (CC2) (continued)

	(HK\$'000)		Reference
	(a)	(b)	
	Balance sheet as in published financial statements 30/06/2024	Under regulatory scope of consolidation 30/06/2024	
Liabilities			
Deposits from banks and other financial institutions	121,271,644	121,271,644	
Trading liabilities	259,899	255,966	
Derivative financial instruments	8,883,433	8,883,433	
of which: debit valuation adjustments in respect of derivative contracts	-	16,388	g
Deposits from customers	625,843,198	628,460,136	
- designated at fair value through profit or loss	-	18,866,589	
- at amortised cost	-	609,593,547	
Certificates of deposit issued at amortised cost	2,052,587	2,052,587	
Debt securities in issue	17,429,778	17,429,778	
- designated at fair value through profit or loss	-	-	
- at amortised cost	-	17,429,778	
Current income tax liabilities	779,141	773,037	
Deferred income tax liabilities	498	-	
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	12,753,428	12,940,180	
Total liabilities	789,273,606	792,066,761	
Shareholders' equity			
Share capital	44,187,631	44,187,631	d
Retained earnings	79,912,768	77,622,206	e
of which: regulatory reserve for general banking risks	-	-	
Other reserves	2,239,684	2,237,716	
of which: bank premises revaluation reserve	-	746,588	
of which: investment revaluation reserve	-	(1,336,804)	

4 Composition of Regulatory Capital (continued)

b. Reconciliation between Accounting and Regulatory Balance Sheets (CC2) (continued)

	(HK\$'000)		
	(a)	(b)	(c)
	Balance sheet as in published financial statements 30/06/2024	Under regulatory scope of consolidation 30/06/2024	Reference
of which: cash flow hedge reserve	-	91,981	
of which: exchange reserve	-	(1,307,691)	
of which: general reserve	-	4,043,642	
Additional equity instruments	27,668,765	27,668,765	
Total shareholders' equity	154,008,848	151,716,318	
Total shareholders' equity and liabilities	943,282,454	943,783,079	

4 Composition of Regulatory Capital (continued)

c. Main Features of Regulatory Capital Instruments (CCA) and Non-capital LAC Debt Instruments (CCA(A))

The following is a summary of the Group's CET1 capital instrument, AT1 capital instrument and non-capital LAC debt instruments. The full terms and conditions of the Group's capital instruments and non-capital LAC debt instruments can be found in the "Terms and conditions of the capital instruments issued" and "Terms and conditions of the non-capital LAC debt instruments issued" of Regulatory Disclosures - Banking (Disclosure) Rules 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 2024 are as follows:

Both regulatory capital and LAC requirement

- Common Equity Tier 1 Capital (Ordinary share capital)
- USD Non-Cumulative Subordinated AT1 Capital Securities with perpetual maturity (callable on 21 March 2028) - issued on 21 March 2018 (restated on 21 Mar 2023)
- USD Non-Cumulative Subordinated Additional Tier 1 Capital Securities with perpetual maturity (callable on 21 July 2026) – issued on 21 July 2021

Only LAC (but not regulatory capital) requirement

- USD Loss-absorbing Notes due 2025 (callable on 22 December 2024) – issued on 22 December 2023

The main features of the regulatory capital instruments and non-capital LAC debt instruments are set out in the following sections.

4 Composition of Regulatory Capital (continued)

c. Main Features of Regulatory Capital Instruments (CCA) and Non-capital LAC Debt Instruments (CCA(A)) (continued)

(i) 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

4 Composition of Regulatory Capital (continued)

c. Main Features of Regulatory Capital Instruments (CCA) and Non-capital LAC Debt Instruments (CCA(A)) (continued)

(i) Both regulatory capital and LAC requirement (continued)

[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.

4 Composition of Regulatory Capital (continued)

c. Main Features of Regulatory Capital Instruments (CCA) and Non-capital LAC Debt Instruments (CCA(A)) (continued)

(i) 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\$19,803 million
8a	Amount recognised in loss-absorbing capacity (currency in millions, as of most recent reporting date)	HK\$19,803 million
9	Par value of instrument	US\$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	Revised First call date: 21 March 2028 Included tax, regulatory event and loss absorption disqualification event calls Redemption in whole at 100%
16	Subsequent call dates, if applicable	Any distribution payment date after the revised first call date
	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 5-10: 5.80% per annum payable semi-annually in arrear; Year 10 onwards: resettable on year 10 and every 5 years thereafter at then prevailing 5-year US Treasury yield plus a fixed spread of 2.2192%
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

4 Composition of Regulatory Capital (continued)

c. Main Features of Regulatory Capital Instruments (CCA) and Non-capital LAC Debt Instruments (CCA(A)) (continued)

(i) Both Regulatory Capital and LAC Requirement (continued)

		(b)
		Quantitative / qualitative information
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).	Issuer's depositors and all other unsubordinated creditors, creditors in respect of non-preferred loss absorbing instruments, creditors in respect of tier 2 capital instruments, and creditors in respect 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.

4 Composition of Regulatory Capital (continued)

c. Main Features of Regulatory Capital Instruments (CCA) and Non-capital LAC Debt Instruments (CCA(A)) (continued)

(i) 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
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\$7,809 million
8a	Amount recognised in loss-absorbing capacity (currency in millions, as of most recent reporting date)	HK\$7,809 million
9	Par value of instrument	US\$ 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

4 Composition of Regulatory Capital (continued)

c. Main Features of Regulatory Capital Instruments (CCA) and Non-capital LAC Debt Instruments (CCA(A)) (continued)

(i) Both Regulatory Capital and LAC Requirement (continued)

		(c)
		Quantitative / qualitative information
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.

4 Composition of Regulatory Capital (continued)

c. Main Features of Regulatory Capital Instruments (CCA) and Non-capital LAC Debt Instruments (CCA(A)) (continued)

(ii) Only LAC (but not Regulatory Capital) Requirement

		(d)
		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 Notes 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]	Ineligible
6	Eligible at solo* / group / solo and group (for regulatory capital purposes)	Ineligible
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)	Non-capital LAC debt instrument
8	Amount recognised in regulatory capital (currency in millions, as of most recent reporting date)	N/A
8a	Amount recognised in loss-absorbing capacity (currency in millions, as of most recent reporting date)	HK\$9,761 million
9	Par value of instrument	US\$1,250 million
10	Accounting classification	Liability – amortised costs
11	Original date of issuance	22 December 2023
12	Perpetual or dated	Dated
13	Original maturity date	22 December 2025
14	Issuer call subject to prior supervisory approval	Yes
15	Optional call date, contingent call dates and redemption price	First call date: 22 December 2024 Included tax and loss absorption disqualification event calls Redemption in whole at 100%
16	Subsequent call dates, if applicable	Any interest payment date after the first call date
	Coupons / dividends	
17	Fixed or floating dividend / coupon	Fixed
18	Coupon rate and any related index	5.06% per annum payable semi-annually in arrear
19	Existence of a dividend stopper	No
20	Fully discretionary, partially discretionary or mandatory	Mandatory
21	Existence of step-up or other incentive to redeem	No
22	Non-cumulative or cumulative	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

