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

2022 4TH QUARTER

(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)
		31/12/2022	30/09/2022	30/06/2022	31/03/2022	31/12/2021
	Regulatory capital (amount)					
1	Common Equity Tier 1 (CET1)	110,089,333	108,943,192	109,792,117	110,785,649	111,514,944
2	Tier 1	137,659,888	136,699,208	137,531,868	138,470,240	139,083,204
3	Total capital	144,597,623	143,308,672	144,054,372	145,552,029	146,216,341
	RWA (amount)					
4	Total RWA	645,838,318	664,786,630	668,370,142	648,767,848	643,834,669
	Risk-based regulatory capital ratios (as a percentage of RWA)					
5	CET1 ratio (%)	17.05%	16.39%	16.43%	17.08%	17.32%
6	Tier 1 ratio (%)	21.31%	20.56%	20.58%	21.34%	21.60%
7	Total capital ratio (%)	22.39%	21.56%	21.55%	22.44%	22.71%
	Additional CET1 buffer requirements (as a percentage of RWA)					
8	Capital conservation buffer requirement (%)	2.50%	2.50%	2.50%	2.50%	2.50%
9	Countercyclical capital buffer requirement (%)	0.63%	0.63%	0.63%	0.60%	0.59%
10	Higher loss absorbency requirements (%) (applicable only to G-SIBs or D-SIBs)	1.00%	1.00%	1.00%	1.00%	1.00%
11	Total AI-specific CET1 buffer requirements (%)	4.13%	4.13%	4.13%	4.10%	4.09%
12	CET1 available after meeting the AI's minimum capital requirements (%)	12.55%	11.89%	11.93%	12.58%	12.82%
	Basel III leverage ratio					
13	Total leverage ratio (LR) exposure measure	1,005,216,518	1,023,988,058	1,023,497,078	990,986,885	1,012,403,043
14	LR (%)	13.69%	13.35%	13.44%	13.97%	13.74%
	Liquidity Coverage Ratio (LCR) / Liquidity Maintenance Ratio (LMR)					
	Applicable to category 1 institution only:					
15	Total high quality liquid assets (HQLA)	136,036,946	132,281,298	149,198,277	163,317,217	169,910,145
16	Total net cash outflows	79,550,945	72,938,388	90,166,170	83,826,650	96,705,162
17	LCR (%)	176.53%	184.77%	166.77%	198.45%	178.92%
	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	527,781,945	514,655,856	512,983,197	519,482,017	515,689,181
19	Total required stable funding	448,990,411	432,401,648	435,048,667	431,719,342	440,419,908
20	NSFR (%)	117.55%	119.02%	117.91%	120.33%	117.09%
	Applicable to category 2A institution only:					
20a	CFR (%)	N/A	N/A	N/A	N/A	N/A

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

		(HK$'000)				
		(a)	(b)	(c)	(d)	(e)
		31/12/2022	30/09/2022	30/06/2022	31/03/2022	31/12/2021
Of the material entity at LAC consolidation group level						
1	Internal loss-absorbing capacity available	154,968,032	143,308,672	144,054,372	145,552,029	146,216,341
2	Risk-weighted amount under the LAC Rules	645,838,318	664,786,630	668,370,142	648,767,848	643,834,669
3	Internal LAC risk-weighted ratio	23.99%	21.56%	21.55%	22.44%	22.71%
4	Exposure measure under the LAC Rules	1,005,216,518	1,023,988,058	1,023,497,078	990,986,885	1,012,403,043
5	Internal LAC leverage ratio	15.42%	14.00%	14.07%	14.69%	14.44%
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 FSB TLAC Term Sheet do not apply in Hong Kong under the LAC Rules.

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

		(HK$ Million)				
		(a)	(b)	(c)	(d)	(e)
		31/12/2022	30/09/2022	30/06/2022	31/03/2022	31/12/2021
Of the non-HK resolution entity at resolution group level (Note 1)						
1	External loss-absorbing capacity available	4,791,628	4,627,873	4,742,175	4,968,407	4,783,054
2	Total risk-weighted amount under the relevant non-HK LAC regime	24,875,791	24,534,963	25,903,640	27,229,091	26,535,778
3	External loss-absorbing capacity as a percentage of risk-weighted amount	19.26%	18.86%	18.31%	18.25%	18.02%
4	Leverage ratio exposure measure under the relevant non-HK LAC regime	46,763,178	46,216,435	48,010,899	48,765,062	45,623,336
5	External loss-absorbing capacity as a percentage of leverage ratio exposure measure	10.25%	10.01%	9.88%	10.19%	10.48%
6a	Does the subordination exemption in the antepenultimate paragraph of Section 11 of the FSB TLAC Term Sheet apply?	N/A	N/A	N/A	N/A	N/A
6b	Does the subordination exemption in the penultimate paragraph of Section 11 of the FSB TLAC Term Sheet apply?	N/A	N/A	N/A	N/A	N/A
6c	If the capped subordination exemption applies, the amount of funding issued that ranks pari passu with excluded liabilities and that is recognised as external loss-absorbing capacity, divided by funding issued that ranks pari passu with excluded liabilities and that would be recognised as external loss-absorbing capacity if no cap was applied	N/A	N/A	N/A	N/A	N/A

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

3. Overview of Risk Management and RWA

a. Overview of Risk Management (OVA)

Our business activities and operations involve identifying, assessing, accepting, measuring, monitoring and reporting various types of risks. We strike an appropriate balance between the amount and types of risks the Group is willing and able to accept in pursuit of its strategic objectives and business plan, and the level of return we target to achieve. The Group has a sound risk management framework in place to ensure the risk profile is prudent and consistent with the risk appetite which is commensurate with the complexity and nature of its business and operations and covers all types of inherent risks faced by the Group. Our risk appetite consists of quantitative and qualitative description of the types and level of risks that the Group is willing to take when achieving the strategic and business goals. The risk appetite framework is reviewed at least annually having regard to the Group's forward looking analysis of risk profile, its capital and financial plan and strategic development.

The effective risk governance is supported by adequate oversight of risk management by the Board of Directors (the "Board") and senior management and well-defined three lines of defence underpinned by strong risk culture. The Risk Management Committee of the Board of Directors ("BRMC") is delegated by the Board to oversee and review the effectiveness of the risk management system of the Group and approve the risk appetite statement and other key risk management policies. Reporting to the BRMC, the Senior Executive Risk Management Committee ("SERMC") implements the risk management framework approved by the BRMC and formulates policies, procedures and limits to manage the risks arising from the Group's business activities and day-to-day operations.

The risk management and compliance functions, forming the second line of defence, are independent from business units. The risk management function carries out day-to-day risk management across all risk types. It establishes relevant policies and procedures to monitor, assess and report the risk profile. The compliance function oversees the Group's due compliance with the applicable regulatory and compliance requirements. The internal audit function, which is the third line of defence, should, among other things, perform independent periodic checking on the compliance and effectiveness of risk management processes and related internal controls.

Recognising the importance of sound risk culture, the Group has formulated and maintained various risk management policies and procedures and code of conduct applicable to all staff at all levels to help foster an effective on-going promotion of strong risk culture within the Group. The firm-wide risk management policy sets out the key elements and requirements in relation to sound risk culture which emphasise the importance of tone from top, the accountability of all staff for identifying, assessing and managing risks, the compliance to law and regulations, the integration of risk appetite into business planning and decisions, and encouragement to open communication and challenge.

To promote the expected behaviours and strengthen our risk culture, a dedicated risk culture column is established in the intranet at which updated information and messages relevant to risk culture are posted from time to time. In addition, risk-related factors are included in our employee performance assessment to reinforce sound risk culture to all staff.

Business lines and risk functions communicate and share risk issues in day-to-day operations. SERMC and BMRC meetings are held at least quarterly where discussion and decision related to risk management are made in response to the changing business environment and stringent regulatory requirements. Procedures related to handling, reporting and rectifying the breach of risk limits are set out in different types of risk's individual policy and procedure.

The Group adopts different methods or models to accurately and timely measure and assess each type of inherent risk. Depending on the nature of risk and the business activities or products involved, different risk measures are calculated to monitor the risk positions in terms of exposure size, risk level, concentration and asset quality, etc. both in normal times and in times of stress. A range of key risk measures or indicators are applied to the Bank and its major operating subsidiaries where applicable to ensure comprehensive review and monitoring on various risk types. The measurement methodologies, major assumptions, limitations, data source and procedures of risk measurement are properly documented and well presented to the senior management and the BRMC for assessment. The risk measurement system is subject to periodic review to ensure that the design, definitions and implementation can fit the purpose. Enhancement on risk measurements and methodologies are made where necessary to uphold the effectiveness of risk management.

Our risk information system supports regulatory reporting and internal management and reporting of various types of inherent risk. It provides our Board and senior management with accurate and timely risk information reports covering all risk exposures from both on- and off-balance sheet businesses. The risk information reports also provide the risk positions, limit utilization and concentration level to specific areas on a regular and need basis. Each report owner is responsible for risk measurement, analysis and assessment of risk, while ensuring the accuracy and quality of the data or information reported.

a. Overview of Risk Management (OVA) (continued)

The following major risk information reporting is presented to the Board and/ or senior management on a regular basis:

- The risk appetite report is submitted quarterly to the SERMC and BRMC. It comprises an overview of the updated status of each risk appetite indicators covering return, capital and risk, including the eight inherent risks as defined under Supervisory Policy Manual IC-1 Risk Management Framework issued by HKMA, which are credit, market, interest rate, liquidity, operational, reputation, legal and strategic risks.

- Individual risk management report is presented to the SERMC and BRMC quarterly. Each report comprises the risk exposure or conditions quantitatively or qualitatively, limit utilization and key issues that require discussion and/ or decision by SERMC or BRMC.

- The latest status of our liquidity and funding is presented to the Asset and Liability Committee ("ALCO").

- Bank-wide stress test is performed quarterly and reported to the SERMC and BRMC.

Stress testing is a crucial tool for the Group in risk management. It helps inform the Board and senior management the financial resources in terms of capital, liquidity and profitability that the Group may need in order to withstand the adverse conditions. We conduct bank-wide stress test regularly across all major business portfolios taking into account the impact of different risk factors significant and relevant to the risk profile. The stress testing scenarios are forward-looking and comprised of different level of severity which allow us to assess its vulnerability to changes in economic and financial conditions. The impact or change on the Group's profit, capital adequacy level and/ or liquidity positions due to the assumed movement and interaction of risk factors under the stress scenarios are compared with the predetermined triggers to help decide whether any remedial actions should be taken. The stress testing results, which help reveal the potential risks and vulnerability of the Group, are also used for risk management and internal capital adequacy assessment process. The stress test policy and methodologies are subject to periodic review to ensure its appropriateness and robustness.

The Group has a comprehensive range of quantitative tools and metrics in place to monitor its risk exposures and risk level. Risk mitigation is one of the key aspects of prudent risk management. Depending on the nature of different products and business, a range of risk mitigating techniques such as seeking collateral, netting arrangement, hedging and insurance is covered in the relevant policies and procedures to mitigate the risks and reduce the potential loss. To ensure the effectiveness of mitigating techniques, there are structured process and requirements regarding the recognition of collateral or mitigating tools, the timely and reliable valuation and legal enforceability of the tools. There are also specific limits or analysis in regular risk management reports to monitor the potential concentration of collaterals.

Other than mitigating tools for particular customers, products or business lines, other mitigating strategies which can more broadly impact the risk exposure or restore the Group's liquidity and capital level are set out at the Recovery Plan and Contingency Funding Plan. The aforesaid documents are subject to periodic review and approval by the Board or the BRMC to ensure the strategies remain appropriate and effective.

b. Overview of Risk-Weighted Amount ("RWA") (OV1)

		(HK$'000)		
		(a)	(b)	(c)
		RWA		Minimum capital requirements
		31/12/2022	30/09/2022 (Restated)	31/12/2022
1	Credit risk for non-securitization exposures	575,001,111	585,927,239	46,000,089
2	Of which STC approach	575,001,111	585,927,239	46,000,089
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	10,962,586	13,708,672	877,007
7	Of which SA-CCR approach	9,243,900	12,634,907	739,512
7a	Of which CEM	-	-	-
8	Of which IMM(CCR) approach	N/A	N/A	N/A
9	Of which others	1,718,686	1,073,765	137,495
10	CVA risk	7,342,163	6,154,513	587,373
11	Equity positions in banking book under the simple risk-weight method and internal models method	-	-	-
12	Collective investment scheme ("CIS") exposures – LTA	6,222,946	5,593,695	497,836
13	CIS exposures – MBA	N/A	N/A	N/A
14	CIS exposures – FBA	N/A	N/A	N/A
14a	CIS exposures – combination of approaches	N/A	N/A	N/A
15	Settlement risk	-	-	-
16	Securitization exposures in banking book	-	-	-
17	Of which SEC-IRBA	-	-	-
18	Of which SEC-ERBA (including IAA)	-	-	-
19	Of which SEC-SA	-	-	-
19a	Of which SEC-FBA	-	-	-
20	Market risk	21,234,613	27,896,163	1,698,769
21	Of which STM approach	21,234,613	27,896,163	1,698,769
22	Of which IMM approach	-	-	-
23	Capital charge for switch between exposures in trading book and banking book (not applicable before the revised market risk framework takes effect)	N/A	N/A	N/A
24	Operational risk	23,196,100	23,555,163	1,855,688
24a	Sovereign concentration risk	N/A	N/A	N/A
25	Amounts below the thresholds for deduction (subject to 250% RW)	2,398,383	2,400,363	191,871

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

		(HK$'000)		
		(a)	(b)	(c)
		RWA		Minimum capital requirements
		31/12/2022	30/09/2022 (Restated)	31/12/2022
26	Capital floor adjustment	-	-	-
26a	Deduction to RWA	519,584	449,178	41,567
26b	Of which portion of regulatory reserve for general banking risks and collective provisions which is not included in Tier 2 Capital	-	-	-
26c	Of which portion of cumulative fair value gains arising from the revaluation of land and buildings which is not included in Tier 2 Capital	519,584	449,178	41,567
27	Total	645,838,318	664,786,630	51,667,066

In the fourth quarter, RWA of the Group amounts to HKD 645.84 billion, which is a decrease of HKD 18.95 billion or 2.85% compared to the third quarter in 2022. Non-securitization credit risk RWA is at HKD 575 billion, which is reduced by HKD 10.93 billion or 1.86% compared to the last quarter mainly due to the decrease of on-balance sheet amount of loan and money market placement exposures. On the other hand, total counterparty default risk and default fund contributions RWA shows an overall decrease of HKD 2.75 billion or 20.03% arising from of which adopts "SA-CCR approach" RWA decreased by HKD 3.39 billion or a downshift of 26.84% compared to the last quarter, mainly because of decrease from exchange rate and equity contracts RWA, whereas "of which others" RWA uplifted by HKD 644.92 million or 60.06% mainly due to increase of Securities Financing Transactions ("SFT").

In the fourth quarter, market risk RWA is at HKD 21.23 billion, which is decreased by HKD 6.66 billion or 23.88% mainly due to decrease in interest rate exposures compared to the third quarter of 2022. Other RWA items only experienced small or moderate fluctuations which were in line with business development. There was neither settlement risk, nor securitization exposure RWA on both current and last reporting dates. There was neither regulatory reserve for general banking risks nor collective provision which needed to be deducted from RWA. There was no RWA capital floor adjustment.

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

The Group is in compliance with the Banking (Capital) Rules to calculate RWA. The Group adopts the standardized (credit risk) approach (STC) for the non-securitization credit risk RWA (including equity exposure and CIS exposure) calculation. Starting from 30 June 2021, in accordance with the Banking (Capital) (Amendment) Rules 2020 enacted by HKMA, the Group adopts SA-CCR approach for the calculation of counterparty credit risk exposure arising from the Bank's derivatives contracts and default risk exposure from derivatives cleared through central counterparty ("CCP"), which is implemented in the counterparty credit risk RWA calculation. The Group adopts standardized 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. Linkages between Financial Statements and Regulatory Exposures

a. Differences between Accounting and Regulatory Scopes of Consolidation and Mapping of Financial Statement Categories with Regulatory Risk Categories (LI1)

	(HK$'000)						
	(a)	(b)	(c)	(d)	(e)	(f)	(g)
	Carrying values as reported in published financial statements	Carrying values under scope of regulatory consolidation	Carrying values of items:				
			subject to credit risk framework	subject to counterparty credit risk framework	subject to the securitization framework	subject to market risk framework	not subject to capital requirements or subject to deduction from capital
Assets							
Cash and balances with banks and other financial institutions	127,315,859	127,250,610	127,250,610	-	-	-	-
Placements with banks and other financial institutions	61,288,223	61,288,223	61,288,223	-	-	-	-
Derivative financial instruments	17,697,213	17,697,210	-	17,697,210	-	15,511,251	-
Advances and other accounts	466,277,082	466,299,546	464,740,086	-	-	1,559,460	-
Financial investments	236,296,716	231,044,491	225,960,135	16,855,975	-	5,084,356	-
Investments in associates	211,595	420,163	420,163	-	-	-	-
Investment in subsidiaries	-	5,853,082	5,853,082	-	-	-	-
Goodwill and other intangible assets	1,020,212	998,756	-	-	-	-	998,756
Investment properties	209,000	209,000	209,000	-	-	-	-
Property, plant and equipment	1,757,564	1,733,697	1,733,697	-	-	-	-
Current income tax assets	18,825	-	-	-	-	-	-

a. Differences between Accounting and Regulatory Scopes of Consolidation and Mapping of Financial Statement Categories with Regulatory Risk Categories (LI1) (continued)

	(HK$'000)						
	(a)	(b)	(c)	(d)	(e)	(f)	(g)
	Carrying values as reported in published financial statements	Carrying values under scope of regulatory consolidation	Carrying values of items:				
			subject to credit risk framework	subject to counterparty credit risk framework	subject to the securitization framework	subject to market risk framework	not subject to capital requirements or subject to deduction from capital
Deferred income tax assets	2,060,665	2,059,960	-	-	-	-	2,059,960
Other assets	10,667,066	10,809,011	10,241,806	556,597	-	10,608	-
Total assets	**924,820,020**	**925,663,749**	**897,696,802**	**35,109,782**	**-**	**22,165,675**	**3,058,716**
Liabilities							
Deposits from banks and other financial institutions	162,339,887	162,339,887	-	1,453,878	-	-	160,886,009
Trading liabilities	58,614	9,956	-	-	-	9,956	-
Derivative financial instruments	16,226,913	16,226,913	-	9,104,672	-	15,702,213	-
Deposits from customers	565,839,119	568,115,045	-	-	-	-	568,115,045
Certificates of deposit issued	3,216,020	3,216,020	-	-	-	-	3,216,020
Debt securities in issue	18,846,608	18,846,608	-	-	-	-	18,846,608
Current income tax liabilities	928,386	928,386	-	-	-	-	928,386
Subordinated debts measured at amortised cost	-	-	-	-	-	-	-
Other liabilities	13,802,171	14,006,003	-	-	-	-	14,006,003
Total liabilities	**781,257,718**	**783,688,818**	**-**	**10,558,550**	**-**	**15,712,169**	**765,998,071**

b. Main Sources of Differences between Regulatory Exposure Amounts and Carrying Values in Financial Statements (LI2)

		(HK$'000)				
		(a)	(b)	(c)	(d)	(e)
		Total	Items subject to:			
			credit risk framework	securitization framework	counterparty credit risk framework	market risk framework
1	**Asset carrying value amount under scope of regulatory consolidation (as per template LI1)**	**922,605,033**	**897,696,802**	**-**	**35,109,782**	**22,165,675**
2	Liabilities carrying value amount under regulatory scope of consolidation (as per template LI1)	17,690,747	-	-	10,558,550	15,712,169
3	Total net amount under regulatory scope of consolidation	904,914,286	897,696,802	-	24,551,232	6,453,506
4	Off-balance sheet amounts	1,281,239,564	50,049,996	-	13,813,217	1,033,146,762
5	*Differences in valuations*	(895,572)	-	-	(895,572)	-
6	*Differences due to different netting rules (other than those already included in row 2)*	-	-	-	-	-
7	*Differences due to consideration of provisions*	-	-	-	-	-
8	*Differences due to prudential filters*	-	-	-	-	-
9	**Exposure amounts considered for regulatory purposes**	**2,185,258,278**	**947,746,798**	**-**	**37,468,877**	**1,039,600,268**

c. Explanations of Differences between Accounting and Regulatory Exposure Amounts (LIA)

The differences between column (a) and column (b) of LI1 are due to difference in consolidation basis for accounting purposes and consolidation basis for regulatory purpose of the Bank and its subsidiaries and interests in associates.

The main driver for the differences between accounting values and amounts considered for regulatory purposes is the application of credit conversion factors ("CCFs") on off-balance sheet amounts.

<u>Marking-to-market methodology</u>
The Group applies mark-to-market valuations to liquefiable financial instruments via day-end market data update through market data service providers.

<u>Mark-to-model methodology</u>
The Group applies internal valuation procedures and model when the market is inactive, the range of reasonable fair values estimates is significant, or the probabilities of the various estimates cannot be reasonably assessed. The Group' s models are calibrated and tested for validity using prices from any observable current market transactions in the same financial instrument or based on any available observable market data to make sure all the models are aligned with market acceptable methodologies for pricing financial instruments.

Independent price verification process is subject to a control framework, as well as policy and procedures designed to ensure that the prices valued internally are validated by an independent party. The verification process is carried on a monthly basis, and any price difference deviated from the acceptable thresholds is followed by investigation and root cause analysis. Valuation Committee whose voting members are mandated from non-risk taking units oversees the independent price verification process and results, in order to perform the check and balance against risk taking unit in price valuation result.

The Group has established policies and procedures for considering valuation adjustments or reserves in circumstances of Market Uncertainty and Credit/Debit Valuation Adjustment ("CVA/DVA").

c. Explanations of Differences between Accounting and Regulatory Exposure Amounts (LIA) (continued)

Market Uncertainty

By setting up a set of macroeconomic factor thresholds, Valuation Committee monthly reviews whether the market uncertainty circumstance have happened, resulting consideration of valuation adjustment from the top-down perspective. Meanwhile, Valuation Committee also makes use of independent price verification process, that the Group's internal valuation result of instruments are compared with independent party's valuation, to review if there is any potential indication of market uncertainty from bottom up perspective. The Group has established a defined procedure for proceeding valuation adjustment or reserve amount after consideration of market uncertainty situation, if and when it is identified.

Credit/Debit Valuation Adjustment

According to the Group's Policy, the valuation result is subject to the CVA/DVA adjustment process that the adjustment method is based on the external credit rating assigned to counterparty and respective market implied probability of default.

In a nutshell, the Group has adequately adopted relevant systems and controls to ensure that the valuation estimates are prudent and reliable for the purposes of implementing the guidance on prudent valuation.

d. Prudential Valuation Adjustments (PV1)

		(HK$'000)							
		(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
		Equity	Interest rates	FX	Credit	Commodities	Total	Of which: In the trading book	Of which: In the banking book
1	Close-out uncertainty, of which:	-	-	-	-	-	-	-	-
2	*Mid-market value*	-	-	-	-	-	-	-	-
3	*Close-out costs*	-	-	-	-	-	-	-	-
4	*Concentration*	-	-	-	-	-	-	-	-
5	Early termination	-	-	-	-	-	-	-	-
6	Model risk	-	-	-	-	-	-	-	-
7	Operational risks	-	-	-	-	-	-	-	-
8	Investing and funding costs						-	-	-
9	Unearned credit spreads						-	-	-
10	Future administrative costs	-	-	-	-	-	-	-	-
11	Other adjustments	-	-	-	-	-	-	-	-
12	**Total adjustments**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

5. Composition of Regulatory Capital

a. Composition of Regulatory Capital (CC1)

		(a) Amount (HK$'000)	(b) 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	69,670,499	e
3	Disclosed reserves	308,649	
4	*Directly issued capital subject to phase-out arrangements from CET1 (only applicable to non-joint stock companies)*	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**	**114,166,779**	
	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)	18,602	b
10	Deferred tax assets (net of associated deferred tax liabilities)	2,059,960	c
11	Cash flow hedge reserve	(16,970)	
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	90,728	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

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	944,972	
26a	Cumulative fair value gains arising from the revaluation of land and buildings (own-use and investment properties)	944,698	
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	274	
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**	**4,077,446**	
29	**CET1 capital**	**110,089,333**	
	AT1 capital: instruments		
30	Qualifying AT1 capital instruments plus any related share premium	27,570,555	
31	of which: classified as equity under applicable accounting standards	27,570,555	
32	of which: classified as liabilities under applicable accounting standards	-	
33	*Capital instruments subject to phase-out arrangements from AT1 capital*	-	
34	AT1 capital instruments issued by consolidated bank subsidiaries and held by third parties (amount allowed in AT1 capital of the consolidation group)	-	
35	*of which: AT1 capital instruments issued by subsidiaries subject to phase-out arrangements*	-	
36	**AT1 capital before regulatory deductions**	**27,570,555**	
	AT1 capital: regulatory deductions		
37	Investments in own AT1 capital instruments	-	
38	Reciprocal cross-holdings in AT1 capital instruments	-	

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**
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	-	
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**	**27,570,555**	
45	**Tier 1 capital (T1 = CET1 + AT1)**	**137,659,888**	
	Tier 2 capital: instruments and provisions		
46	Qualifying Tier 2 capital instruments plus any related share premium	-	
47	*Capital instruments subject to phase-out arrangements from Tier 2 capital*	-	
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	*of which: capital instruments issued by subsidiaries subject to phase-out arrangements*	-	
50	Collective provisions and regulatory reserve for general banking risks eligible for inclusion in Tier 2 capital	6,512,621	f
51	**Tier 2 capital before regulatory deductions**	**6,512,621**	
	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)	-	

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**
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	425,114	
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	425,114	
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**	**425,114**	
58	**Tier 2 capital (T2)**	**6,937,735**	
59	**Total regulatory capital (TC = T1 + T2)**	**144,597,623**	
60	**Total RWA**	**645,838,318**	
	Capital ratios (as a percentage of RWA)		
61	**CET1 capital ratio**	**17.05%**	
62	**Tier 1 capital ratio**	**21.31%**	
63	**Total capital ratio**	**22.39%**	
64	**Institution-specific buffer requirement (capital conservation buffer plus countercyclical capital buffer plus higher loss absorbency requirements)**	**4.13%**	
65	of which: capital conservation buffer requirement	2.50%	
66	of which: bank specific countercyclical capital buffer requirement	0.63%	
67	of which: higher loss absorbency requirement	1.00%	
68	CET1 (as a percentage of RWA) available after meeting minimum capital requirements	12.55%	
	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	5,414,463	

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**
73	Significant LAC investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	1,109,354	
74	Mortgage servicing rights (net of associated deferred tax liabilities)	Not applicable	Not applicable
75	Deferred tax assets arising from temporary differences (net of associated deferred tax liabilities)	Not applicable	Not applicable
	Applicable caps on the inclusion of provisions in Tier 2 capital		
76	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to the BSC approach, or the STC approach and SEC-ERBA, SEC-SA and SEC-FBA (prior to application of cap)	6,512,621	
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	7,431,125	
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	*Current cap on CET1 capital instruments subject to phase-out arrangements*	Not applicable	Not applicable
81	*Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)*	Not applicable	Not applicable
82	*Current cap on AT1 capital instruments subject to phase-out arrangements*	-	
83	*Amount excluded from AT1 capital due to cap (excess over cap after redemptions and maturities)*	-	
84	*Current cap on Tier 2 capital instruments subject to phase-out arrangements*	-	
85	*Amount excluded from Tier 2 capital due to cap (excess over cap after redemptions and maturities)*	-	

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

Notes to the Template

	Description	Hong Kong basis	Basel III basis
9	**Other intangible assets (net of associated deferred tax liabilities)**	18,602	18,602
	Explanation As set out in paragraph 87 of the Basel III text issued by the Basel Committee (December 2010), mortgage servicing rights ("MSRs") may be given limited recognition in CET1 capital (and hence be excluded from deduction from CET1 capital up to the specified threshold). In Hong Kong, an AI is required to follow the accounting treatment of including MSRs as part of intangible assets reported in the AI's financial statements and to deduct MSRs in full from CET1 capital. Therefore, the amount to be deducted as reported in row 9 may be greater than that required under Basel III. The amount reported under the column "Basel III basis" in this box represents the amount reported in row 9 (i.e. the amount reported under the "Hong Kong basis") adjusted by reducing the amount of MSRs to be deducted to the extent not in excess of the 10% threshold set for MSRs and the aggregate 15% threshold set for MSRs, DTAs arising from temporary differences and significant investments in CET1 capital instruments issued by financial sector entities (excluding those that are loans, facilities or other credit exposures to connected companies) under Basel III.		
10	**Deferred tax assets (net of associated deferred tax liabilities)**	2,059,960	-
	Explanation As set out in paragraphs 69 and 87 of the Basel III text issued by the Basel Committee (December 2010), DTAs of the bank to be realized are to be deducted, whereas DTAs which relate to temporary differences may be given limited recognition in CET1 capital (and hence be excluded from deduction from CET1 capital up to the specified threshold). In Hong Kong, an AI is required to deduct all DTAs in full, irrespective of their origin, from CET1 capital. Therefore, the amount to be deducted as reported in row 10 may be greater than that required under Basel III. The amount reported under the column "Basel III basis" in this box represents the amount reported in row 10 (i.e. the amount reported under the "Hong Kong basis") adjusted by reducing the amount of DTAs to be deducted which relate to temporary differences to the extent not in excess of the 10% threshold set for DTAs arising from temporary differences and the aggregate 15% threshold set for MSRs, DTAs arising from temporary differences and significant investments in CET1 capital instruments issued by financial sector entities (excluding those that are loans, facilities or other credit exposures to connected companies) under Basel III.		
18	**Insignificant LAC investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)**	-	-
	Explanation 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.		

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

Notes to the Template (continued)

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)**	-	-
	Explanation 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.		
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)**	-	-
	Explanation 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.		
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)**	-	-
	Explanation 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.		
Remarks: 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.			

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	**7,047**	**7,039**
ICBC Asset Management (Global) Company Limited*	Provision of asset management services	**486,399**	**448,774**
ICBC (Asia) Securities Limited	Provision of securities brokerage services	**1,717,521**	**1,362,469**
ICBC (Asia) Trustee Company Limited	Provision of trustee services	**192,496**	**190,992**
ICBC (Asia) Financial Services Company Limited	Provision of trustee and company services	**-**	**-**
Greater China Fund	Trust fund	**5,724,350**	**5,620,187**

* Included a consolidated subsidiary in the name of 工銀亞投股權投資管理（深圳）有限公司.

As at 31 December 2022, there are no subsidiaries which are included within both the accounting scope of consolidation and the regulatory scope of consolidation but the method of consolidation differs. There are also no subsidiaries which are included within the regulatory scope of consolidation but not included within the accounting scope of consolidation.