4 Composition of Regulatory Capital (continued)

c. Main Features of Regulatory Capital Instruments (CCA) and Non-capital LAC Debt Instruments (CCA(A)) (continued)

(ii) Only LAC (but not Regulatory Capital) Requirement (continued)

		(d)
		Quantitative / qualitative information
31	If write-down, write-down trigger(s)	<p>Upon the occurrence of a Loss Absorption Event</p> <p>"Loss Absorption Event" means the occurrence of:</p> <p>(i) the relevant Hong Kong Resolution Authority notifying the Issuer in writing that the Relevant Hong Kong Resolution Authority is satisfied that the Issuer has ceased, or is likely to cease, to be viable and there is no reasonable prospect that private sector action (outside of resolution) would result in it again becoming viable within a reasonable period (in both cases, without taking into account the write-down or conversion into ordinary shares of any LAC debt instruments); and</p> <p>(ii) for Notes issued directly to a group company of the Issuer established or incorporated in a non-Hong Kong jurisdiction, as specified in the applicable Final Terms, the relevant Hong Kong Resolution Authority notifying the Issuer in writing that:</p> <p>(A) the relevant Hong Kong Resolution Authority has notified the Home Authority of the relevant Hong Kong Resolution Authority's intention to notify the Issuer under paragraph (i) above; and</p> <p>(B) the Home Authority (x) has consented to the write-down or conversion of the relevant Notes issued by the Issuer or (y) has not, within 24 hours after receiving notice under subparagraph (ii)(A) above, objected to the write-down or conversion of the relevant Notes issued by the Issuer.</p>
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).	Subordinated to depositors and all other unsubordinated creditors 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.

4 Composition of Regulatory Capital (continued)

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	120,551,656
2	Additional Tier 1 ("AT1") capital before LAC adjustments	27,611,395
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	27,611,395
6	Tier 2 ("T2") capital before LAC adjustments	5,736,363
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	5,736,363
11	Internal loss-absorbing capacity arising from regulatory capital	153,899,414
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	9,761,063
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	9,761,063
Non-regulatory capital elements of internal loss-absorbing capacity: adjustments		
18	Internal loss-absorbing capacity before deductions	163,660,477
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	163,660,477
Risk-weighted amount and exposure measure under the LAC Rules for internal loss-absorbing capacity purposes		
23	Risk-weighted amount under the LAC Rules	632,812,917
24	Exposure measure under the LAC Rules	1,002,309,501

4 Composition of Regulatory Capital (continued)

d. LAC Composition of Material Subsidiary (at LAC Consolidation Group Level) (TLAC1

(A)) (continued)

		(a)
		Amount (HK\$'000)
Internal LAC ratios and buffers		
25	Internal LAC risk-weighted ratio	25.86%
26	Internal LAC leverage ratio	16.33%
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	10.86%
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)	4.14%
29	Of which: capital conservation buffer requirement	2.50%
30	Of which: institution-specific countercyclical capital buffer requirement	0.64%
31	Of which: higher loss absorbency requirement	1.00%

4 Composition of Regulatory Capital (continued)

e. Material Subsidiary – Creditor Ranking at Legal Entity Level (TLAC2)

		Creditor ranking HK\$ million			Total HK\$ million
		1 (most junior)	2	3 (most senior)	
1	Is a resolution entity or a non-HK resolution entity the creditor/investor?	Yes	Yes	Yes	
2	Description of creditor ranking	CET1 capital instruments (Note 1)	AT1 capital instruments	Non-capital LAC debt instruments	
3	Total capital and liabilities net of credit risk mitigation	44,188	27,611	9,761	81,560
4	Subset of row 3 that are excluded liabilities	-	-	-	-
5	Total capital and liabilities less excluded liabilities	44,188	27,611	9,761	81,560
6	Subset of row 5 that are eligible as internal loss-absorbing capacity	44,188	27,611	9,761	81,560
7	Subset of row 6 with 1 year ≤ residual maturity < 2 years	-	-	9,761	9,761
8	Subset of row 6 with 2 years ≤ residual maturity < 5 years	-	-	-	-
9	Subset of row 6 with 5 years ≤ residual maturity < 10 years	-	-	-	-
10	Subset of row 6 with residual maturity ≥ 10 years, but excluding perpetual securities	-	-	-	-
11	Subset of row 6 that is perpetual securities	44,188	27,611	-	71,799

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%	281,885,619		
2	China	0.00%	147,501,369		
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)	1.00%	590,896		
4	Cambodia (formerly Kampuchea)	0.00%	2,478,823		
5	Canada	0.00%	9,214		
6	Cayman Islands	0.00%	745,249		
7	France (includes French Guiana, French Southern Territories, Guadeloupe, Martinique, Mayotte, Monaco, Reunion and St. Pierre and Miquelon)	1.00%	331		
8	Germany (includes the European Central Bank)	0.75%	1,102,395		
9	Guinea	0.00%	178,730		
10	India	0.00%	13		
11	Indonesia	0.00%	79,101		
12	Ireland	0.00%	110,403		
13	Japan	0.00%	1,427,958		
14	Luxembourg	0.50%	2,954,050		
15	Macau, China	0.00%	56,371		
16	Malaysia (includes Labuan International Financial Offshore Centre)	0.00%	1,364,587		
17	Myanmar (formerly Burma)	0.00%	10,270		
18	Netherlands	2.00%	789,843		
19	Philippines	0.00%	524,127		
20	Singapore	0.00%	1,206,291		
21	Sweden	2.00%	27		
22	Switzerland (includes Bank for International Settlements)	0.00%	892		
23	Taiwan, China	0.00%	46,991		
24	Thailand	0.00%	23,169		
25	United Kingdom (excludes Guernsey, Isle of Man and Jersey)	2.00%	1,756,327		

5. Macprudential Supervisory Measures (continued)
 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)
26	United States (includes American Samoa, Guam, Midway Islands, Northern Mariana Islands, Puerto Rico, US Virgin Islands and Wake Islands)	0.00%	3,064,041		
27	West Indies UK (includes Anguilla, Antigua and Barbuda, British Virgin Islands, Montserrat and St. Christopher/St. Kitts – Nevis)	0.00%	2,715,294		
	Sum		450,622,381		
	Total		450,622,381	0.64%	2,898,731

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	943,282,454
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	5,789,493
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	3,468,234
5	Adjustment for SFTs (i.e. repos and similar secured lending)	(7,433,078)
6	Adjustment for off-balance sheet ("OBS") items (i.e. conversion to credit equivalent amounts of OBS exposures)	61,437,276
6a	Adjustments for prudent valuation adjustments and specific and collective provisions that are allowed to be excluded from exposure measure	(10,194,320)
7	Other adjustments	5,959,442
8	Leverage ratio exposure measure	1,002,309,501

6. Leverage Ratio (continued)

b. Leverage Ratio (LR2)

		(a)	(b)
		(HK\$'000)	
		30/06/2024	31/03/2024
On-balance sheet exposures			
1	On-balance sheet exposures (excluding those arising from derivative contracts and SFTs, but including collateral)	925,514,451	917,651,352
2	Less: Asset amounts deducted in determining Tier 1 capital	(1,931,940)	(1,968,370)
3	Total on-balance sheet exposures (excluding derivative contracts and SFTs)	923,582,511	915,682,982
Exposures arising from derivative contracts			
4	Replacement cost associated with all derivative contracts (where applicable net of eligible cash variation margin and/or with bilateral netting)	4,131,473	4,022,064
5	Add-on amounts for PFE associated with all derivative contracts	12,903,305	12,421,289
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	(1,097,670)	(1,225,387)
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	15,937,108	15,217,966
Exposures arising from SFTs			
12	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	18,980,004	24,153,451
13	Less: Netted amounts of cash payables and cash receivables of gross SFT assets	(8,493,632)	(6,665,118)
14	CCR exposure for SFT assets	1,060,554	847,814
15	Agent transaction exposures	-	-
16	Total exposures arising from SFTs	11,546,926	18,336,147
Other off-balance sheet exposures			
17	Off-balance sheet exposure at gross notional amount	232,091,454	216,435,645
18	Less: Adjustments for conversion to credit equivalent amounts	(170,654,178)	(162,178,436)
19	Off-balance sheet items	61,437,276	54,257,209
Capital and total exposures			
20	Tier 1 capital	148,163,051	146,841,845
20a	Total exposures before adjustments for specific and collective provisions	1,012,503,821	1,003,494,304
20b	Adjustments for specific and collective provisions	(10,194,320)	(9,756,011)
21	Total exposures after adjustments for specific and collective provisions	1,002,309,501	993,738,293
Leverage ratio			
22	Leverage ratio	14.78%	14.78%

- 6. Leverage Ratio (continued)
- b. Leverage Ratio (LR2) (continued)

Item 12:

The Gross securities financing transaction ("SFT") assets (with no recognition of netting), after adjusting for sale accounting transactions, decreased by HKD 5,173 million or a decrease of 21.42% compared to last quarter due to decrease in the amount of repo-style transactions.

Item 13:

Deduction of netted amounts of cash payables and cash receivables of gross SFT assets increased by 1,829 million or an increase of 27.43% compared to last quarter due to increase in netted amount of cash payables and receivables from repo-style transactions.

Item 14:

Counterparty Credit Risk ("CCR") exposure for SFT assets increased by HKD 213 million or an increase of 25.09%, due to increase in CCR from repo-style transactions.

Item 16 (include item 12 and item 13):

The Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions, decreased by HKD 5,173 million or a decrease of 21.42%. Additionally, deduction of netted amounts of cash payables and cash receivables of gross SFT assets increased by 1,829 million or an increase of 27.43%. As a result, total exposures arising from SFTs decreased by HKD 6,789 million or a decrease of 37.03% compared to last quarter.

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: (73)		(HK\$'000)	
		(a)	(b)
Basis of disclosure: consolidated		Unweighted value (average)	Weighted value (average)
A. HQLA			
1	Total HQLA		176,836,420
B. Cash outflows			
2	Retail deposits and small business funding, of which:	205,472,205	19,812,955
3	<i>Stable retail deposits and stable small business funding</i>	10,489,873	314,722
4	<i>Less stable retail deposits and less stable small business funding</i>	194,982,332	19,498,233
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:	326,168,140	168,324,636
6	<i>Operational deposits</i>	1,656,687	412,546
7	<i>Unsecured wholesale funding (other than small business funding) not covered in row 6</i>	324,431,834	167,832,471
8	<i>Debt securities and prescribed instruments issued by the AI and redeemable within the LCR period</i>	79,619	79,619
9	Secured funding transactions (including securities swap transactions)		670,863
10	Additional requirements, of which:	60,224,268	12,337,840
11	<i>Cash outflows arising from derivative contracts and other transactions, and additional liquidity needs arising from related collateral requirements</i>	7,848,758	6,787,908
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>	52,375,510	5,549,932
14	Contractual lending obligations (not otherwise covered in Section B) and other contractual cash outflows	10,245,296	10,245,296
15	Other contingent funding obligations (whether contractual or non-contractual)	401,292,835	1,906,326
16	Total Cash Outflows		213,297,916
C. Cash Inflows			
17	Secured lending transactions (including securities swap transactions)	200,443	73,596
18	Secured and unsecured loans (other than secured lending transactions covered in row 17) and operational deposits placed at other financial institutions	117,138,291	91,669,037
19	Other cash inflows	55,388,419	7,568,355
20	Total Cash Inflows	172,727,153	99,310,988
D. Liquidity Coverage Ratio			Adjusted value
21	Total HQLA		176,836,420

7. Liquidity (continued)

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: (73)		(HK\$'000)	
		(a)	(b)
Basis of disclosure: consolidated		Unweighted value (average)	Weighted value (average)
22	Total Net Cash Outflows		113,986,928
23	LCR (%)		156.50%

Liquidity Coverage Ratio

The Liquidity Coverage Ratio ("LCR") throughout the second quarter of 2024 meets the regulatory requirement and maintains at a safe level.

The average LCR as of the second quarter of 2024 decreased by 8.11% compared to that as of the first quarter of 2024. Such decrease was mainly due to the increase of total net cash outflows by HKD 14.1 billion resulting from the maturing impact from various kinds of asset and liability, which was partially net off by the increase of HQLA by HKD 14.5 billion.

(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.

7. Liquidity (continued)

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.

7. Liquidity (continued)

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.