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

	(HK$'000)		
	(a)	(b)	(c)
	Balance sheet as in published financial statements 31/12/2022	**Under regulatory scope of consolidation** 31/12/2022	**Reference**
Assets			
Cash and balances with banks and other financial institutions	127,315,859	127,250,610	
Placements with banks and other financial institutions	61,288,223	61,288,223	
Derivative financial instruments	17,697,213	17,697,210	
Advances and other accounts	466,277,082	466,299,546	
of which: collective impairment allowances reflected in regulated capital	-	(6,512,621)	f
Financial investments:	236,296,716	231,044,491	
– held for trading	5,084,356	5,084,356	
– measured at fair value through profit or loss other than held for trading	5,245,412	-	
– measured at fair value through other comprehensive income	112,576,366	112,569,553	
– measured at amortised cost	113,390,582	113,390,582	
Investment in associates	211,595	420,163	
Investment in subsidiaries	-	5,853,082	
Goodwill and other intangible assets	1,020,212	998,756	
of which: goodwill	-	980,154	a
of which: other intangible assets	-	18,602	b
Investment properties	209,000	209,000	
of which: cumulative revaluation gain on investment properties	-	100,900	
Property, plant and equipment	1,757,564	1,733,697	
Current income tax assets	18,825	-	
Deferred income tax assets	2,060,665	2,059,960	c
Other assets	10,667,066	10,809,011	
Total assets	**924,820,020**	**925,663,749**	
Liabilities			
Deposits from banks and other financial institutions	162,339,887	162,339,887	
Trading liabilities	58,614	9,956	

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

	(HK$'000)		
	(a)	(b)	(c)
	Balance sheet as in published financial statements 31/12/2022	**Under regulatory scope of consolidation** 31/12/2022	**Reference**
Derivative financial instruments	16,226,913	16,226,913	
of which: debit valuation adjustments in respect of derivative contracts	-	90,728	g
Deposits from customers	565,839,119	568,115,045	
Certificates of deposit issued at amortised cost	3,216,020	3,216,020	
Debt securities in issue	18,846,608	18,846,608	
- designated at fair value through profit or loss	-	1,311,030	
- at amortised cost	-	17,535,578	
Current income tax liabilities	928,386	928,386	
Deferred income tax liabilities	-	-	
Subordinated debts measured at amortised cost	-	-	
of which: subordinate debts not eligible for inclusion in regulatory capital	-	-	
of which: subordinate debt eligible for inclusion in regulatory capital	-	-	
Other liabilities	13,802,171	14,006,003	
Total liabilities	**781,257,718**	**783,688,818**	
Shareholders' equity			
Share capital	44,187,631	44,187,631	d
Retained earnings	71,249,353	69,670,499	e
of which: regulatory reserve for general banking risks	-	-	
Other reserves	456,553	448,036	
of which: bank premises revaluation reserve	-	746,197	
of which: investment revaluation reserve	-	(3,527,248)	
of which: cash flow hedge reserve	-	(23,470)	
of which: exchange reserve	-	(741,824)	
of which: general reserve	-	3,994,381	
Additional equity instruments	27,668,765	27,668,765	
Total shareholders' equity	**143,562,302**	**141,974,931**	
Total shareholders' equity and liabilities	**924,820,020**	**925,663,749**	

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" of Regulatory Disclosures section of our website, www.icbcasia.com.

The regulatory capital and/or LAC instruments included in the Bank's consolidated capital base as of 31 December 2022 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 2023) – issued on 21 March 2018

On 21 March 2023, the Bank restated the terms and conditions of the 2018 AT1 Capital Securities. The call dates have been changed to 21 March 2028 and any subsequent distribution payment date thereafter as follows:

- USD Non-Cumulative Subordinated AT1 Capital Securities with perpetual maturity (callable on 21 March 2028) – issued on 21 March 2018 (restated on 21 March 2023)

- USD Non-Cumulative Subordinated AT1 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 2024 (callable on 22 December 2023) – issued on 22 December 2022

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

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

(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

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.

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$19,773 million
8a	Amount recognised in loss-absorbing capacity (currency in millions, as of most recent reporting date)	HK$19,773 million
9	Par value of instrument	USD 2.536 billion
10	Accounting classification	Equity instruments
11	Original date of issuance	21 March 2018
12	Perpetual or dated	Perpetual
13	Original maturity date	N/A
14	Issuer call subject to prior supervisory approval	Yes
15	Optional call date, contingent call dates and redemption price	21 March 2023(Redemptions in whole at 100%)
16	Subsequent call dates, if applicable	any distribution payment date thereafter
	Coupons / dividends	
17	Fixed or floating dividend / coupon	Fixed
18	Coupon rate and any related index	Year 1-5: 4.90% per annum payable semi-annually in arrear; Year 5 onwards: resettable on year 5 and every 5 years thereafter at then prevailing 5-year US Treasury yield plus a fixed initial spread
19	Existence of a dividend stopper	Yes
20	Fully discretionary, partially discretionary or mandatory	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

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
34a	Type of subordination	Contractual
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument in the insolvency creditor hierarchy of the legal entity concerned).	Depositors and all other unsubordinated creditors of the Issuer, creditors in respect of Tier 2 Capital Instruments and all other Subordinated Indebtedness of the Issuer
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	N/A

[1] Regulatory treatment of capital instruments subject to transitional arrangements provided for in Schedule 4H to the Banking (Capital) Rules ("BCR").

[2] Regulatory treatment of capital instruments not subject to transitional arrangements provided for in Schedule 4H to the BCR.

* Include solo-consolidated.

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

(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 rules1	N/A
5	Post-transitional Basel III rules2	Additional Tier 1
6	Eligible at solo / group / solo and group (for regulatory capital purposes)	Solo and Group
6a	Eligible at solo / LAC consolidation group / solo and LAC consolidation group (for LAC purposes)	Solo and LAC consolidation group (for LAC purposes)
7	Instrument type (types to be specified by each jurisdiction)	Additional Tier 1 capital instruments
8	Amount recognised in regulatory capital (currency in millions, as of most recent reporting date)	HK$19,773 million
8a	Amount recognised in loss-absorbing capacity (currency in millions, as of most recent reporting date)	HK$19,773 million
9	Par value of instrument	U.S.$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

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
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.

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

<u>(i) Both regulatory capital and LAC requirement</u> (continued)

		(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 Capital Securities are governed by and shall be construed in accordance with the laws of Hong Kong.
3a	Means by which enforceability requirement of Section 13 of the TLAC Term Sheet is achieved (for non-capital LAC debt instruments governed by non-Hong Kong law)	N/A
	Regulatory treatment	
4	Transitional Basel III rules [1]	N/A
5	Post-transitional Basel III rules [2]	Additional Tier 1
6	Eligible at solo* / group / solo and group (for regulatory capital purposes)	Solo and Group
6a	Eligible at solo / LAC consolidation group / solo and LAC consolidation group (for LAC purposes)	Solo and LAC consolidation group (for LAC purposes)
7	Instrument type (types to be specified by each jurisdiction)	Additional Tier 1 capital instruments
8	Amount recognised in regulatory capital (currency in millions, as of most recent reporting date)	HK$7,797 million
8a	Amount recognised in loss-absorbing capacity (currency in millions, as of most recent reporting date)	HK$7,797 million
9	Par value of instrument	USD 1 billion
10	Accounting classification	Equity instruments
11	Original date of issuance	21 July 2021
12	Perpetual or dated	Perpetual
13	Original maturity date	N/A
14	Issuer call subject to prior supervisory approval	Yes
15	Optional call date, contingent call dates and redemption price	First call date: 21 July 2026. Included tax and regulatory event calls. Redemption in whole at 100%
16	Subsequent call dates, if applicable	Any distribution payment date after the first call date
	Coupons / dividends	
17	Fixed or floating dividend / coupon	Fixed
18	Coupon rate and any related index	Year 1-5: 3.3% per annum payable semi-annually in arrear; Year 5 onwards: resettable on year 5 and every 5 years thereafter at then prevailing 5-year US Treasury yield plus a fixed initial spread
19	Existence of a dividend stopper	Yes
20	Fully discretionary, partially discretionary or mandatory	Fully discretionary
21	Existence of step-up or other incentive to redeem	No
22	Non-cumulative or cumulative	Non-cumulative
23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, specify instrument type convertible into	N/A
29	If convertible, specify issuer of instrument it converts into	N/A
30	Write-down feature	Yes
31	If write-down, write-down trigger(s)	Upon the occurrence of a Non-Viability Event
32	If write-down, full or partial	May be written down partially
33	If write-down, permanent or temporary	Permanent
34	If temporary write-down, description of write-up mechanism	N/A
34a	Type of subordination	Contractual

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)

		(d)
		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

[2] Regulatory treatment of capital instruments subject to transitional arrangements provided for in Schedule 4H to the Banking (Capital) Rules ("BCR").

[2] Regulatory treatment of capital instruments not subject to transitional arrangements provided for in Schedule 4H to the BCR.

* Include solo-consolidated.

c. Main Features Of Regulatory Capital Instruments (Cca) And Non-capital Lac Debt Instruments (CCA(A)) (Continued)

(ii) Only LAC (but not regulatory capital) requirement

		(e)
		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 (for LAC purposes)
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$10,370 million
9	Par value of instrument	US$1,330 million
10	Accounting classification	Liability – amortised costs
11	Original date of issuance	22 December 2022
12	Perpetual or dated	Dated
13	Original maturity date	22 December 2024
14	Issuer call subject to prior supervisory approval	Yes
15	Optional call date, contingent call dates and redemption price	First call date: 22 December 2023 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	4.924% 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

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)

		(e) Quantitative / qualitative information
31	If write-down, write-down trigger(s)	Upon the occurrence of a Loss Absorption Event "Loss Absorption Event" means the occurrence of: (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 (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: (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 (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.
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.

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	110,089,333
2	Additional Tier 1 ("AT1") capital before LAC adjustments	27,570,555
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	27,570,555
6	Tier 2 ("T2") capital before LAC adjustments	6,937,735
7	Amortized portion of T2 capital instruments that are internal LAC debt instruments issued directly or indirectly to, and held directly or indirectly by, the resolution entity or non-HK resolution entity in the material subsidiary's resolution group	-
8	T2 capital instruments ineligible as internal loss-absorbing capacity as not issued directly or indirectly to, and held directly or indirectly by, the resolution entity or non-HK resolution entity in the material subsidiary's resolution group	-
9	Other adjustments	-
10	T2 capital eligible under the LAC Rules	6,937,735
11	**Internal loss-absorbing capacity arising from regulatory capital**	**144,597,623**
	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	10,370,409
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	-
14	Of which: amount eligible as external loss-absorbing capacity after application of the caps	-
15	External non-capital LAC debt instruments issued by funding vehicles prior to 1 January 2022	-
16	Eligible ex ante commitments to recapitalise a resolution entity in resolution	-
17	**Internal loss-absorbing capacity arising from non-capital LAC debt instruments before adjustments**	10,370,409
	Non-regulatory capital elements of internal loss-absorbing capacity: adjustments	
18	**Internal loss-absorbing capacity before deductions**	**154,968,032**
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**	**154,968,032**
	Risk-weighted amount and exposure measure under the LAC Rules for internal loss-absorbing capacity purposes	
23	Risk-weighted amount under the LAC Rules	645,838,318
24	Exposure measure under the LAC Rules	1,005,216,518

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**	**23.99%**
26	**Internal LAC leverage ratio**	**15.42%**
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**	**12.55%**
28	Institution-specific buffer requirement (capital conservation buffer plus countercyclical capital buffer requirements plus higher loss absorbency requirement, expressed as a percentage of RWA under the BCR)	4.13%
29	Of which: capital conservation buffer requirement	2.50%
30	Of which: institution-specific countercyclical capital buffer requirement	0.63%
31	Of which: higher loss absorbency requirement	1.00%

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

		Creditor ranking HK$ million			Total HK$ million
		1 (most junior)	2	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	27,571	10,370	82,129
4	Subset of row 3 that are excluded liabilities	-	-	-	-
5	Total capital and liabilities less excluded liabilities	44,188	27,571	10,370	82,129
6	Subset of row 5 that are eligible as internal loss-absorbing capacity	44,188	27,571	10,370	82,129
7	Subset of row 6 with 1 year ≤ residual maturity < 2 years	-	-	10,370	10,370
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	27,571	-	71,759

Note 1: Issued and fully paid ordinary shares.

6. GSIB Indicators (GSIB1)

	Category	Individual indicator	(a) Value
1	Cross-jurisdictional activities	Cross-jurisdictional claims	-
2		Cross-jurisdictional liabilities	-
3	Size	Total exposures	-
4	Interconnectedness with other financial institutions	Intra-financial system assets	-
5		Intra-financial system liabilities	-
6		Securities outstanding	-
7	Substitutability / Financial institution infrastructure	Assets under custody	-
8		Payment activity	-
9		Underwritten transactions in debt and equity markets	-
10	Complexity	Notional amount of over-the-counter ("OTC") derivatives	-
11		Level 3 assets	-
12		Trading securities and securities measured at fair value through other comprehensive income	-

7. 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	AI-specific CCyB ratio	CCyB amount
1	Hong Kong, China	1.00%	301,492,666		
2	China	0.00%	142,382,567		
3	Australia (includes Christmas Islands, Cocos Islands, Norfolk Islands, Heard and McDonald Islands, Territory of Ashmore and Cartier Islands and Territory of Coral Sea Islands)	0.00%	1,276,905		
4	Cambodia (formerly Kampuchea)	0.00%	2,533,077		
5	Canada	0.00%	9,188		
6	Cayman Islands	0.00%	1,550,646		
7	France (includes French Guiana, French Southern Territories, Guadeloupe, Martinique, Mayotte, Monaco, Reunion and St. Pierre and Miquelon)	0.00%	261		
8	Germany (includes the European Central Bank)	0.00%	6,535,989		
9	Guinea	0.00%	366,442		
10	India	0.00%	1,268		
11	Indonesia	0.00%	381,296		
12	Ireland	0.00%	1,004,618		
13	Luxembourg	0.50%	3,850,243		
14	Macau, China	0.00%	52,538		
15	Malaysia (includes Labuan International Financial Offshore Centre)	0.00%	1,353,498		
16	Myanmar (formerly Burma)	0.00%	11,572		
17	Nepal	0.00%	-		
18	Netherlands	0.00%	6,327,880		
19	New Zealand (includes Cook Islands, Minor Islands, Niue, Ross Dependency and Tokelau)	0.00%	-		
20	Philippines	0.00%	523,401		
21	Qatar	0.00%	-		
22	Singapore	0.00%	377,658		
23	South Africa	0.00%	444		
24	South Korea	0.00%	-		
25	Sweden	1.00%	261		
26	Switzerland (includes Bank for International Settlements)	0.00%	941		
27	Taiwan, China	0.00%	69,678		
28	Thailand	0.00%	145,389		

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	AI-specific CCyB ratio	CCyB amount
29	United Arab Emirates	0.00%	347,964		
30	United Kingdom (excludes Guernsey, Isle of Man and Jersey)	0.00%	2,124,671		
31	United States (includes American Samoa, Guam, Midway Islands, Northern Mariana Islands, Puerto Rico, US Virgin Islands and Wake Islands)	0.00%	1,640,105		
32	West Indies UK (includes Anguilla, Antigua and Barbuda, British Virgin Islands, Montserrat and St. Christopher/St. Kitts – Nevis)	0.00%	4,169,166		
	Sum		478,530,332		
	Total		478,530,332	0.63%	3,034,181

8. 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	924,820,020
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	6,061,650
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	14,015,999
5	Adjustment for SFTs (i.e. repos and similar secured lending)	2,494,723
6	Adjustment for off-balance sheet ("OBS") items (i.e. conversion to credit equivalent amounts of OBS exposures)	64,644,837
6a	Adjustments for prudent valuation adjustments and specific and collective provisions that are allowed to be excluded from exposure measure	(8,717,883)
7	Other adjustments	1,897,172
8	**Leverage ratio exposure measure**	**1,005,216,518**

b. Leverage Ratio (LR2)

		(a)	(b)
		(HK$'000)	
		31/12/2022	30/09/2022
On-balance sheet exposures			
1	On-balance sheet exposures (excluding those arising from derivative contracts and SFTs, but including collateral)	898,322,088	914,399,422
2	Less: Asset amounts deducted in determining Tier 1 capital	(1,926,484)	(1,813,829)
3	**Total on-balance sheet exposures (excluding derivative contracts and SFTs)**	**896,395,604**	**912,585,593**
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)	10,538,095	20,539,944
5	Add-on amounts for PFE associated with all derivative contracts	22,915,593	24,149,986
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	(2,073,380)	(7,741,580)
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**	**31,380,308**	**36,948,350**
Exposures arising from SFTs			
12	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	19,018,929	13,632,466
13	Less: Netted amounts of cash payables and cash receivables of gross SFT assets	-	-
14	CCR exposure for SFT assets	2,494,723	1,502,343
15	Agent transaction exposures	-	-
16	**Total exposures arising from SFTs**	**21,513,652**	**15,134,809**
Other off-balance sheet exposures			
17	Off-balance sheet exposure at gross notional amount	234,279,586	235,900,826
18	Less: Adjustments for conversion to credit equivalent amounts	(169,634,749)	(169,063,211)
19	**Off-balance sheet items**	**64,644,837**	**66,837,615**
Capital and total exposures			
20	**Tier 1 capital**	**137,659,888**	**136,699,208**
20a	**Total exposures before adjustments for specific and collective provisions**	**1,013,934,401**	**1,031,506,367**
20b	**Adjustments for specific and collective provisions**	**(8,717,883)**	**(7,518,309)**
21	**Total exposures after adjustments for specific and collective provisions**	**1,005,216,518**	**1,023,988,058**
Leverage ratio			
22	**Leverage ratio**	**13.69%**	**13.35%**

b. Leverage Ratio (LR2) (continued)

Item 4:
The replacement cost associated with all derivative contracts has decreased by HKD10,002 million or a decrease of 48.69% due to fair value change of derivative contracts.

Item 7:
Due to decrease in the clearing settlement account balance, the receivables assets for cash variation margin provided under derivative contracts has decreased by HKD 5,668 million or a decrease of 73.22%.

Item 12:
As the amount of repo used to finance the purchase of debt securities increased, the Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions, increased by HKD 5,386 million or an increase of 39.51%.

Item 14:
Due to the amount of security repo increased, CCR exposure for SFT assets increased by HKD 992 million or an increase of 66.06%.

Item 16 (include 12 and 14):
The Gross SFT assets (with no recognition of netting) after adjusting for sale accounting transactions and CCR exposure for SFT assets increased by HKD 5,386 million or an increase of 39.51% and HKD 992 million or an increase of 66.06% respectively. The total exposures arising from SFTs increased by HKD 6,379 million or an increase of 42.15%.

9. Liquidity

a. Liquidity Risk Management (LIQA)

Liquidity risk is the risk that the Group cannot meet its financial obligations as and when they fall due. A sound liquidity risk management framework is therefore essential to ensure there is adequate cash flow to meet all financial obligations, including matured borrowings, deposits withdrawal either on demand or at contractual maturity, etc. under both normal and contingency circumstances in a cost-effective manner. The Group must comply with the statutory Liquidity Coverage Ratio ("LCR"), Net Stable Funding Ratio ("NSFR") and other regulatory liquidity-related ratios. To ensure this, the Group maintains a stable and diversified funding base of retail and corporate customer deposits and a strong portfolio of highly liquid assets.

The Board of Directors (the "Board") has the ultimate responsibility for the oversight of liquidity risk management. For better management of the overall risks faced by the Bank, the Board has established the Risk Management Committee of Board of Directors ("BRMC") to oversee the Bank's risk management framework and risk positions and approve risk policies (including liquidity risk management policy). The Board RMC delegates the Senior Executive RMC ("SERMC") to monitor and assess the Bank's overall risk positions. For liquidity risk, the SERMC appoints ALCO to manage.

The ALCO, to manage liquidity risk, includes but not limited to:

- identify, assess, monitor and control the liquidity risk
- formulate, review and update the liquidity risk management policy
- strengthen the Bank's liquidity and monitor the liquidity risk indicators, cash flow and intraday liquidity
- review the liquidity stress testing on a regular basis
- build up contingency funding plan on liquidity, including but is not limited to solicit customer deposits, issue CDs, sell bonds, etc.

To manage liquidity risk, the Group has established liquidity risk management policies that are reviewed and approved by the ALCO, SERMC and BRMC. Liquidity is managed and forecasted on a daily basis to enable the ALCO and relevant departments to act proactively in view of changing market conditions and to implement contingency plans on a timely basis. Also, liquidity risk management reports are prepared and reported to the ALCO on a monthly basis and to the SERMC and the Board RMC on a quarterly basis for effective liquidity risk management oversight.

a. Liquidity Risk Management (LIQA) (continued)

Stress tests, with various crisis scenarios covering bank-specific, general market and a combination of both, are regularly conducted for both internal and regulatory purposes in order to assess the adequacy of the Group's liquidity to meet any contingent funding needs under severe conditions. The ALCO examines and discusses the stress test results to consider the need for preventive and mitigating actions. These actions include but not limited to limit the Bank's exposures, build up more liquidity cushion, and/or adjust the structural maturity profile of the Bank's assets and liabilities. Stress tests are conducted for all currencies in aggregate as HKD equivalent and separately for positions in significant currencies (e.g. HKD, USD, CNY).

The Group maintains a diversified portfolio of liquidity cushion that is largely made up of the most liquid and readily marketable assets ("tier 1 assets"), such as cash, EF debt securities and other high quality government debt securities or similar instruments, that can be easily or immediately monetized with little or no loss or discount at all times. The Bank also widens the composition of the liquidity cushion by holding other liquid and marketable assets ("tier 2 assets") which can be used to cater for the longer end of the stress period without resulting in excessive losses or discounts. The Bank calculates the required liquidity cushion, which is compared to the liquidity cushion held by the Bank to ensure that the latter is sufficient in all circumstances.

To ensure an effective liquidity risk management, frontline business units should:

- report the customer fund in/out flow in time and monitor the trend of deposits withdrawal;
- attract relatively stable deposits at reasonable rate (e.g. longer tenor, larger depositor base, etc.);
- fulfil the deposit growth targets set by senior management;
- simultaneously comply with the deposit growth target when developing assets business which consumes liquidity;
- implement liquidity management plans as agreed in ALCO or Chief Executive Officer ("CEO") when the liquidity is relatively tight;
- price lending properly, taking into account the Bank's liquidity cost and availability; and
- slow down or cease committing to new loans, and / or defer or regulate loan drawdown, and / or work together on loan sale during times of liquidity stress.

a. Liquidity Risk Management (LIQA) (continued)

The Group continues to seek to diversify its funding channels to control excessive concentration on funding sources. Funding support from the Parent Bank, Industrial and Commercial Bank of China Limited ("ICBC"), has also proven to be efficient in strengthening the Group's liquidity capability.

The matching and controlled mismatching of assets and liabilities are fundamental to the liquidity management of the Group. It is unusual for bank's assets and liabilities to be completely matched in tenors, as transactions often entail uncertain terms and are frequently of different types. While an unmatched position potentially enhances profitability, it increases the liquidity risk (as well as the interest rate risk) of an entity.

A substantial portion of our assets is funded by customer deposits. These customer deposits, which are widely diversified by type and maturity, represent a stable source of funds. The Group places great emphasis on the stability of these deposits, which are sustained through the Group's retail banking activities and by maintaining depositor confidence in the Group's capital strength. Although many customer accounts are contractually due for repayment on demand or at short notice, in practice inflows and outflows are broadly matched, keeping short-term deposit balances stable.

The contingency funding plan ("CFP") is reviewed by the ALCO and the SERMC, and approved by the Board RMC at least annually with the objective of ensuring that the Group has practical and operational plans in place to enable it to cope with a liquidity crisis. The CFP is a practical tool for managing liquidity during a crisis event. It sets out the options available to the Group for garnering liquidity and funding, and an agreed course of action in the event of an unexpected crisis. The CFP includes detailed action steps as well as roles and responsibilities of relevant parties. As a practical set of guidelines for the crisis management team and its support team to evaluate the liquidity crisis situation and execute action steps during any crisis, the CFP also consists of a sound balance sheet maturity analysis, and spells out all potential funding sources giving due consideration to their reliability, priority and the lead time during a crisis.

The Group assess the structure of the on and off balance sheet with cash flow projection and future liquidity position by monitoring 1) cumulative net maturity mismatch (normal condition) and 2) cash flow stress testing (stress condition). By projecting the future cash flow maturity position from on and off balance sheet items, corresponding cumulative maturity gap can be generated and monitored. The bank needs to ensure the cumulative net cash flow position is positive within certain period under both normal and stress condition. (i.e. the negative cumulative maturity gap can be recovered by options such as disposal of securities).

a. Liquidity Risk Management (LIQA) (continued)

On 31 December 2022 cumulative net maturity mismatch (normal condition) exposure is positive HKD 13.9 billion within 1 month; cash flow stress testing (stress condition) exposure is positive HKD 0.4 billion within 1 month.

There are corresponding concentration limits for risk diversification of the bank. For example for repo product, there are repo notional limits by counterparties.

The Group monitors the liquidity exposure of the regulatory required liquidity ratios LCR, HKD L1 LCR and NSFR under local, combined and consolidated level on daily basis.

On 31 December 2022, the exposure results are as below.

LCR on local basis is 230%, LCR on combined basis is 230% and LCR on consolidated basis is 196%.

HKD L1 LCR on local basis is 127%, HKD L1 LCR on combined basis is 127% and HKD L1 LCR on consolidated basis is 117%.

NSFR on local basis is 114%, NSFR on combined basis is 114% and NSFR on consolidated basis is 118%.

a. Liquidity Risk Management (LIQA) (continued)

On- and off-balance sheet items, broken down into maturity buckets and the resultant liquidity gaps as below:

31 December 2022	Repayable on demand HK$'000	Up to one month HK$'000	1-3 months HK$'000	3-12 months HK$'000	1-5 years HK$'000	Over 5 years HK$'000	Undated HK$'000	Total HK$'000
Assets								
Cash and balances with banks and other financial institutions	45,169,303	82,146,556	-	-	-	-	-	127,315,859
Placements with banks and other financial institutions	-	-	14,744,381	46,543,842	-	-	-	61,288,223
Financial investments held for trading								
- treasury bills	-	299,832	1,247,026	-	-	-	-	1,546,858
- certificates of deposit held	-	-	2,169,248	1,273,171	-	-	-	3,442,419
- other debt securities	-	22,140	20,631	26,841	25,467	-	-	95,079
Financial investments at fair value through profit or loss other than held for trading								
- treasury bills	-	3,502	6,563	9,832	19,068	4,733	-	43,698
- other debt securities	-	10,524	18,425	21,808	126,532	66,758	62,852	306,899
- equity securities							98,451	98,451
-investment funds	-	-	99,143	-	2,278	-	4,639,995	4,741,416
- other	-	-	-	-	-	-	54,948	54,948
Derivative financial instruments	72,555	1,166,444	2,201,621	4,314,989	4,870,869	5,070,735	-	17,697,213
Advances and other accounts	7,902,921	33,663,612	27,311,251	102,725,692	194,519,244	100,154,362	-	466,277,082
Financial investments measured at fair value through other comprehensive income								
- treasury bills	-	-	-	1,542,290	8,392,204	4,706,972	-	14,641,466
- equity securities	-	-	-	-	-	-	216,506	216,506
- certificates of deposit held	-	-	6,695,179	377,575	-	-	-	7,072,754
- other debt securities	-	1,112,381	2,814,470	15,274,621	41,481,584	27,016,025	-	87,699,081
- investment fund	-	-	-	-	2,946,559	-	-	2,946,559
Financial investments measured at amortised cost								
- treasury bills	-	28,807,384	20,176,904	573,196	13,516,913	1,144,362	-	64,218,759
- certificates of deposit held	-	-	1,999,790	2,525,400	-	-	-	4,525,190
- other debt securities	-	1,602,853	157,324	5,526,821	22,940,655	14,418,980	-	44,646,633
Investments in associates	-	-	-	-	-	-	211,595	211,595
Goodwill and other intangible assets	-	-	-	-	-	-	1,020,212	1,020,212
Investment properties	-	-	-	-	-	-	209,000	209,000
Property, plant and equipment	-	-	-	-	-	-	1,757,564	1,757,564
Other assets, including current and deferred income tax assets	910,060	2,293,822	1,369,792	4,078,307	3,653,627	-	440,948	12,746,556
Total assets	**54,054,839**	**151,129,050**	**81,031,748**	**184,814,385**	**292,495,000**	**152,582,927**	**8,712,071**	**924,820,020**
Total off-balance claims	**-**	**47,343,429**	**-**	**-**	**-**	**-**	**72,159,531**	**119,502,960**
Total	**54,054,839**	**198,472,479**	**81,031,748**	**184,814,385**	**292,495,000**	**152,582,927**	**80,871,602**	**1,044,322,980**
Liabilities								
Deposits from banks and other financial institutions	34,089,106	53,217,115	23,388,688	46,186,868	5,458,110	-	-	162,339,887
Trading liabilities	48,658	9,956	-	-	-	-	-	58,614
Derivative financial instruments	-	1,284,408	2,211,225	4,335,694	4,385,183	4,010,403	-	16,226,913
Deposits from customers	171,570,414	94,600,491	159,274,516	122,786,777	17,606,921	-	-	565,839,119
Certificates of deposit issued	-	272,906	2,943,114	-	-	-	-	3,216,020
Debt securities in issue	-	-	1,311,030	1,559,077	15,976,501	-	-	18,846,608
Other liabilities, including current and deferred income tax liabilities	2,035,631	4,719,539	2,239,947	4,582,962	1,069,410	83,068	-	14,730,557
Total liabilities	**207,743,809**	**154,104,415**	**191,368,520**	**179,451,378**	**44,496,125**	**4,093,471**	**-**	**781,257,718**
Total off-balance obligations	**-**	**101,286,015**	**-**	**-**	**-**	**-**	**-**	**101,286,015**
Total	**207,743,809**	**255,390,430**	**191,368,520**	**179,451,378**	**44,496,125**	**4,093,471**	**-**	**882,543,733**
Net liquidity gap	**(153,688,970)**	**(56,917,951)**	**(110,336,772)**	**5,363,007**	**247,998,875**	**148,489,456**	**80,871,602**	**161,779,247**

b. 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: (75)		(HK$'000)	
		(a)	(b)
Basis of disclosure: consolidated		**Unweighted value** (average)	**Weighted value** (average)
A.	**HQLA**		
1	Total HQLA		136,114,260
B.	**Cash outflows**		
2	Retail deposits and small business funding, of which:	150,788,672	14,389,714
3	*Stable retail deposits and stable small business funding*	9,845,054	295,352
4	*Less stable retail deposits and less stable small business funding*	140,943,618	14,094,362
4a	*Retail term deposits and small business term funding*	-	-
5	Unsecured wholesale funding (other than small business funding), and debt securities and prescribed instruments issued by the AI, of which:	301,655,345	158,428,738
6	*Operational deposits*	10,646,652	2,642,302
7	*Unsecured wholesale funding (other than small business funding) not covered in row 6*	287,191,522	151,969,265
8	*Debt securities and prescribed instruments issued by the AI and redeemable within the LCR period*	3,817,171	3,817,171
9	Secured funding transactions (including securities swap transactions)		746,518
10	Additional requirements, of which:	79,985,062	16,211,882
11	*Cash outflows arising from derivative contracts and other transactions, and additional liquidity needs arising from related collateral requirements*	13,860,754	8,393,391
12	*Cash outflows arising from obligations under structured financing transactions and repayment of funding obtained from such transactions*	-	-
13	*Potential drawdown of undrawn committed facilities (including committed credit facilities and committed liquidity facilities)*	66,124,308	7,818,491
14	Contractual lending obligations (not otherwise covered in Section B) and other contractual cash outflows	8,606,235	8,606,235
15	Other contingent funding obligations (whether contractual or non-contractual)	410,697,842	2,211,253
16	**Total Cash Outflows**		**200,594,340**
C.	**Cash Inflows**		
17	Secured lending transactions (including securities swap transactions)	577,454	43,304
18	Secured and unsecured loans (other than secured lending transactions covered in row 17) and operational deposits placed at other financial institutions	151,381,850	115,159,213
19	Other cash inflows	17,545,068	6,443,309
20	**Total Cash Inflows**	**169,504,372**	**121,645,826**
D.	**Liquidity Coverage Ratio**		**Adjusted value**
21	**Total HQLA**		**136,036,946**
22	**Total Net Cash Outflows**		**79,550,945**
23	**LCR (%)**		**176.53%**

b. Liquidity Coverage Ratio – For Category 1 Institution (LIQ1) (continued)

Liquidity Coverage Ratio

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

The average LCR as of the fourth quarter of 2022 decreased by 8.24% compared to that as of the third quarter of 2022. Such decrease was mainly due to the HQLA increased by HKD 3.8 billion, but the total net cash outflows increased by HKD 6.0 billion, which was resulted from the maturing impact from various kinds of asset and liability.

(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.

(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.

b. Liquidity Coverage Ratio – For Category 1 Institution (LIQ1) (continued)

(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.

(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.