7. Liquidity (continued)

b. Net Stable Funding Ratio – for Category 1 Institution (LIQ2)

		30/06/2024				
		(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:	157,259,514	-	-	-	157,259,514
2	<i>Regulatory capital</i>	157,259,514	-	-	-	157,259,514
2a	<i>Minority interests not covered by row 2</i>	-	-	-	-	-
3	<i>Other capital instruments</i>	-	-	-	-	-
4	Retail deposits and small business funding:	-	211,286,898	321,393	2,850	191,004,128
5	<i>Stable deposits</i>	-	10,792,387	283,931	2,850	10,525,353
6	<i>Less stable deposits</i>	-	200,494,511	37,462	-	180,478,775
7	Wholesale funding:	-	506,785,734	19,908,344	13,660,535	210,029,509
8	<i>Operational deposits</i>	-	316,759	-	-	158,380
9	<i>Other wholesale funding</i>	-	506,468,975	19,908,344	13,660,535	209,871,129
10	Liabilities with matching interdependent assets	-	-	-	-	-
11	Other liabilities:	9,055,272	6,837,395	3,223,340	12,161,013	13,772,685
12	<i>Net derivative liabilities</i>	-	-	-	-	-
13	<i>All other funding and liabilities not included in the above categories</i>	9,055,272	6,837,395	3,223,340	12,161,013	13,772,685
14	Total ASF	-	-	-	-	572,065,836
B. Required stable funding ("RSF") item						
15	Total HQLA for NSFR purposes	-	-	-	208,549,594	21,005,635
16	Deposits held at other financial institutions for operational purposes	-	754,627	-	-	377,314
17	Performing loans and securities:	1,698,236	289,514,258	79,621,026	315,452,040	385,811,804
18	<i>Performing loans to financial institutions secured by Level 1 HQLA</i>	-	1,437,927	-	-	143,793
19	<i>Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions</i>	-	167,444,259	10,965,887	30,106,675	60,706,257

7. Liquidity (continued)

b. Net Stable Funding Ratio – for Category 1 Institution (LIQ2) (continued)

		30/06/2024				
		(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	<i>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:</i>	1,698,236	102,461,327	54,031,389	178,940,295	228,639,764
21	<i>With a risk-weight of less than or equal to 35% under the STC approach</i>	-	366,195	459,548	15,746,719	10,648,239
22	<i>Performing residential mortgages, of which:</i>	-	1,458,473	1,327,754	82,809,517	61,261,636
23	<i>With a risk-weight of less than or equal to 35% under the STC approach</i>	-	953,993	876,081	52,597,834	35,103,629
24	<i>Securities that are not in default and do not qualify as HQLA, including exchange-traded equities</i>	-	16,712,272	13,295,996	23,595,553	35,060,354
25	Assets with matching interdependent liabilities	-	-	-	-	-
26	Other assets:	30,532,783	20,562,510	514,906	2,251	25,975,208
27	<i>Physical traded commodities, including gold</i>	-	-	-	-	-
28	<i>Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs</i>	135,119	-	-	-	114,851
29	<i>Net derivative assets</i>	3,339,444	-	-	-	3,339,444
30	<i>Total derivative liabilities before deduction of variation margin posted</i>	8,608,751	-	-	-	430,438
31	<i>All other assets not included in the above categories</i>	18,449,469	20,562,510	514,906	2,251	22,090,475
32	Off-balance sheet items	-	-	-	230,118,547	2,655,985
33	Total RSF	-	-	-	-	435,825,946
34	Net Stable Funding Ratio (%)	-	-	-	-	131.26%

7. Liquidity (continued)

b. Net Stable Funding Ratio – for Category 1 Institution (LIQ2) (continued)

		31/03/2024				
		(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:	155,830,925	-	-	-	155,830,925
2	<i>Regulatory capital</i>	155,830,925	-	-	-	155,830,925
2a	<i>Minority interests not covered by row 2</i>	-	-	-	-	-
3	<i>Other capital instruments</i>	-	-	-	-	-
4	Retail deposits and small business funding:	-	197,991,643	317,146	-	179,010,400
5	<i>Stable deposits</i>	-	10,380,431	269,321	-	10,117,265
6	<i>Less stable deposits</i>	-	187,611,212	47,825	-	168,893,135
7	Wholesale funding:	-	502,309,208	36,242,820	14,752,108	223,933,469
8	<i>Operational deposits</i>	-	3,265,075	-	-	1,632,538
9	<i>Other wholesale funding</i>	-	499,044,133	36,242,820	14,752,108	222,300,931
10	Liabilities with matching interdependent assets	-	-	-	-	-
11	Other liabilities:	7,779,782	2,648,832	5,416,310	12,002,907	14,711,061
12	<i>Net derivative liabilities</i>	-	-	-	-	-
13	<i>All other funding and liabilities not included in the above categories</i>	7,779,782	2,648,832	5,416,310	12,002,907	14,711,061
14	Total ASF					573,485,855
B. Required stable funding ("RSF") item						
15	Total HQLA for NSFR purposes				201,460,217	21,856,032
16	Deposits held at other financial institutions for operational purposes	-	861,981	-	-	430,991
17	Performing loans and securities:	2,587,384	245,554,275	133,698,730	304,088,603	390,882,276
18	<i>Performing loans to financial institutions secured by Level 1 HQLA</i>	-	-	-	-	-
19	<i>Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions</i>	-	137,015,256	48,111,333	13,658,033	58,265,988

7. Liquidity (continued)

b. Net Stable Funding Ratio – for Category 1 Institution (LIQ2) (continued)

		31/03/2024				
		(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	<i>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:</i>	2,587,384	94,770,112	62,921,094	185,589,019	232,973,376
21	<i>With a risk-weight of less than or equal to 35% under the STC approach</i>	-	514,689	586,627	29,110,851	19,472,712
22	<i>Performing residential mortgages, of which:</i>	-	1,470,496	1,321,201	80,528,337	62,154,923
23	<i>With a risk-weight of less than or equal to 35% under the STC approach</i>	-	786,250	714,047	38,450,057	25,742,686
24	<i>Securities that are not in default and do not qualify as HQLA, including exchange-traded equities</i>	-	12,298,411	21,345,102	24,313,214	37,487,989
25	Assets with matching interdependent liabilities	-	-	-	-	-
26	Other assets:	36,571,392	22,899,744	259,039	1,080	31,565,244
27	<i>Physical traded commodities, including gold</i>	-	-	-	-	-
28	<i>Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs</i>	135,124	-	-	-	114,855
29	<i>Net derivative assets</i>	3,295,010	-	-	-	3,295,010
30	<i>Total derivative liabilities before deduction of variation margin posted</i>	8,602,665	-	-	-	430,133
31	<i>All other assets not included in the above categories</i>	24,538,593	22,899,744	259,039	1,080	27,725,246
32	Off-balance sheet items	-	-	-	215,574,073	2,466,442
33	Total RSF	-	-	-	-	447,200,985
34	Net Stable Funding Ratio (%)	-	-	-	-	128.24%

7. Liquidity (continued)

b. Net Stable Funding Ratio – for Category 1 Institution (LIQ2) (continued)

The above disclosures are made pursuant to the section 16FL and 103AB of Banking (Disclosure) Rules. The items disclosed are measured according to the methodology and instructions set out in the Stable Funding Position Return (MA(BS)26) and the requirements set out in Banking (Liquidity) Rules.