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

		31/12/2022 (HK$'000)				
		(a)	(b)	(c)	(d)	(e)
Basis of disclosure: consolidated		Unweighted value by residual maturity				Weighted amount
		No specified term to maturity	<6 months or repayable on demand	6 months to < 12 months	12 months or more	
A.	**Available stable funding ("ASF") item**					
1	Capital:	148,675,069	-	-	-	148,675,069
2	*Regulatory capital*	148,675,069	-	-	-	148,675,069
2a	*Minority interests not covered by row 2*	-	-	-	-	-
3	*Other capital instruments*	-	-	-	-	-
4	Retail deposits and small business funding:	-	154,918,718	494,264	13,386	140,422,463
5	*Stable deposits*		10,261,912	485,956	13,386	10,223,860
6	*Less stable deposits*		144,656,806	8,308	-	130,198,603
7	Wholesale funding:	-	497,300,108	59,350,266	22,582,767	222,034,809
8	*Operational deposits*		6,507,129	-	-	3,253,565
9	*Other wholesale funding*	-	490,792,979	59,350,266	22,582,767	218,781,244
10	Liabilities with matching interdependent assets	-	-	-	-	-
11	Other liabilities:	10,895,844	5,351,359	1,320,674	15,989,267	16,649,604
12	*Net derivative liabilities*	-				
13	*All other funding and liabilities not included in the above categories*	10,895,844	5,351,359	1,320,674	15,989,267	16,649,604
14	**Total ASF**					**527,781,945**
B.	**Required stable funding ("RSF") item**					
15	Total HQLA for NSFR purposes				167,822,667	22,362,749
16	Deposits held at other financial institutions for operational purposes	-	543,174	-	-	271,587
17	Performing loans and securities:	4,681,012	284,157,096	91,776,758	318,495,055	387,001,246
18	*Performing loans to financial institutions secured by Level 1 HQLA*	-	1,454,070	-	-	145,407
19	*Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions*	-	186,198,595	40,463,590	16,370,271	64,531,854

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

		31/12/2022				
		(HK$'000)				
		(a)	(b)	(c)	(d)	(e)
Basis of disclosure: consolidated		**Unweighted value by residual maturity**				**Weighted amount**
20	*Performing loans, other than performing residential mortgage, to non-financial corporate clients, retail and small business customers, sovereigns, the Monetary Authority for the account of the Exchange Fund, central banks and PSEs, of which:*	4,681,012	76,086,479	47,372,727	201,357,255	234,187,854
21	*With a risk-weight of less than or equal to 35% under the STC approach*	-	3,132,104	270,763	13,371,379	10,392,830
22	*Performing residential mortgages, of which:*	-	1,417,693	1,285,627	74,904,047	55,324,635
23	*With a risk-weight of less than or equal to 35% under the STC approach*	-	982,449	874,394	48,477,322	32,438,681
24	*Securities that are not in default and do not qualify as HQLA, including exchange-traded equities*	-	19,000,259	2,654,814	25,863,482	32,811,496
25	Assets with matching interdependent liabilities	-	-	-	-	-
26	Other assets:	46,517,341	22,452,491	-	-	35,854,214
27	*Physical traded commodities, including gold*	-				-
28	*Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs*	360,745				306,633
29	*Net derivative assets*	3,918,464				3,918,464
30	*Total derivative liabilities before deduction of variation margin posted*	14,717,862				735,893
31	*All other assets not included in the above categories*	27,520,270	22,452,491	-	-	30,893,224
32	Off-balance sheet items				453,347,317	3,500,615
33	**Total RSF**					**448,990,411**
34	**Net Stable Funding Ratio (%)**					**117.55%**

c. Net Stable Funding Ratio – For Category 1 Institution (LIQ2) (continued)

		30/09/2022 (HK$'000)				
		(a)	(b)	(c)	(d)	(e)
Basis of disclosure: consolidated		**Unweighted value by residual maturity**				**Weighted amount**
		No specified term to maturity	<6 months or repayable on demand	6 months to < 12 months	12 months or more	
A.	**Available stable funding ("ASF") item**					
1	Capital:	147,091,247	-	-	-	147,091,247
2	*Regulatory capital*	147,091,247	-	-	-	147,091,247
2a	*Minority interests not covered by row 2*	-	-	-	-	-
3	*Other capital instruments*	-	-	-	-	-
4	Retail deposits and small business funding:	-	148,261,637	47,848	-	134,015,630
5	*Stable deposits*		10,721,801	20,042	-	10,204,751
6	*Less stable deposits*		137,539,836	27,806	-	123,810,879
7	Wholesale funding:	-	519,054,613	57,880,257	20,867,960	225,831,644
8	*Operational deposits*		11,212,648	-	-	5,606,324
9	*Other wholesale funding*	-	507,841,965	57,880,257	20,867,960	220,225,320
10	Liabilities with matching interdependent assets	-	-	-	-	-
11	Other liabilities:	8,758,794	18,210,724	1,571,287	6,931,692	7,717,335
12	*Net derivative liabilities*	-				
13	*All other funding and liabilities not included in the above categories*	8,758,794	18,210,724	1,571,287	6,931,692	7,717,335
14	**Total ASF**					**514,655,856**
B.	**Required stable funding ("RSF") item**					
15	Total HQLA for NSFR purposes				159,564,335	23,927,266
16	Deposits held at other financial institutions for operational purposes	-	1,803,307	-	-	901,654
17	Performing loans and securities:	3,127,164	322,056,467	80,787,335	304,019,426	371,920,845
18	*Performing loans to financial institutions secured by Level 1 HQLA*	-	554,073	-	-	55,407
19	*Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions*	-	223,693,886	29,876,660	2,441,195	50,933,607

c. Net Stable Funding Ratio – For Category 1 Institution (LIQ2) (continued)

		30/09/2022 (HK$'000)				
		(a)	(b)	(c)	(d)	(e)
Basis of disclosure: consolidated		Unweighted value by residual maturity				Weighted amount
		No specified term to maturity	<6 months or repayable on demand	6 months to < 12 months	12 months or more	
20	*Performing loans, other than performing residential mortgage, to non-financial corporate clients, retail and small business customers, sovereigns, the Monetary Authority for the account of the Exchange Fund, central banks and PSEs, of which:*	3,127,164	93,279,204	44,779,686	201,834,046	240,748,631
21	*With a risk-weight of less than or equal to 35% under the STC approach*	-	2,101,089	273,887	12,489,213	9,305,476
22	*Performing residential mortgages, of which:*	-	1,403,374	1,314,137	75,049,953	55,221,712
23	*With a risk-weight of less than or equal to 35% under the STC approach*	-	967,469	903,138	49,647,525	33,206,195
24	*Securities that are not in default and do not qualify as HQLA, including exchange-traded equities*	-	3,125,930	4,816,852	24,694,232	24,961,488
25	Assets with matching interdependent liabilities	-	-	-	-	-
26	Other assets:	49,061,920	19,707,174	-	-	32,345,953
27	*Physical traded commodities, including gold*	-				-
28	*Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs*	123,222				104,739
29	*Net derivative assets*	10,042,590				10,042,590
30	*Total derivative liabilities before deduction of variation margin posted*	21,329,288				1,066,464
31	*All other assets not included in the above categories*	17,566,820	19,707,174	-	-	21,132,160
32	Off-balance sheet items				491,895,491	3,305,930
33	**Total RSF**					**432,401,648**
34	**Net Stable Funding Ratio (%)**					**119.02%**

c. Net Stable Funding Ratio – For Category 1 Institution (LIQ2) (continued)

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

(i) Main drivers of NSFR results

The change in the Bank's NSFR's is mainly due to the change in the composition and size of various kinds of asset and liability. For the liability side, the major funding source is customer deposit. It is relatively stable which brings support to the NSFR. For the asset side, the major product is customer loan which grows smoothly in size. In overall, the NSFR is maintained smoothly and the liquidity situation is kept at a safe level.

(ii) Centralization of liquidity management

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

10. Credit Risk for Non-securitization Exposures

a. General Information about Credit Risk (CRA)

The Bank reviews credit risk appetite on an annual basis to provide direction of loan growth during the year. New or change of business direction will be taken into consideration during the review of credit risk appetite. The Bank's credit risk appetite will be reviewed by the Bank's Senior Executive Risk Management Committee ("SERMC") and approved by the Bank's Board Risk Management Committee ("BRMC").

The Bank's credit risk management policy includes credit risk appetite, customer selection criteria, customer acceptance criteria, and post-approval monitoring. As a subsidiary of ICBC in HK, the Bank adopts parent Bank's credit risk management policy for loans used in the PRC. For lending other than in the PRC (e.g. Hong Kong and Asia Pacific), the Bank's credit risk management policy will be referred to local regulatory requirement, macroeconomic environment and market practice. For the purpose to minimize concentration risk, the Bank also sets up credit risk limits in respect of large exposure, industry level, country and product etc.

BRMC has ultimate responsibility for overseeing credit risk management of the Bank. In practice, BRMC approves the bank-wide risk appetite statement (including credit risk) and credit risk appetite providing the guidance / direction of loan growth of the Bank. SERMC, chaired by CEO, assists BRMC to review and assesses credit risk of the Bank.

Credit Committee ("CC") deliberates sizable credit application prior to approval by final approver of the Bank. The Bank's credit approval authority was delegated by our parent Bank and the Bank's Board further delegates to CEO, Chief Risk Officer ("CRO"), Chief Credit Approver ("CCA"), Heads and approvers in Credit Approval Departments ("CAD").

Business Units act as first line of defence for customer relationship management and post-approval monitoring, credit risk management and control function other than credit approval is handled by Credit and Investment Management Department ("CMD"), Loan Administration Department ("LAD") and Risk Management Department ("RMD") with direct reporting line to CRO. Reporting to CEO of the Bank, CRO is independent of Business Unit and in charge of overall risk management (including credit risk) of the Bank.

a. General Information About Credit Risk (CRA) (continued)

The Bank has adopted a “Three Lines of Defences” risk management structure. Business Units play the first line of defence and primary responsible party of the credit risk. Credit Risk Management function and Compliance and Legal Department (“CLD”) are independent of Business Units and play the second line of defence. Internal Audit Department (“IAD”) plays the third line of defence and is responsible to providing assurance on the effectiveness of the Bank’s risk management framework.

Reports in relation to asset quality of the Bank will be prepared by CMD and reported to CC, SERMC and BRMC on a regular basis (e.g. monthly or quarterly). The scope and main content of the report including but not limited to the (1) size of the Bank’s loan portfolio and corresponding loan classification and internal credit rating ; (2) asset quality of key business segments; (3) overdue and non-performing loan status at the reporting period and (4) large exposure customer’s impact on the Bank’s capital. On top of routine reports, ad hoc reports such as portfolio review will also be reported to CC, SERMC and BRMC if necessary and in an appropriate manner.

b. 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	3,921,592	657,561,978	8,252,551	2,283,215	5,969,336	-	653,231,019
2	Debt securities	28,895	222,855,434	80,446	-	80,446	-	222,803,883
3	Off-balance sheet exposures	-	234,279,585	326,817	-	326,817	-	233,952,768
4	**Total**	**3,950,487**	**1,114,696,997**	**8,659,814**	**2,283,215**	**6,376,599**	**-**	**1,109,987,670**

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.

c. 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**	**3,001,757**
2	Loans and debt securities that have defaulted since the last reporting period	1,668,182
3	Returned to non-defaulted status	(4,744)
4	Amounts written off	(510,752)
5	Other changes	(203,956)
6	**Defaulted loans and debt securities at the end of the current reporting period**	**3,950,487**

Loans and debt securities that have defaulted since the last reporting period amounted to HKD 1.67 billion. 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 HKD 0.51 billion. 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.

d. Additional Disclosure Related to Credit Quality of Exposures (CRB)

The Group adopts a forward-looking expected credit loss ("ECL") model for measuring and recognizing impairment loss to meet the requirement of HKFRS9. Impairment allowance was measured for 12-month or lifetime expected credit losses using 3-stage approach as follows:

<table>
<tr><th>Stage</th><th>Description</th><th>Impairment Loss</th><th colspan="2">HKMA's 5-Grade Asset</th></tr>
<tr><td rowspan="2">1</td><td rowspan="2">Performing</td><td rowspan="2">12-month ECL</td><td>Pass</td><td>General (i.e. do not meet the Bank's criteria of "Significant Increase of Credit Risk")</td></tr>
<tr><td colspan="2">Special Mention</td></tr>
<tr><td rowspan="2">2</td><td rowspan="2">Performing but with credit risk increased significantly at reporting date since its initial recognition</td><td rowspan="2">Lifetime ECL</td><td>Pass</td><td>Meet the Bank's criteria of "Significant Increase of Credit Risk"</td></tr>
<tr><td colspan="2">Special Mention</td></tr>
<tr><td rowspan="3">3</td><td rowspan="3">Non-Performing</td><td rowspan="3">Lifetime ECL</td><td colspan="2">Substandard</td></tr>
<tr><td colspan="2">Doubtful</td></tr>
<tr><td colspan="2">Loss</td></tr>
</table>

- 12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date.
- Lifetime ECL are the expected losses that result from all possible default events over the expected life of financial instrument.

The key inputs into the measurement of ECL are the term structure of the following variables:
- Probability of default ("PD");
- Loss given default ("LGD"); and
- Exposure of default ("EAD")

For the portfolios without PD, references of portfolio average PD estimates under the same portfolios, the long-run average default rate of the portfolios or PD estimates extracted from external sources are used. The PD term structure estimation is referenced to forecast of economic index relevant to the portfolio.

LGD is the magnitude of the likely loss if there is a default. For the portfolios with insufficient historical loss and recovery data, reference of external data source are used for derivating the LGD estimates.

d. Additional Disclosure Related to Credit Quality of Exposures (CRB) (continued)

For the portfolio with individual assessment of credit risk mitigation measures, collateral values are projected for different economic scenario as to reflect LGD estimates under different economic scenarios.

Advances with a specific repayment date are classified as overdue when the principal or interest is past due and remains unpaid. Advances repayable by regular instalments are classified as overdue when an instalment payment is past due and remains unpaid. Advances repayable on demand are classified as overdue either when a demand for repayment has been served on the borrower but repayment has not been made in accordance with the instruction or when the advances have remained continuously exceeded the approved limit that was advised to the borrower. Credit-impaired loans represent advances which are individually assessed to be impaired.

The Bank follows the HKMA's definition of a rescheduled exposure.

Breakdown of exposures by geographical areas

	(HK$'000)
Hong Kong	672,539,548
China	288,688,368
United States	41,232,245
Others	116,187,323
Total	**1,118,647,484**

d. Additional Disclosure Related to Credit Quality of Exposures (CRB) (continued)

Breakdown of exposures by industry

	(HK$'000)
Manufacturing	15,001,759
Building & construction	127,460,013
Electricity	7,282,131
Oil and Gas	3,143,328
Recreational activities	8,910
Information Technology	22,345,863
Wholesale trade (Wholesalers)	26,328,472
Retail trade (Retailers, including retail chains and stores)	4,626,470
Transport and transport equipment	14,998,243
Hotels and boarding houses (Accommodation)	2,975,000
Catering (Food and beverage services activities)	118,864
Financial concerns	574,017,082
Stockbrokers	2,326,127
Non-stockbroking companies	-
Loans to professional & private individuals	124,120,926
Mining and quarrying	1,127,218
Trade financing (Importers and exporters)	2,717,895
All others	190,049,183
Total	**1,118,647,484**

Breakdown of exposures by residual maturity

	(HK$'000)
Within one year	601,738,827
One to five years	282,645,334
Over five years	148,613,182
Undated	85,650,141
Total	**1,118,647,484**

d. Additional Disclosure Related to Credit Quality of Exposures (CRB) (continued)

Breakdown of impaired exposures, related allowances and write-offs by geographical areas

	(HK$'000)		
	Impaired exposure	Related allowances	Write-offs during the year
Hong Kong	1,097,279	384,785	202,683
Mainland China	2,634,923	1,675,408	424,983
Others	218,285	223,022	-
Total	**3,950,487**	**2,283,215**	**627,666**

Aging analysis of accounting past due exposures

	(HK$'000)
Past due for over 3 months to 6 months	1,310,321
Past due for over 6 months to 12 months	450,481
Past due for over 12 months	1,346,324
Total	**3,107,126**

Breakdown of restructured exposures, between impaired and not impaired exposures

	(HK$'000)
Impaired exposures	42,678
Not impaired exposures	-
Total	**42,678**

d. Additional Disclosure Related to Credit Quality of Exposures (CRB) (continued)

Breakdown of impaired exposures, related allowances and write-offs by industry

	(HK$'000)		
	Impaired exposure	Related allowances	Write-offs during the year
Manufacturing	64,776	64,177	2,660
Building & construction	2,141,794	1,328,102	-
Electricity	-	-	-
Oil and Gas	-	-	-
Recreational activities	-	-	-
Information Technology	87,194	12,385	-
Wholesale trade (Wholesalers)	6,436	6,432	18,751
Retail trade (Retailers, including retail chains and stores)	679	760	8,432
Transport and transport equipment	3,300	3,671	9,375
Hotels and boarding houses (Accommodation)	586,090	29,305	-
Catering (Food and beverage services activities)	-	-	-
Financial concerns	382,213	260,717	152,568
Stockbrokers	-	-	-
Non-stockbroking companies	-	-	-
Loans to professional & private individuals	274,209	173,755	10,686
Mining and quarrying	-	-	-
Trade financing (Importers and exporters)	1,660	1,459	-
All others	402,136	402,452	425,194
Total	**3,950,487**	**2,283,215**	**627,666**

e. Qualitative Disclosures Related to Credit Risk Mitigation (CRC)

The valuation and management of collateral have been documented in the Bank’ s Credit Manual covering acceptance criteria, loan-to-value ratio, valuation and insurance and subject to regular review. The collateral of non-impaired exposure and impaired exposure are revalued on an annual basis and a 2-month basis as a minimum respectively. For asset based lending such as share margin financing, its collateral will be valued on a daily basis. There are procedures setting out role and responsibilities of each department when enforcing or liquidation of collateral is required.