Net Stable Funding Ratio ("NSFR") is defined as the amount of available stable funding ("ASF") relative to the amount of required stable funding ("RSF"). The ratio is calculated after applying the respective ASF or RSF factors required under the Stable Funding Position Return (MA(BS)26). It requires banks to maintain a stable funding profile in relation to the composition of banks' assets and off-balance sheet activities.

The Net Stable Funding Ratio throughout the second quarter of 2024 meets the regulatory requirement and maintains at a safe level.

(i) Main drivers of NSFR results

The Bank's NSFR is mainly driven by 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. 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	7,559,689	634,303,131	9,759,161	4,945,942	4,813,219	-	632,103,659
2	Debt securities	6,822	263,048,849	56,514	-	56,514	-	262,999,157
3	Off-balance sheet exposures		232,091,454	318,317	-	318,317	-	231,773,137
4	Total	7,566,511	1,129,443,434	10,133,992	4,945,942	5,188,050	-	1,126,875,953

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.

8. Credit Risk for Non-Securitization Exposures (continued)

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	7,132,272
2	Loans and debt securities that have defaulted since the last reporting period	705,473
3	Returned to non-defaulted status	-
4	Amounts written off	(119,971)
5	Other changes	(151,262)
6	Defaulted loans and debt securities at the end of the current reporting period	7,566,512

Loans and debt securities that have defaulted since the last reporting period amounted to HKD705 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 HKD120 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.

8. Credit Risk for Non-Securitization Exposures (continued)

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	616,134,195	15,969,464	4,073,326	11,896,138	-
2	Debt securities	232,839,977	30,159,180	-	30,159,180	-
3	Total	848,974,172	46,128,644	4,073,326	42,055,318	-
4	Of which defaulted	88,535	2,532,034	2,009,046	522,988	-

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 2024, "Exposures secured by recognized collateral" of loans increased by HKD 1.03 billion or 37.73%, mainly due to the increase of loans which secured by recognized collateral. Thus, "Exposures secured by recognized collateral" of total HKD 1.03 billion or 37.73%.

8. Credit Risk for Non-Securitization Exposures (continued)

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	109,886,256	-	140,111,567	-	1,489,905	1%
2	PSE exposures	18,432,046	2,100,000	22,586,276	1,000,000	4,584,004	19%
2a	Of which: domestic PSEs	7,239,744	2,100,000	11,393,974	1,000,000	2,478,795	20%
2b	Of which: foreign PSEs	11,192,302	-	11,192,302	-	2,105,209	19%
3	Multilateral development bank exposures	3,175,411	-	3,175,411	-	-	0%
4	Bank exposures	252,007,210	3,037,532	256,365,476	2,608,905	104,826,676	40%
5	Securities firm exposures	763,329	505,000	763,329	-	381,664	50%
6	Corporate exposures	386,373,313	206,944,354	350,055,684	41,655,969	365,072,475	93%
7	CIS exposures	8,291,410	133,638	8,146,629	133,638	5,249,943	63%
8	Cash items	364,118	-	2,190,267	1,409,833	358,455	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	25,925,346	17,992,924	25,861,591	8,927	19,402,888	75%
11	Residential mortgage loans	89,415,927	-	85,256,249	-	46,904,903	55%
12	Other exposures which are not past due exposures	22,750,167	1,078,006	22,727,273	-	22,727,273	100%
13	Past due exposures	2,760,193	-	2,760,193	-	2,847,390	103%

8. Credit Risk for Non-Securitization Exposures (continued)

d. Credit Risk Exposures and Effects of Recognized Credit Risk Mitigation – for STC Approach (CR4) (continued)

		(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
14	Significant exposures to commercial entities	-	-	-	-	-	NA
15	Total	920,144,726	231,791,454	919,999,945	46,817,272	573,845,576	59%

In the first half of 2024, mainly due to decrease of trade-related contingencies secured by sovereigns, the off-balance sheet amount of "Exposures post-CCF and post-CRM" to sovereign exposures decreased by HKD 241 thousand or 100%. Because of decrease in debt securities exposures of sovereigns, RWA to sovereign exposures decreased by HKD 1.7 billion or 53.27% with its RWA density declined 46.83%.

Of which in PSE exposures, because of decrease in debt securities exposures of domestic PSEs, the on-balance sheet amount of "Exposures pre-CCF and pre-CRM" to domestic PSEs exposures increased by HKD 2.89 billion or 28.54%. Because of decrease in commitments that are cancellable unconditionally, the off-balance sheet amount of "Exposures pre-CCF and pre-CRM" to domestic PSEs exposures decreased by HKD 1.00 billion or 32.26%. Overall, the off-balance sheet amount of "Exposures pre-CCF and pre-CRM" to PSE exposures decreased by HKD 1 billion or 32.26%.

The on-balance sheet amount of "Exposures pre-CCF and pre-CRM" and "Exposures post-CCF and post-CRM" to multilateral development bank exposures both are increased by HKD 0.62 billion or 24.08%, mainly due to increase of bonds investment to multilateral development bank.

Due to increase of commitments to banks with original maturity more than one year, 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 2.37 billion and HKD 2.11 billion, or 355.96% and 418.05% respectively.

8. Credit Risk for Non-Securitization Exposures (continued)

d. Credit Risk Exposures and Effects of Recognized Credit Risk Mitigation – for STC Approach (CR4) (continued)

Due to increase of loan exposures to securities firms, the on-balance sheet amount of "Exposures pre-CCF and pre-CRM" and "Exposures post-CCF and post-CRM" both increased by HKD 214 million or uplift by 38.88%. Mainly owing to decrease of commitments that are cancellable unconditionally, the off-balance sheet amount of "Exposures pre-CCF and pre-CRM" to securities firm exposures decreased by HKD 500 million or 49.75%.

Due to the increase of cash collateral for the on-balance sheet exposures, the on-balance sheet amount of "Exposures post-CCF and post-CRM" to cash items increased by HKD 968 million or 79.18%. Due to the decrease of cash collateral for the off-balance sheet exposures, the off-balance sheet amount of "Exposures post-CCF and post-CRM" to cash items decreased by HKD 42.8 billion or 75.24%. Its RWA increased by HKD 197 million or 122.03% as well as its RWA density decreased by 397.84%.