Properties, standby letter of credit issued by recognized bank, deposit and listed shares formed majority of our Bank’s collateral. The Bank also set out risk limit in relation to particular collateral type in our secured exposure.

f. 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	645,999,701	7,231,318	1,941,856	5,289,462	-
2	Debt securities	201,974,893	20,828,990	-	20,828,990	-
3	**Total**	**847,974,594**	**28,060,308**	**1,941,856**	**26,118,452**	-
4	Of which defaulted	2,653,942	1,296,545	918,298	378,247	-

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 second half of 2022, in the "Exposures to be secured" of loans, of which "Exposures secured by recognized collateral" of loans is decreased by HKD 1.23 billion or 38.71% compared to the second quarter of 2022, due to the decrease of on-balance-sheet corporate loan exposures. On the other hand, owing to increase of loans exposure which were past due over 90 days, among "Of which defaulted" items, respectively "Exposures unsecured: carrying amount" and "Exposures secured by recognized guarantees" have an increase of HKD 1.48 billion and HKD 143.7 million or 82.06% and 60.58% compared with the mid-term of 2022.

g. Qualitative Disclosures on Use of ECAI Ratings under STC Approach (CRD)

The ECAIs recognised by the Group include Moody's, Standard & Poor's and Fitch.

The exposure classes are listed as below:

- Sovereign
- Public sector entity
- Bank
- Securities firm
- Corporate
- Collective investment scheme

The Group performs the ECAI issuer ratings mapping to its exposures in banking book in accordance with Part 4 of the Banking (Capital) Rules.

h. 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	94,814,218	-	115,740,513	1,085	144,726	0%
2	PSE exposures	15,747,471	2,100,000	19,021,278	1,000,000	3,942,035	20%
2a	Of which: domestic PSEs	5,337,966	2,100,000	8,611,773	1,000,000	1,922,355	20%
2b	Of which: foreign PSEs	10,409,505	-	10,409,505	-	2,019,680	19%
3	Multilateral development bank exposures	697,032	-	697,032	-	-	0%
4	Bank exposures	260,549,237	1,418,409	266,219,418	1,176,719	98,130,747	37%
5	Securities firm exposures	-	1,425,000	-	-	-	NA
6	Corporate exposures	396,016,518	210,213,102	368,553,912	45,407,263	390,886,557	94%
7	CIS exposures	8,549,998	165,904	8,534,456	165,904	6,222,946	72%
8	Cash items	403,173	-	1,428,905	2,136,051	208,979	6%
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	26,186,114	18,414,587	26,108,640	12,974	19,591,210	75%
11	Residential mortgage loans	78,124,277	-	74,856,481	-	40,664,777	54%
12	Other exposures which are not past due exposures	20,096,059	242,583	20,007,919	-	20,007,919	100%
13	Past due exposures	1,316,309	-	1,316,309	-	1,424,161	108%
14	Significant exposures to commercial entities	-	-	-	-	-	NA
15	**Total**	**902,500,406**	**233,979,585**	**902,484,863**	**49,899,996**	**581,224,057**	**61%**

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

In the second half of 2022, mainly owing to increase of debt securities exposures to domestic PSEs, the on-balance sheet amount of "Exposures pre-CCF and pre-CRM" and "Exposures post-CCF and post-CRM" of which domestic PSEs in PSE exposures are increased by HKD 1.81 billion and HKD 1.87 billion or 51.16% and 27.64% respectively compared to mid-2022. Thus, RWA to domestic PSEs exposures is increased by HKD 373.01 miilion or 24.08%.

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 303.26 million or 77.01%, mainly due to increase of bonds investment to multilateral development bank compared to the first half of 2022.

The off-balance sheet amount of "Exposures pre-CCF and pre-CRM" and "Exposures post-CCF and post-CRM" to bank exposures are decreased by HKD 10.21 billion and HKD 10.44 billion or 87.80% or 89.87% respectively, mainly because of decrease in the bank’s money market forward deposits exposures compared to the first half of 2022.

Owing to decrease in IPO revolving loans to securities firms, the on-balance sheet amount of "Exposures pre-CCF and pre-CRM" and "Exposures post-CCF and post-CRM" to securities firm exposures are both decreased by HKD 1.47 billion or 100%. Hence, RWA to securities firm exposures is downshifted by HKD 732.62 million or 100%.

The off-balance sheet amount of "Exposures pre-CCF and pre-CRM" and "Exposures post-CCF and post-CRM" to CIS exposures are decreased by HKD 4.39 billion and HKD 2.11 billion or 96.36% and 92.72% respectively, mainly due to decrease in the off-balance sheet CIS investments held by the Group. Furthermore, the Group adopts “third-party approach” for its CIS RWA calculation adhere to 2022 Banking Capital (Amendment) Rules published by HKMA starting from the third quarter of 2022. Thus, overall RWA and RWA density to CIS exposures are reduced by 38.28% and 28.47% respectively.

Mainly due to the decrease of cash collateral, the on-balance sheet amount of "Exposures post-CCF and post-CRM" to cash items is decreased by HKD 1.16 billion or 44.87%, and thus, its RWA is decreased by HKD 229 million or 52.29%. Meanwhile, the off-balance sheet amount of "Exposures post-CCF and post-CRM" to cash items is increased by HKD 444.88 million or 26.31%, mainly because of increase in the off-balance sheet exposures collateralized by cash.

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

The off-balance sheet amount of "Exposures post-CCF and post-CRM" to regulatory retail exposures is decreased by HKD 6.80 million or 34.40%, mainly owing to decrease in the letter of guarantee exposures and commitments with original maturity more than one year to regulatory retail clients.

The off-balance sheet amount of "Exposures pre-CCF and pre-CRM" to other exposures which are not past due exposures is increased by HKD 103.3 million or 74.17%, mainly due to increase of commitments that are cancellable unconditionally to individuals not elsewhere reported.

Overall, the off-balance sheet amount of total "Exposures post-CCF and post-CRM" downshifts 21.96%, mainly owing to decrease of the off-balance sheet amount to bank and CIS exposures compared to 30 June 2022.

i. 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 class / 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	115,017,968	-	723,630	-	-	-	-	-	-	-	115,741,598
2	PSE exposures	311,103	-	19,710,175	-	-	-	-	-	-	-	20,021,278
2a	Of which: domestic PSEs	-	-	9,611,773	-	-	-	-	-	-	-	9,611,773
2b	Of which: foreign PSEs	311,103	-	10,098,402	-	-	-	-	-	-	-	10,409,505
3	Multilateral development bank exposures	697,032	-	-	-	-	-	-	-	-	-	697,032
4	Bank exposures	-	-	118,558,045	-	148,837,909	-	183	-	-	-	267,396,137
5	Securities firm exposures	-	-	-	-	-	-	-	-		-	-
6	Corporate exposures	-	-	2,078,837	-	42,823,098	-	369,059,240	-	-	-	413,961,175
7	CIS exposures	-	-	-	-	-	-	-	-	-	8,700,360	8,700,360
8	Cash items	2,520,062	-	1,044,894	-	-	-	-	-	-	-	3,564,956
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	-	-	-	-	-	26,121,614	-	-	-	-	26,121,614
11	Residential mortgage loans	-	-	-	50,642,428	-	5,096,502	19,117,551	-	-	-	74,856,481
12	Other exposures which are not past due exposures	-	-	-	-	-	-	20,007,919	-	-	-	20,007,919
13	Past due exposures	-	-	-	-	-	-	1,100,605	215,704	-	-	1,316,309

i. 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)
14	Significant exposures to commercial entities	–	–	–	-	-	-	–	–	–	-	-
15	Total	**118,546,165**	-	**142,115,581**	**50,642,428**	**191,661,007**	**31,218,116**	**409,285,498**	**215,704**	**-**	**8,700,360**	**952,384,859**

i. Credit Risk Exposures By Asset Classes and By Risk Weights – For STC Approach (CR5) (continued)

In the second half of 2022, in PSE exposures of which: domestic PSEs exposure with 20% risk weight is increased by HKD 1.87 billion or 24.08%, mainly due to increase of debt securities to domestic PSEs with 20% risk weight compared to the second quarter of 2022. Thus, total credit risk exposure of domestic PSEs is uplifted by HKD 1.87 billion or 24.08%.

Compared to 30 June 2022, the multilateral development bank exposure with 0% risk weight is increased by HKD 303.26 million or 77.01%, mainly owing to increase of bonds investment to multilateral development bank, resulting in total credit risk exposure of multilateral development bank is uplifted by HKD 303.26 million or 77.01%.

For securities firm exposures with 50% risk weight and total credit exposure amount both are decreased by HKD 1.47 billion or 100%, mainly due to decrease of IPO revolving loans to securities firms compared to the second quarter of 2022.

Due to decrease of revolving loans to the corporate exposures with 20% risk weight, the corporate exposure with 20% risk weight is decreased by HKD 1.86 billion or 47.25%.

Owing to the Group adopts "third-party approach" for its CIS RWA calculation adhere to 2022 Banking Capital (Amendment) Rules published by HKMA starting from the third quarter of 2022, CIS exposure previously calculated with 100% risk weight, now adopts average risk weight for RWA calculation. Thus, it is categorized under "Others".

Cash items exposure with 0% risk weight and 20% risk weight are respectively increased by HKD 426.90 million or 20.40% and decreased by HKD 1.15 billion or 52.29%, mainly because of increase in 0% risk weight exposures collateralized by cash and decrease in 20% risk weight exposures collateralized by cash.

Because of reduction of the instalment loans which was past due over 90 days with 0% risk weight and increase in syndicated loans which was past due over 90 days with 150% risk weights, past due exposures with 0% and 150% risk weights are respectively decreased by HKD 369 thousand or 100% and increased by HKD 134.3 million or 165.01%. Hence, total credit risk exposure of 150% risk weight is uplifted by 165.01% compared to 30 June 2022.

11. Counterparty Credit Risk

a. Qualitative Disclosures Related to Counterparty Credit Risk (Including Those Arising from Clearing through CCPs) (CCRA)

The objective of the Group's counterparty credit risk management is to adequately control counterparty credit risk exposure in ways consistent with the strategic goals and risk appetite of the Group. To effectively manage the risk involved during the normal course of business, policies and procedures are in place for identifying, measuring, monitoring and controlling counterparty credit risk. This risk management framework is reviewed periodically to ensure its effectiveness and robustness.

The Group has adopted the standardized (counterparty credit risk) ("SA-CCR") approach to calculate the default risk exposures of the derivatives in both the banking and trading book for regulatory capital calculation purposes.

Credit limits are established to control the pre-settlement risk and settlement risk of the counterparties including CCPs, which are subject to periodic review and approval through the credit assessment process. The pre-settlement risk exposure covers both the current exposure and potential future exposure. The credit exposure is subject to regular review and oversight by Credit Committee.

Counterparty credit risk is part of the credit risk management framework in the Group that is governed by a set of credit policies and procedures. In particular, a credit policy relating to guarantees and other forms of credit risk mitigation has been set up and subject to periodic review in which general guidelines, acceptance criteria, documentation requirements are well delineated to govern the credit risk control and mitigation. Meanwhile, assessment concerning counterparty credit risk is carried out by an independent credit approval department in the Group that follows the specific counterparty credit risk policy as well as other corresponding credit policies if and where relevant.

The wrong-way risks, including both general and specific ones, are one of the essential areas in the credit risk management of counterparty credit risk subject to the policy control by the specific counterparty credit risk policy set up in Group. According to the said policy, the wrong-way risks management, including risk identification, assessment, reporting as well as risk mitigation measures is not only implemented in the credit assessment and approval process, but also performed in the post approval monitoring by means of stress testing on a regular basis in which

a. Qualitative Disclosures Related to Counterparty Credit Risk (including those arising from clearing through CCPs) (CCRA) (continued)

extreme but plausible scenarios are adopted to identify any potential risk issue in counterparty credit risk exposure.

As of 31 December 2022, according to the existing International Swap and Derivatives Association ("ISDA") agreement and Credit Support Annexes ("CSA") signed with the counterparties, the impact on the Group's collateral obligation under derivatives contracts is minimal in the event of a downgrade of the Group's credit rating.

b. 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)	5,744,131	13,813,218		1.4	27,380,286	9,243,900
1a	CEM (for derivative contracts)	-	-		1.4	-	-
2	IMM (CCR) approach			-	-	-	-
3	Simple Approach (for SFTs)					19,018,930	1,623,636
4	Comprehensive Approach (for SFTs)					-	-
5	VaR (for SFTs)					-	-
6	**Total**						**10,867,536**

The Group uses SA-CCR approach and Simple approach to calculate counterparty default risk exposure for derivative contracts and SFTs respectively. Compared with 30 June 2022, total RWA of counterparty default risk exposures decreased by HKD 4.6 billion, which was mainly driven by the default risk exposure decrease from the derivative contracts.

c. 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	27,380,286	7,342,163
4	**Total**	**27,380,286**	**7,342,163**

Compared with 30 June 2022, the CVA RWA amount increased by HKD 2.6 billion, which was mainly driven by the EAD increase from the derivative contracts.

d. 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 class / Risk Weight	0%	10%	20%	35%	50%	75%	100%	150%	250%	Others	Total default risk exposure after CRM
1	Sovereign exposures	209,382	-	-	-	-	-	-	-	-	-	209,382
2	PSE exposures	-	-	-	-	-	-	-	-	-	-	-
2a	Of which: domestic PSEs	-	-	-	-	-	-	-	-	-	-	-
2b	Of which: foreign PSEs	-	-	-	-	-	-	-	-	-	-	-
3	Multilateral development bank exposures	-	-	-	-	-	-	-	-	-	-	-
4	Bank exposures	15,655,854	-	19,196,162	-	7,371,288	-	-	-	-	-	42,223,304
5	Securities firm exposures	-	-	-	-	1,205,059	-	-	-	-	-	1,205,059
6	Corporate exposures	-	-	-	-	-	-	2,355,876	-	-	-	2,355,876
7	CIS exposures	-	-	-	-	-	-	-	-	-	-	-
8	Regulatory retail exposures	-	-	-	-	-	85,369	-	-	-	-	85,369
9	Residential mortgage loans	-	-	-	-	-	-	-	-	-	-	-
10	Other exposures which are not past due exposures	-	-	-	-	-	-	320,225	-	-	-	320,225
11	Significant exposures to commercial entities	–	–	–	-	-	-	–	–	–	-	–
12	**Total**	**15,865,236**	**-**	**19,196,162**	**-**	**8,576,347**	**85,369**	**2,676,101**	**-**	**-**	**-**	**46,399,215**

d. Counterparty Default Risk Exposures (other than those to CCPs) by asset classes and by risk weights – for STC approach (CCR3) (continued)