Because of increase in commitments that are cancellable unconditionally, the off-balance sheet amount of "Exposures pre-CCF and pre-CRM" to "Other exposures which are not past due exposures" increased by HKD 825 million or 326.88%.

8. Credit Risk for Non-Securitization Exposures (continued)

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)
Exposure classes	Risk Weight	0%	10%	20%	35%	50%	75%	100%	150%	250%	Others	Total credit risk exposures amount (post CCF and post CRM)
	1	Sovereign exposures	132,662,038	-	7,449,529	-	-	-	-	-	-	-
2	PSE exposures	666,256	-	22,920,020	-	-	-	-	-	-	-	23,586,276
2a	Of which: domestic PSEs	-	-	12,393,974	-	-	-	-	-	-	-	12,393,974
2b	Of which: foreign PSEs	666,256	-	10,526,046	-	-	-	-	-	-	-	11,192,302
3	Multilateral development bank exposures	3,175,411	-	-	-	-	-	-	-	-	-	3,175,411
4	Bank exposures	-	-	94,210,951	-	157,557,891	-	7,205,539	-	-	-	258,974,381
5	Securities firm exposures	-	-	-	-	763,329	-	-	-	-	-	763,329
6	Corporate exposures	-	-	1,556,218	-	50,904,020	-	339,135,806	115,609	-	-	391,711,653
7	CIS exposures	-	-	-	-	-	-	-	-	-	8,280,267	8,280,267
8	Cash items	1,807,824	-	1,792,276	-	-	-	-	-	-	-	3,600,100
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	-	-	-	-	-	25,870,518	-	-	-	-	25,870,518
11	Residential mortgage loans	-	-	-	56,732,930	-	5,899,765	22,623,554	-	-	-	85,256,249
12	Other exposures which are not past due exposures	-	-	-	-	-	-	22,727,273	-	-	-	22,727,273
13	Past due exposures	509	-	-	-	-	-	2,584,271	175,413	-	-	2,760,193

8. Credit Risk for Non-Securitization Exposures (continued)

e. Credit Risk Exposures by Asset Classes and by Risk Weights – for STC Approach (CR5) (continued)

		(HK\$'000)										
		(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(ha)	(i)	(j)
Exposure classes		0%	10%	20%	35%	50%	75%	100%	150%	250%	Others	Total credit risk exposures amount (post CCF and post CRM)
14	Significant exposures to commercial entities	-	-	-	-	-	-	-	-	-	-	-
15	Total	138,312,038	-	127,928,994	56,732,930	209,225,240	31,770,283	394,276,443	291,022	-	8,280,267	966,817,217

8. Credit Risk for Non-Securitization Exposures (continued)

e. Credit Risk Exposures by Asset Classes and by Risk Weights – for STC Approach (CR5) (continued)

In the first half of 2024, the sovereign exposures with 20% risk weight decreased by HKD 84.9 billion or 53.27%, mainly due to the decrease in debt securities exposures with 20% risk weight to sovereign exposures.

Of which in foreign PSE exposures, because of decrease in debt securities exposures, the foreign PSEs exposures with 0% risk weight decreased by HKD 1.37 billion or 67.26%. Thus, the PSEs exposures with 0% risk weight decreased by HKD 1.37 billion or 67.26%.

Because of increase in debt securities exposures, the multilateral development bank exposure with 0% risk weight increased by HKD 6.2 billion or 24.08%, resulting in total credit risk exposure of multilateral development bank uplifted by HKD 6.2 billion or 24.08%.

Due to increase of commitments to banks with original maturity more than one year, the bank exposures with 100% risk weight increased by HKD 6.53 billion or 961.11%.

Because of increase of loan exposures to securities firms, securities firm exposures with 50% risk weight and its total credit risk exposures amount both increased by HKD 214 million or 38.88%.

Due to the changes of cash collateral, exposures to cash items with 0% risk weight decreased by HKD 4.3 billion or 70.41%, exposures to cash items with 20% risk weight decreased by HKD 985 million or 122.03%, its total credit risk exposures amount both increased by HKD 3.32 billion or 47.95%.

Due to non-performing loans exposure increased, the past due exposures with 150% risk weight increased by HKD400 million or 29.39%.

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)	1,937,609	8,355,885		1.4	14,410,892	6,120,737
1a	CEM (for derivative contracts)	-	-		1.4	-	-
2	IMM (CCR) approach			-	-	-	-
3	Simple Approach (for SFTs)					18,980,005	1,633,095
4	Comprehensive Approach (for SFTs)					-	-
5	VaR (for SFTs)					-	-
6	Total						7,753,832

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 2023, total RWA of counterparty default risk exposures increased by HKD 1.05 billion, which was mainly driven by the default risk exposure increase from the derivative contracts.

9. Counterparty Credit Risk (continued)

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	14,244,051	2,172,250
4	Total	14,244,051	2,172,250

Compared with 31 December 2023, the CVA RWA amount increased by HKD 0.47 billion, which was mainly driven by the EAD arised from derivative contracts.

9. Counterparty Credit Risk (continued)

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)
Exposure classes		0%	10%	20%	35%	50%	75%	100%	150%	250%	Others	Total default risk exposure after CRM
1	Sovereign exposures	1,249,427	-	442,449	-	-	-	-	-	-	-	1,691,876
2	PSE exposures	-	-	-	-	-	-	-	-	-	-	-
2a	Of which: domestic PSEs	-	-	-	-	-	-	-	-	-	-	-
2b	Of which: foreign PSEs	-	-	-	-	-	-	-	-	-	-	-
3	Multilateral development bank exposures	-	-	-	-	-	-	-	-	-	-	-
4	Bank exposures	14,094,038	-	7,005,322	-	7,464,098	-	-	-	-	-	28,563,458
5	Securities firm exposures	-	-	-	-	601,585	-	-	-	-	-	601,585
6	Corporate exposures	-	-	-	-	632,262	-	1,378,584	-	-	-	2,010,846
7	CIS exposures	-	-	-	-	-	-	-	-	-	-	-
8	Regulatory retail exposures	-	-	-	-	-	101,107	-	-	-	-	101,107
9	Residential mortgage loans	-	-	-	-	-	-	-	-	-	-	-
10	Other exposures which are not past due exposures	-	-	-	-	-	-	422,024	-	-	-	422,024
11	Significant exposures to commercial entities	-	-	-	-	-	-	-	-	-	-	-
12	Total	15,343,465	-	7,447,771	-	8,697,945	101,107	1,800,608	-	-	-	33,390,896

Compared with 31 December 2023, the overall default risk exposure increased by HKD 11.7 billion, mainly contributed by changes in volume of the respective transactions. The 0% risk weight exposure showed a notable increase of HKD 6.4 billion, mainly from bank exposures. The rest of the risk weight exposure

9. Counterparty Credit Risk (continued)

c. Counterparty Default Risk Exposures (other than those to CCPs) by Asset Classes and by Risk Weights – for STC Approach (CCR3)
(continued)

showed relatively small movement such that the 20% and 50% risk weight exposure increased by HKD 2.9 billion and HKD 3.9 billion respectively, and the 100% risk weight exposure slightly decreased by HKD 1.5 billion.

9. Counterparty Credit Risk (continued)

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	-	-	-	-	-	905,932
Cash - other currencies	-	3,253,819	-	1,272,400	14,116,424	2,210,448
Domestic sovereign debt	-	-	-	-	-	-
Other sovereign debt	-	-	-	-	1,516,299	-
Domestic PSE debt	-	-	-	-	-	2,891,802
Government agency debt	-	-	-	-	-	-
Corporate bonds	-	-	-	-	632,262	-
Bank bonds/debts	-	-	-	-	792,587	12,109,756
Equity securities	-	-	-	-	862,067	-
Other collateral	-	-	-	-	-	-
Total	-	3,253,819	-	1,272,400	17,919,639	18,117,938

Compared with 31 December 2023, the net fair value of recognized collateral from derivatives contracts and SFTs have increased by HKD 0.4 billion and HKD 1.7 billion respectively, which was mainly driven by the movement of derivatives' market value and the volume of the outstanding transactions with counterparties under the margin agreements as well as the increase in volume of SFT transactions in the first half of 2024.

9. Counterparty Credit Risk (continued)
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)	-	-

9. Counterparty Credit Risk (continued)

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)		80,329
2	Default risk exposures to qualifying CCPs (excluding items disclosed in rows 7 to 10), of which:	2,351,992	47,040
3	(i) OTC derivative transactions	2,351,992	47,040
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	1,503,213	30,064
9	Funded default fund contributions	132,776	3,225
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 2023, the qualifying CCPs RWA amount increased by HKD 3.74 million, which was mainly driven by the increase in OTC derivative transactions volume with qualifying CCPs.

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	-	-	-	-	-	-	-	-	-

10. Securitization Exposures (continued)

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	-	-	-	-	-	-	-	-	-

10. Securitization Exposures (continued)

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	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

10. Securitization Exposures (continued)

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)	8,688,500
2	Equity exposures (general and specific risk)	-
3	Foreign exchange (including gold) exposures	14,046,663
4	Commodity exposures	91,625
	Option exposures	
5	Simplified approach	-
6	Delta-plus approach	111,075
7	Other approach	-
8	Securitization exposures	-
9	Total	22,937,863

In comparison with 2023 Q4, the total RWA of Market risk increased by 13.86% to HKD 22.94 billion in 2024 Q2, which could be attributable to an increment of 52.49% in Interest rate exposure RWA, a decline of 0.95% in Foreign exchange exposure RWA, a decrement of 4.81% in commodity exposure RWA as well as a decrement of 35.03% in option exposure RWA, the change of negative gamma into positive gamma triggers off the curtailment of 97.51% in gamma risk, while vega risk decreased by 19.98%.

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 oversea 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 HK\$ million	Official sector HK\$ million	Non-bank private sector		Total HK\$ million
			Non-bank financial institutions HK\$ million	Non-financial private sector HK\$ million	
30 June 2024					
Developed countries	38,910	18,995	3,276	36,321	97,502
Offshore centers	9,465	63,800	14,871	329,451	417,587
Developing Europe	39	-	-	-	39
Developing Latin America and Caribbean	276	-	-	-	276
Developing Africa and Middle East	164	-	-	-	164
Developing Asia-Pacific, of which	196,265	33,151	33,904	134,172	397,492
— Mainland China	193,520	33,151	33,904	129,475	390,050
— Others	2,745	-	-	4,697	7,442
International organizations	-	3,566	-	-	3,566
	245,119	119,512	52,051	499,944	916,626

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 2023					
Developed countries	37,031	27,359	4,065	42,851	111,306
Offshore centers	12,288	46,077	13,188	312,888	384,441
Developing Europe	523	-	-	-	523
Developing Latin America and Caribbean	255	-	-	-	255
Developing Africa and Middle East	165	-	-	1	166
Developing Asia-Pacific, of which	165,811	36,668	39,576	145,957	388,012
— Mainland China	163,538	36,668	39,576	141,080	380,862
— Others	2,273	-	-	4,877	7,150
International organizations	-	2,950	-	-	2,950
	216,073	113,054	56,829	501,697	887,653