Compared with 30 June 2022, the overall default risk exposure slightly decreased by HKD 0.2 billion, mainly contributed by changes in volume of the respective transactions. The 100% risk weight exposure showed a decrease of HKD 5.9 billion, mainly from corporate exposures. In contrast, the 20%, 50% and 0% risk weight exposure increased by HKD 3.9 billion, HKD 1.1 billion and HKD 0.7 billion respectively. The remaining risk weight exposures did not have significant movement.

e. Composition of Collateral for Counterparty Default Risk Exposures (Including Those for Contracts or Transactions Cleared through CCPs) (CCR5)

	(HK$'000)					
	(a)	(b)	(c)	(d)	(e)	(f)
	Derivative contracts				SFTs	
	Fair value of recognized collateral received		Fair value of posted collateral		Fair value of recognized collateral received	Fair value of posted collateral
	Segregated	Unsegregated	Segregated	Unsegregated		
Cash - domestic currency	-	-	-	-	-	-
Cash - other currencies	-	625,252	-	2,317,654	15,655,854	1,468,799
Domestic sovereign debt	-	-	-	-	-	-
Other sovereign debt	-	-	-	-	-	2,480,227
Domestic PSE debt	-	-	-	-	-	4,895,710
Government agency debt	-	-	-	-	-	-
Corporate bonds	-	-	-	-	-	203,666
Bank bonds/debts	-	-	-	-	-	9,102,037
Equity securities	-	-	-	-	868,491	-
Other collateral	-	-	-	-	-	-
Total	**-**	**625,252**	**-**	**2,317,654**	**16,524,345**	**18,150,439**

Compared with 30 June 2022, the net fair value of recognized collateral from derivatives contracts and SFTs have decreased by HKD 1.0 billion and increased by HKD 9.9 billion respectively, which was mainly driven by the decrease of derivatives' replacement cost with counterparties under the margin agreements as well as the increase in volume of the SFT transactions in the second half of 2022.

f. 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)	-	-

g. 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)**		**95,050**
2	Default risk exposures to qualifying CCPs (excluding items disclosed in rows 7 to 10), of which:	4,196,006	83,920
3	(i) OTC derivative transactions	4,196,006	83,920
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	433,376	8,667
9	Funded default fund contributions	123,222	2,463
10	Unfunded default fund contributions	-	-
11	**Exposures of the AI as clearing member or client to non-qualifying CCPs (total)**		**-**
12	Default risk exposures to non-qualifying CCPs (excluding items disclosed in rows 17 to 20), of which:	-	-
13	(i) OTC derivative transactions	-	-
14	(ii) Exchange-traded derivative contracts	-	-
15	(iii) Securities financing transactions	-	-
16	(iv) Netting sets subject to valid cross-product netting agreements	-	-
17	Segregated initial margin	-	
18	Unsegregated initial margin	-	-
19	Funded default fund contributions	-	-
20	Unfunded default fund contributions	-	-

Compared with 30 June 2022, the qualifying CCPs RWA amount increased by 8.6%, which was mainly driven by the increase in the default risk exposures from OTC derivative transactions.

12. Securitization Exposures

a. Qualitative Disclosures Related to Securitization Exposure (SECA)

There were no securitization exposures and resecuritization exposures in both banking book and trading book as at 31 December 2022.

b. 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	-	-	-	-	-	-	-	-	-

c. 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	-	-	-	-	-	-	-	-	-

d. 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-ERBA (incl. IAA)	SEC-SA	SEC-FBA	SEC-IRBA	SEC-ERBA (incl. IAA)	SEC-SA	SEC-FBA	SEC-IRBA	SEC-ERBA (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	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

e. Securitization Exposures in Banking Book and Associated Capital Requirements – Where AI Acts as Investor (SEC4)

		(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)	(n)	(o)	(p)	(q)
		(HK$'000)																
		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-ERBA (incl. IAA)	SEC-SA	SEC-FBA	SEC-IRBA	SEC-ERBA (incl. IAA)	SEC-SA	SEC-FBA	SEC-IRBA	SEC-ERBA (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	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

13. Market Risk

a. Qualitative Disclosures Related to Market Risk (MRA)

As a premier provider of financial services in HK market, the Group undertakes trading activities to serve our clients' needs to arbitrage and provide liquidity to the market as well as managing market risks within risk appetite. The Group takes on the exposure to market risk that arises from foreign exchange, interest rate, precious metals and associated derivatives instruments. Most off-balance sheet derivative positions arise from the execution of customer-related orders and transactions taken for hedging purpose. Structured derivatives, are currently only allowed to be traded for the support of customer business on a back-to-back basis. The Group established policies and procedures to identify, measure, monitor and control market risk. When derivatives are held for banking book risk management purposes, they are designated in hedge relationships where the required criteria for documentation and hedge effectiveness are met.

The Board Risk Management Committee ("Board RMC") as delegated by Board takes ultimate responsibility of market risk management. The Board RMC approves market risk appetite, market risk management policy and stress test policy as the framework governing policies to the Group's market risk management and market risk appetite respectively. Senior Executive Risk Management Committee ("SERMC") periodically reviews the Group's market risk management result and performance in quarterly meeting or from time to time whenever deemed necessary. Market risk management committee ("MRC") is responsible for the Group's trading book decision-making and oversees the implementation of market risk management control in daily business, and approves market risk manual to govern risk control implementation in details. MRC reports to SERMC the Board RMC as well as CEO Committee for the adequacy and efficiency of market risk management system, procedures and performance of the Group.

The daily primary control, management and assumption of market risk are principally undertaken in front office within the approved market risk limits and guidelines. Monitoring of the utilization of these approved limits is performed on a regular basis by market risk team, an independent unit ultimately reported to Chief Risk Officer ("CRO") of the Group. Market risk team also produces regular market risk reporting to the MRC / SERMC / Board RMC / Head Office Risk Management Department for their review and oversight. The Group's Internal Audit Department also helps to ensure compliance with the approved policies and procedures.

a. Qualitative Disclosures Related to Market Risk (MRA) (continued)

The Group's market risk analysis and management systems include Kondor, Fenics, Bloomberg and GMRM, of which the first three are vendor systems widely used in banking industry while the last one is our in-house system developed by head office. Most of our trading businesses are vanilla FX and interest rate products, which are booked in Kondor. Risk sensitivities such as FX NOP and IR DV01 are generated from Kondor system and used for market risk measurement and reporting. For FX option business, Greeks sensitivities (Delta, Gamma, Vega) are used for market risk measurement and reporting, which are generated from Fenics system. Meanwhile, Bloomberg is used for the measurement of credit spread risk(CS01) of bond products. On top of risk factor sensitivities, the Group has implemented Value-at-Risk (VaR) as overall diversified measurement of market risk in trading book. Our in-house system GMRM is used for VaR measurement and reporting. VaR and risk factor sensitivities are measured and reported on daily basis to provide an overall understanding of all the risks associate with market risk activities of our Group. Market risk limits, which are approved by Board RMC or its delegated Risk Committee (currently MRC is the delegated Risk Committee) and as owned by RMD-MKR for control and monitoring in daily implementation, should be reviewed and updated on a regular basis (at least on an annual basis). Approved market risk limits must, among others, be consistent with the Group's market risk appetite as approved by Board RMC and with the Group's capital adequacy and allocation. The proposed/reviewed limits should be subsequently approved by Board RMC or MRC for becoming effective. The reporting and measurement systems are updated and assessed at least on annual basis.

b. Market Risk under STM Approach (MR1)

		(HK$'000)
		(a)
		RWA
	Outright product exposures	
1	Interest rate exposures (general and specific risk)	5,887,700
2	Equity exposures (general and specific risk)	-
3	Foreign exchange (including gold) exposures	15,105,962
4	Commodity exposures	97,813
	Option exposures	
5	Simplified approach	-
6	Delta-plus approach	143,138
7	Other approach	-
8	Securitization exposures	-
9	**Total**	**21,234,613**

Compared with that on 30 June 2022, total RWA of Market Risk decreased by 17% in this period, mainly due to the change in interest rate specific risk exposure, which decreased by 61%.

14. Interest Rate Risk

a. Interest Rate Risk in Banking Book – Risk Management Objectives and Policies (IRRBBA)

Interest rate risk in the banking book ("IRRBB") refers to the current or prospective risk, to the Group's capital and earnings, arising from adverse movements in interest rate that affect the Group's banking book exposures.

The Group has established governance framework to manage and mitigate risks arising from its IRRBB exposures. The Board has the ultimate responsibility for the oversight of IRRBB management and sets IRRBB risk appetite for the Group. The Board delegates the overall management authority in overseeing the Group's IRRBB to the Asset and Liability Management Committee ("ALCO"). The interest rate risk exposures are managed within risk limits approved and monitored by the ALCO. The risk exposures are measured on a daily basis and the results are reported to the ALCO monthly and the Board Risk Management Committee ("BRMC") quarterly. Independent review of the Group's internal risk controls over IRRBB management process is conducted through internal or external audit.

The Group manage the IRRBB exposures using economic value ("EVE") as well as net interest income ("NII") based measures. EVE and NII sensitivity are monitored against limits and triggers, both at Group and at significant legal entity levels. In addition to the standard scenarios introduced by HKMA, internal scenarios under stressed market conditions as well as specific economic assumptions are conducted to assess the vulnerability to loss on EVE and NII and the results are considered for limits review and capital adequacy assessment.

The Group mainly manage IRRBB exposure using interest rate swaps and the hedging activities are entered either against individual transactions or portfolio basis. The effectiveness of the hedging activities are assessed regularly in accordance with Hong Kong Financial Reporting Standard ("HKFRS").

The Group applied the following key assumptions in calculating the impact on EVE and NII as required by HKMA's Supervisory Policy Manual IR-1:

1. For the calculation of EVE, the Group includes commercial margins and other spread components in the cash flows and discount rates.

a. Interest Rate Risk in Banking Book – Risk Management Objectives and Policies (IRRBBA) (continued)

2. The average repricing maturity of non-maturity deposits ("NMD"), which included customer current and saving deposits, is estimated by monthly runoff rate and repricing speed in response to change in market interest rate as well as the current interest rate offered by Group. The portfolio of NMD is clustered by dimensions such as currency, product and geographical location. For reporting period, The Group's average and longest repricing maturity of NMDs are 0.52 years and 5 years respectively.
3. For retail fixed rate loan, the prepayment rates are derived from statistical model, in which macroeconomic factors are selected and used to predict the prepayment rate. For Term deposit, the early withdrawal rates are based on historical observations. Except there is significant penalty that the customers might not early uplift or breaking the deposits contract due to interest rate change.
4. The Group measures the impact of both EVE and NII against the standard scenarios defined by HKMA. For each scenario, the adverse currency impact are aggregated for significant currencies in which no netting is adopted among currencies. The significant currencies are defined by HKMA with the general rule which account for 5% or more of the Group's total on-balance sheet interest rate sensitive position in all currencies.
5. For the measurement of NII, the Group assesses the impact on earning over the 12 months with the assumption of no change in balance sheet size and structure with the maturing or repricing cash flows are replaced by new cash flows with identical features in respect of the amount, repricing period and spread components.

b. Quantitative Information on Interest Rate Risk in Banking Book (IRRBB1)

The interest rate risk sensitivity figures presented in the table below represent the effect of six interest rate scenarios defined by HKMA's Supervisory Policy Manual IR-1 on the change in EVE as well as the effect of the two parallel shock scenarios on the net interest income (NII) in the banking book as at 31 December 2022 and 31 December 2021.

In HK$ Million	Adverse Impact on EVE		Adverse Impact on NII[1] Over the next 12 months	
Period	31/12/2022	31/12/2021	31/12/2022	31/12/2021
Parallel up[2]	6,564	8,078	216	810
Parallel down[2]	987	-	2,295	3,743
Steepener[3]	2,246	3,440		
Flattener[4]	694	233		
Short rate up[5]	2,133	1,956		
Short rate down[6]	891	903		
Maximum[7]	6,564	8,078	2,295	3,743
Period	31/12/2022		31/12/2021	
Tier 1 capital	137,660		139,083	

Note 1 Disclosure of the impact on earnings is only required for the two parallel scenarios.

Note 2 Interest rate shock across all tenors move by ±200bps for HK &US dollar and ±250bps for on/off shore Renminbi.

Note 3 Short-term rates decrease and long-term rates increase.

Note 4 Short-term rates increase and long-term rates decrease.

Note 5 Short-term rates increase more than long-term rates.

Note 6 Short-term rates decrease more than long-term rates.

Note 7 "Maximum" indicates the most adverse interest rate scenario as shown in the table.

b. Quantitative Information on Interest Rate Risk in Banking Book (IRRBB1) (continued)

As of 31 December 2022, the most adverse of the six interest rate scenarios with regard to ΔEVE was the "Parallel up" scenario, resulting in a change of the economic value of equity of negative HKD 6,564 million, representing a reduction of 4.77% of Tier 1 capital, which is well below the regulatory outlier test of 15% of tier 1 capital. The ΔEVE decreased by HKD 1,514 million by comparing December 2022 with December 2021. The changes were mainly driven by changes in balance sheet composition between USD and Renminbi portfolios.

As of 31 December 2022, the most adverse of the two parallel interest rate scenarios with regard to ΔNII over the next 12 months was the "Parallel down" scenario, resulting in a potential change of the net interest income of negative HKD 2,295 million, representing a reduction of 1.67% of Tier 1 capital. The ΔNII decreased by HKD 1,448 million, by comparing December 2022 with December 2021. The changes were mainly driven by changes in balance sheet composition.

15. Remuneration

a. Remuneration Policy (REMA)

DISCLOSURE ON REMUNERATION FOR YEAR 2022

INTRODUCTION

In accordance with the latest "Guideline on a Sound Remuneration System" (the "Guideline") issued by the HKMA, Industrial and Commercial Bank of China (Asia) Limited (the "Bank") has prepared its arrangement for bonus distribution in the assessment period from January to December according to its remuneration policy.

The remuneration policy is applicable to the Bank's employees in Hong Kong and covers all categories of employees including senior management, proprietary traders and dealers, marketing and sales, loan officers, risk management, financial control and compliance personnel.

In general, risk factors which have been considered in the performance rating of staff affect the bonus for him/her. Also, the current and future risk of the Bank will be considered by the Remuneration Committee in the determination of the overall bonus to be allocated.

GENERAL PRINCIPLES

Remuneration should facilitate the delivery of long term financial stability for the business and promote sound risk management principles. Risk control functions have played an important role in the remuneration related procedures and decisions of the Bank. The preparation of the remuneration policy is initiated by Human Resources Department after consultation with the risk controls units including risk management, legal and compliance and etc. prior to submission to the Remuneration Committee delegated by the Board of Directors for approval. The Remuneration Committee reviews the remuneration policy at least annually and may at its discretion seek information and recommendations from external consultants as appropriate. In 2022, the Remuneration Committee did not seek advice from external consultant on remuneration matters. The aim of the remuneration policy and the arrangement is to enable the Bank to maintain a fair, equitable and market-competitive remunerative structure for its employees based on the Bank's performance and industry practice, and is designed to encourage employee behaviour that supports the institution's risk tolerance, risk management, business strategies and long-term financial soundness of the Bank. The total bonus is funded based on the Bank's overall performance, after factoring in the financial, non-financial and other long-term strategic measures, as well as risk-adjusted elements. Legacy losses realized (ex post) in the performance year should be taken into consideration to determine the bonus pool created and the deferral payout. The remuneration of staff in risk control functions are determined in accordance with their performance objectives and are independent of the performance of the business units which they oversee. The performance factors in carrying out their core job responsibilities under their respective job functions are assessed in the performance appraisals, and appropriate remuneration will be recommended based on the appraisal result.

When deciding the remuneration measures, the Bank considers market risk, credit risk, liquidity risk，operational risk and financial risk and also takes into account certain key risk factors such as its asset quality, liquidity position, business, climate consideration and economic conditions, respective staff performance, the overall business results as well as long-term financial position. Reports on these risk factors are used for identification of current and future risks. The Remuneration Committee sets the target bonus pool against profit mechanism of the Bank in the first half of each year. The Bank reviews its business and risk management performance and reduces the bonus pool if the Bank's business objectives are not achieved, or if there is deficiency/failure in risk and compliance performance, or when it is necessary to protect the financial soundness of the Bank. There is no change of these mechanism and measures over the past years and it continues to apply in 2022.