13. Loan and Advances to Customers Analysed by Industry Sectors

	30 June 2024	30 June 2024	31 December 2023	31 December 2023
	Gross loans and advances HK\$'000	% of secured loans and advances	Gross loans and advances HK\$'000	% of secured loans and advances
Loans for use in Hong Kong				
Industrial, commercial and financial				
- Property development	64,390,313	41.34%	64,122,149	36.92%
- Property investment	28,918,692	52.95%	26,848,992	59.62%
- Financial concerns	24,074,012	3.28%	21,032,433	4.76%
- Stockbrokers	2,420,743	0.00%	1,953,525	0.00%
- Wholesale and retail trade	4,046,686	48.40%	4,294,896	45.65%
- Civil engineering works	4,113,760	5.92%	2,359,110	10.93%
- Manufacturing	747,621	76.81%	1,494,255	40.20%
- Transport and transport equipment	15,971,339	42.00%	19,984,494	37.08%
- Electricity and gas	16,651,226	0.00%	12,920,875	0.00%
- Information technology	10,139,336	0.65%	10,153,536	0.72%
- Hotels, boarding houses and catering	1,185,025	63.02%	1,522,385	69.95%
- Recreational activities	140,000	0.00%	120,000	0.00%
- Others	26,808,828	16.83%	29,247,950	16.00%
Individuals				
- Loans for the purchase of flats in Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme	230,437	99.20%	234,488	99.27%
- Loans for the purchase of other residential properties	75,768,255	98.53%	68,770,097	98.67%
- Credit card advances	421,984	0.00%	497,915	0.00%
- Others	21,478,775	94.42%	21,269,793	94.45%
Trade finance	14,010,153	14.44%	17,017,745	7.30%
Loans for use outside Hong Kong	141,859,142	19.79%	149,042,506	20.87%
	<u>453,376,327</u>	<u>40.32%</u>	<u>452,887,144</u>	<u>39.14%</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 2024 HK\$'000	31 December 2023 HK\$'000
Loans for use outside Hong Kong		
Individually impaired loans	3,410,205	2,983,288
Overdue loans and advances over three months	2,691,452	1,983,800
Lifetime ECL credit-impaired	2,547,753	2,134,394
Lifetime ECL not credit-impaired	1,141,264	1,272,089
12-month ECL	1,971,528	2,577,128
New impairment allowances (credited)/ charged to income statement	(217,366)	515,741
Impaired loans and advances written off during the period/year	105,699	483,997
Loans for use in Hong Kong		
Industrial, commercial and financial		
Property development		
Individually impaired loans	1,698,349	1,698,349
Overdue loans and advances over three months	1,698,349	1,698,349
Lifetime ECL credit-impaired	1,153,741	1,130,054
Lifetime ECL not credit-impaired	2,661	333
12-month ECL	45,350	62,845
New impairment allowances charged to income statement	8,520	623,320
Impaired loans and advances written off during the period/year	-	-
Loans for use in Hong Kong		
Individuals		
Loans for the purchase of other residential properties		
Individually impaired loans	22,063	8,387
Overdue loans and advances over three months	22,063	6,657
Lifetime ECL credit-impaired	1,191	-
Lifetime ECL not credit-impaired	5,801	4,843
12-month ECL	124,456	90,010
New impairment allowances charged to income statement	36,595	11,945
Impaired loans and advances written off during the period/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 2024					
Hong Kong	308,965,754	2,791,612	3,471,629	1,625,410	2,040,617
Mainland China	133,054,196	3,145,069	3,863,480	3,088,374	2,389,029
Macau	90,545	-	-	-	145
Asia Pacific Region (excluding Hong Kong, Mainland China and Macau)	5,480,030	213,577	213,577	214,710	196,539
Others	5,785,802	9,415	11,003	17,448	95,309
Total	<u>453,376,327</u>	<u>6,159,673</u>	<u>7,559,689</u>	<u>4,945,942</u>	<u>4,721,639</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 2023					
Hong Kong	294,194,377	2,824,856	3,464,798	1,556,218	1,934,863
Mainland China	139,886,791	2,436,967	3,436,382	2,663,823	2,505,197
Macau	103,120	-	-	-	120
Asia Pacific Region (excluding Hong Kong, Mainland China and Macau)	5,276,497	213,720	213,720	214,575	233,816
Others	13,426,359	10,594	11,249	16,233	475,941
Total	<u>452,887,144</u>	<u>5,486,137</u>	<u>7,126,149</u>	<u>4,450,849</u>	<u>5,149,937</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.

30 June 2024	On-balance sheet exposure HK\$'000	Off-balance sheet exposure HK\$'000	Total exposures HK\$'000
Type of counterparties			
(a) Central government, central government owned entities and their subsidiaries and JVs	149,644,592	7,662,764	157,307,356
(b) Local government, local government owned entities and their subsidiaries and JVs	54,127,814	3,119,932	57,247,746
(c) PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	71,563,076	36,373,770	107,936,846
(c)(i) Of which, PRC nationals residing in Mainland China or entities beneficially owned by Mainland interest	66,679,855	36,313,017	102,992,872
(d) Other entities of central government not reported in item (a) above	16,131,497	1,904,638	18,036,135
(e) Other entities of local government not reported in item (b) above	1,181,265	57,205	1,238,470
(f) PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	2,217,984	61,125	2,279,109
(g) Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	3,598,781	1,047,740	4,646,521
	298,465,009	50,227,174	348,692,183

15. Mainland Activities (continued)

31 December 2023	On-balance sheet exposure HK\$'000	Off-balance sheet exposure HK\$'000	Total exposures HK\$'000
Type of counterparties			
(a) Central government, central government owned entities and their subsidiaries and JVs	143,760,985	9,365,149	153,126,134
(b) Local government, local government owned entities and their subsidiaries and JVs	55,872,847	2,364,983	58,237,830
(c) PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	87,502,196	42,739,478	130,241,674
(c)(i) Of which, PRC nationals residing in Mainland China or entities beneficially owned by Mainland interest	82,401,794	42,541,465	124,943,259
(d) Other entities of central government not reported in item (a) above	16,372,404	2,043,510	18,415,914
(e) Other entities of local government not reported in item (b) above	1,194,303	79,605	1,273,908
(f) PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	1,936,857	3,000	1,939,857
(g) Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	4,945,570	963,818	5,909,388
	311,585,162	57,559,543	369,144,705

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\$ HK\$'000	RMB HK\$'000	Other foreign currencies HK\$'000	Total HK\$'000
30 June 2024				
Non-structural position				
Spot assets	268,734,491	245,996,662	41,766,046	556,497,199
Spot liabilities	(291,147,523)	(197,729,311)	(37,637,858)	(526,514,692)
Forward purchases	341,309,069	158,721,525	59,390,583	559,421,177
Forward sales	(341,249,683)	(206,960,806)	(64,995,354)	(613,205,843)
Net option position	(3,173,201)	(520,019)	273,839	(3,419,381)
Net (short)/long position	(25,526,847)	(491,949)	(1,202,744)	(27,221,540)
Net structural position	214,252	14,516,134	-	14,730,386

	US\$ HK\$'000	RMB HK\$'000	Other foreign currencies HK\$'000	Total HK\$'000
31 December 2023				
Non-structural position				
Spot assets	262,050,731	218,238,713	51,082,931	531,372,375
Spot liabilities	(282,703,039)	(184,821,799)	(38,299,930)	(505,824,768)
Forward purchases	213,916,169	88,533,286	36,787,824	339,237,279
Forward sales	(220,822,804)	(121,408,743)	(51,053,695)	(393,285,242)
Net option position	(1,150,189)	(1,309,521)	41,239	(2,418,471)
Net (short)/long position	(28,709,132)	(768,064)	(1,441,631)	(30,918,827)
Net structural position	214,396	14,542,814	-	14,757,210

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 Mainland subsidiary, Chinese Mercantile Bank.

17. Off-balance Sheet Exposures

Note 35.1 of the 2024 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 2024, the total credit risk weighted amount of contingent liabilities and commitments is HKD 40,502 million (31 December 2023: HKD 38,984 million).

18. Analysis of Fees and Commission Income

For details, please refer to Note 7 of the 2024 Interim financial statements of the Group.

19. Overdue Advances to Customers and Banks and Other Assets

For details, please refer to Notes 20.2 and 20.3 of the 2024 Interim financial statements of the Group.

20. Rescheduled Exposures

For details, please refer to Note 20.4 of the 2024 Interim financial statements of the Group.

21. Repossessed Assets

For details, please refer to Note 20.5 of the 2024 Interim financial statements of the Group.