REMUNERATION COMMITTEE

A Remuneration Committee has been set up with specific terms of reference and delegated with the authority and duties which include, amongst others, making recommendations to the board of directors (the "Board") on the Bank's policy and structure for remuneration of all directors, senior management (who are responsible for overseeing the Bank's business strategy or activities or those of the Bank's material business duties) and key personnel (whose duties or activities in the course of their employment involve the assumption of material risk or the taking on of material exposure on behalf of the Bank) of the Bank, determining the specific remuneration packages of all executive directors, senior management and key personnel, and reviewing and approving performance-based remuneration of directors, senior management and key personnel of the Bank by reference to corporate goals and objectives as determined by the Board from time to time. Factors such as business performance of the Bank and emoluments paid by comparable banks will be considered. No director will be involved in deciding his/her own remuneration. The Remuneration Committee will also review the remuneration policy of other employees.

Chairman of Remuneration Committee is appointed by the Board of Directors. Currently, members of the Remuneration Committee are Mr. Yuen Kam Ho, George (independent non-executive director), Mr. Tsui Yiu Wa, Alec (independent non-executive director) and Mr. Hong Guilu (non-executive director). Mr. Yuen Kam Ho, George is the chairman of the Remuneration Committee.

The Remuneration Committee has held 2 meetings and 4 written resolutions in the year of 2022.

During 2022, the remuneration policy has been reviewed and approved by the Remuneration Committee, and the major changes to the remuneration policy were as follows:

i) Revision of deferral remuneration arrangement of certain employees;

ii) Inclusion of climate risk in risk factor considerations.

REMUNERATION STRUCTURE

The remuneration package is a combination of fixed and variable remuneration in line with the seniority, role, responsibilities and activities of an employee within the Group. The variable remuneration is awarded in the form of cash.

Fixed remuneration includes annual salary, allowance and pension contribution while variable remuneration refers to discretionary bonus and other variable income. Variable remuneration takes into account the overall performance of the Bank and individual business units, while individual performance is measured against the established key performance indicators, adherence to risk management policies, corporate culture and compliance with legal and regulatory requirements. For top level business lines, performance criteria and metrics taken into consideration include key financial indicators such as earnings, loan and deposit growth, impaired loans ratio and etc.

The Bank maintains a performance evaluation scheme to ensure individual staff performance would be adequately and effectively evaluated. The award of variable remuneration depends on the fulfilment of budgeted income and business objectives, peer group performance comparison, corporate culture and risk control factors. These criteria include both financial and non-financial factors. The financial metrics link the variable remuneration to the profits, revenue and other performance measures of the Bank as a whole, and the contribution of business units and individual employee as well. The non-financial metrics capture the performance on qualitative aspects such as the compliance with risk management policies, adherence to legal, regulatory and ethical standards, customer satisfaction and etc. The performance objectives of staff and annual performance appraisal exercise take into account these factors. Variable remuneration is directly related to performance, and poor performance (including both financial and non-financial) will result in a reduction or elimination of variable remuneration.

CHIEF EXECUTIVE, SENIOR MANAGEMENT AND KEY PERSONNEL COMPENSATION

The Remuneration Committee annually reviews the remuneration packages of the Chief Executive, members of the senior management and key personnel. The aggregate payout of the Chief Executive, senior management and key personnel for 2022 is shown in the section "Remuneration for the Chief Executive Officer, Senior Management and Key Personnel" in accordance with the disclosure requirement of 3.2.1 of the Guideline. In the year of 2022, the senior management (20 Persons) of the Bank includes: Chairman & Executive Director, Vice Chairman & Executive Director & Chief Executive Officer, Vice Chairman & Executive Director, Deputy Chief Executive, Executive Director & Deputy Chief Executive, Deputy Chief Executive & Chief Information Officer, Assistant Chief Executive & Chief Risk Officer, Managing Executive Officer and Head of Global Markets Department, Head of Finance and Accounting Department, Chief Audit Officer & Head of Internal Audit Department, Chief Compliance Officer & Head of Compliance and Legal Department, Co-Head of Compliance and Legal Department, Head of Financial Crime Compliance Department, Head of Chief Executive Office. Key Personnel (18 Persons) includes Chief Operation Officer, Chief Culture Officer, Co-head and Deputy Department Head of Global Markets Department, Head and Deputy/Assistant Department Head of Asset & Liability Management Department, Chief Traders of Global Markets Department and Asset & Liability Management Department (i.e. Head of Desks with dealing activities).

DEFERMENT OF VARIABLE REMUNERATION

The award of variable remuneration to all employees in the Bank, including the Chief Executive, members of the senior management, and key personnel is subject to deferral mechanism. The key deferral principles are:

- deferral applies when the amount of performance-based variable remuneration is considered "significant" according to the remuneration policy of the Bank;
- deferral amount needs to be "meaningful" according to the remuneration policy of the Bank;
- the period of deferred performance-based variable remuneration is no less than 3 years and aligned the nature and risks of business, activities undertaken by the employee and the time frame during which the risks from the activities are likely to be realised.

a. Remuneration Policy (REMA) (continued)

In addition, the deferral remuneration is subject to forfeiture/claw-back in circumstances where it is later established that any performance measurement for a particular year has been manifestly misstated, or it is later established that the relevant employee has committed fraud or other malfeasance, or a violation of any regulatory requirements or the Bank's policy or procedures, or there has been a significant financial performance deterioration of the Bank, i.e. financial loss, or significant variation in the economic capital or in the qualitative valuation of risk.
The rationale and justification for any forfeiture/claw-back imposed must be recorded and retained for 7 years.

POLICY REVIEW

The remuneration policy shall be reviewed at intervals to be determined by the Remuneration Committee. The policy shall at minimum be reviewed annually from the effective date.

b. Remuneration Awarded during Financial Year (REM1)

Pursuant to CG-5 Guideline on a Sound Remuneration System issued by the Hong Kong Monetary Authority, details of the remuneration for the Chief Executive, Senior Management and Key Personnel of the Group for the year are as follows:

Remuneration amount (HK$'000)		2022 Note 1		2021	
		Senior Management Note 2	Key Personnel Note 3	Senior Management Note 4	Key Personnel
Fixed remuneration	Number of employees	20	18	11	20
	Fixed remuneration				
	Cash-based	33,450	23,734	17,950	27,425
	Of which: deferred	-	-	-	-
Variable remuneration	Number of employees	19	18	10	18
	Variable remuneration				
	Cash-based	15,445	10,937	10,486	10,919
	Of which: deferred	3,972	856	2,308	878
Total Remuneration		**48,895**	**34,671**	**28,436**	**38,344**

Note 1 The value of remuneration for 2022 is calculated based on the fixed and variable remuneration granted in 2022 financial year (i.e. performance year), while the 2022 final bonus amount to be granted in 2023 are not included as those will be determined in the second half of 2023.

Note 2 (1) Eight existing Senior Managements are newly appointed in 2022 (including two ceased after appointment in the year) and their remunerations are disclosed according to the period they assume such senior management role within the year.
(2) Two Key personnels are appointed as Senior Management in 2022 and their remunerations are disclosed as key personnel and senior management roles in total within the year.
(3) Two existing Senior Managements are ceased to be appointed in 2022 and their remuneration are disclosed according to the period they assume such senior management role within the year.
(4) The disclosure amount refers to the remuneration earned for period of being a Chief Executive or Senior Management during the year.

Note 3 (1) Two existing Key Personnels are newly appointed in 2022 and their remunerations are disclosed according to the period they assume such key personnel role within the year.
(2) Three existing Key Personnels are ceased to be appointed in 2022 and their remuneration are disclosed according to the period they assume such key personnel role within the year.
(3) The disclosure amount refers to the remuneration earned for period of being a Key Personnel during the year.

Note 4 The deferred cash-based variable remuneration for 2021 is adjusted.

Fixed remuneration included employee's annual salary, allowance and pension contributions. Variable remuneration comprised of cash bonus payment only.

c. Special Payments (REM2)

No guaranteed bonus, sign-on bonus and severance payments were awarded or made to the Chief Executive, Senior Management and Key Personnel in 2021 and 2022.

d. Deferred Remuneration (REM3)

	2022				
Deferred and retained remuneration (HK$'000)	Total amount of outstanding deferred remuneration Note 1	Of which: Total amount of outstanding deferred and retained remuneration exposed to ex post explicit and/or implicit adjustment	Total amount of amendment during the year due to ex post explicit adjustments	Total amount of amendment during the year due to ex post implicit adjustments	Total amount of deferred remuneration paid out in the financial year Note 2
Senior Management					
Cash	5,673	5,673	475	-	1,403
Key Personnel					
Cash	1,369	1,369	-	-	596
Total	**7,042**	**7,042**	**475**	**-**	**1,999**

Remark: Actual deferral is calculated based on the full amount of variable remuneration granted.

Note1 Outstanding and unvested at the year-end in related to cash-based variable remunerations awarded both for performance year 2022 and for prior performance years, which included the total amount of amendment during the year due to ex post explicit or implicit adjustments, if any.

Note2 Vested and paid out during the year in related to cash-based variable remunerations awarded both for the year 2022 (if any) and for prior performance years.

d. Deferred Remuneration (REM3) (continued)

	2021				
Deferred and retained remuneration (HK$'000)	Total amount of outstanding deferred remuneration Note 3	Of which: Total amount of outstanding deferred and retained remuneration exposed to ex post explicit and/or implicit adjustment Note 4	Total amount of amendment during the year due to ex post explicit adjustments	Total amount of amendment during the year due to ex post implicit adjustments	Total amount of deferred remuneration paid out in the financial year Note 5
Senior Management					
Cash	3,285	3,285	217	-	1,063
Key Personnel					
Cash	1,864	1,864	70	-	1,474
Total	**5,149**	**5,149**	**287**	**-**	**2,537**

Remark: Actual deferral is calculated based on the full amount of variable remuneration granted.

Note3 Outstanding and unvested at the year-end in related to cash-based variable remunerations awarded both for performance year 2021 and for prior performance years, which included the total amount of amendment during the year due to ex post explicit or implicit adjustments, if any. Also, the deferred cash-based variable remuneration for 2021 is adjusted.

Note4 The deferred cash-based variable remuneration for 2021 is adjusted.

Note5 Vested and paid out during the year in related to cash-based variable remunerations awarded both for the year 2021 (if any) and for prior performance years.

Deferred remuneration comprised cash bonus depend on pre-defined vesting, service and/or performance conditions. If certain conditions are not fulfilled during the vested period, all or part of the unvested portion of the deferred remuneration should be foregone.

An amount of deferred variable remuneration for HKD 474,664 has been forfeited during the year of 2022. (2021: HKD 286,685).

16. 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 Group's international claims by location and by type of counterparty is as follows:

			Non-bank private sector		
	Banks	**Official sector**	**Non-bank financial institutions**	**Non-financial private sector**	**Total**
	HK$ million	**HK$ million**	**HK$ million**	**HK$ million**	**HK$ million**
31 December 2022					
Developed countries	**50,648**	**16,110**	**3,544**	**39,664**	**109,966**
Offshore centers	**11,256**	**50,732**	**16,118**	**303,792**	**381,898**
Developing Europe	**675**	**-**	**-**	**-**	**675**
Developing Latin America and Caribbean	**-**	**-**	**-**	**-**	**-**
Developing Africa and Middle East	**166**	**-**	**-**	**349**	**515**
Developing Asia-Pacific, of which	**191,039**	**40,493**	**39,757**	**135,922**	**407,211**
—Mainland China	**188,099**	**40,493**	**39,757**	**131,109**	**399,458**
—Others	**2,940**	**-**	**-**	**4,813**	**7,753**
International organizations	**-**	**1,085**	**-**	**-**	**1,085**
	253,784	**108,420**	**59,419**	**479,727**	**901,350**

16. International Claims (continued)

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

17. Loan and Advances to Customers Analysed by Industry Sectors

	31 Dec 2022 Gross advances HK$'000	**31 Dec 2022 % of secured advances**	31 Dec 2021 Gross advances HK$'000	31 Dec 2021 % of secured advances
Loans for use in Hong Kong				
Industrial, commercial and financial				
- Property development	**58,826,639**	**39.99%**	58,173,554	45.38%
- Property investment	**24,092,889**	**65.19%**	22,299,396	53.00%
- Financial concerns	**23,057,792**	**5.14%**	27,147,666	4.18%
- Stockbrokers	**1,842,694**	**0.00%**	2,195,765	0.00%
- Wholesale and retail trade	**5,223,578**	**45.20%**	5,363,467	72.52%
- Civil engineering works	**1,580,992**	**17.50%**	1,323,625	32.31%
- Manufacturing	**3,069,932**	**28.41%**	4,029,054	31.67%
- Transport and transport equipment	**18,187,200**	**61.81%**	22,970,426	53.73%
- Electricity and gas	**13,731,352**	**0.00%**	4,723,371	0.00%
- Information technology	**12,685,655**	**0.58%**	11,978,926	0.73%
- Hotels, boarding houses and catering	**2,472,384**	**38.43%**	2,447,736	39.82%
- Recreational activities	**120,402**	**0.33%**	46,605	71.19%
- Others	**32,830,517**	**22.53%**	36,835,488	13.03%
Individuals				
- Loans for the purchase of flats in Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme	**256,444**	**99.33%**	276,920	98.74%
- Loans for the purchase of other residential properties	**59,057,185**	**99.05%**	53,912,813	98.91%
- Credit card advances	**463,938**	**0.00%**	482,939	0.00%
- Others	**20,286,221**	**93.92%**	22,002,855	92.97%
Trade finance	**3,471,882**	**44.90%**	5,026,641	42.95%
Loans for use outside Hong Kong	**157,759,477**	**23.97%**	168,751,257	30.09%
	439,017,173	**41.17%**	449,988,504	42.26%

17. 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:

	31 Dec 2022	31 Dec 2021
	HK$'000	HK$'000
Loans for use outside Hong Kong		
Individually impaired loans	**1,685,276**	773,217
Overdue loans and advances over three months	**1,685,751**	774,244
Lifetime ECL credit-impaired	**1,663,121**	990,824
Lifetime ECL not credit-impaired	**418,831**	177,361
12-month ECL	**3,869,915**	3,530,613
New impairment allowances charged to income statement	**1,678,052**	423,159
Impaired loans and advances written off during the year	**424,983**	1,063,911
Loans for use in Hong Kong		
Industrial, commercial and financial		
Property development		
Individually impaired loans	**618,401**	4,137,593
Overdue loans and advances over three months	**618,401**	-
Lifetime ECL credit-impaired	**463,579**	442,213
Lifetime ECL not credit-impaired	**15,515**	32,601
12-month ECL	**90,819**	195,974
New impairment allowances (credited)/charged to income statement	**(100,875)**	545,849
Impaired loans and advances written off during the year	**-**	-
Loans for use in Hong Kong		
Individuals		
Loans for the purchase of other residential properties		
Individually impaired loans	**35,071**	7,609
Overdue loans and advances over three months	**35,071**	-
Lifetime ECL credit-impaired	**-**	-
Lifetime ECL not credit-impaired	**3,402**	1,444
12-month ECL	**79,505**	88,771
New impairment allowances (credited)/charged to income statement	**(7,308)**	39,598
Impaired loans and advances written off during the year	**-**	-

18. 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:

31 December 2022	**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**
Hong Kong	**292,462,334**	**1,102,147**	**1,097,279**	**384,785**	**1,927,149**
Mainland China	**123,864,110**	**1,758,371**	**2,606,028**	**1,675,408**	**3,103,482**
Macau	**103,989**	**-**	**-**	**-**	**276**
Asia Pacific Region (excluding Hong Kong, Mainland China and Macau)	**6,042,167**	**213,263**	**213,263**	**213,580**	**290,291**
Others	**16,544,573**	**4,450**	**5,022**	**9,442**	**530,329**
Total	**439,017,173**	**3,078,231**	**3,921,592**	**2,283,215**	**5,851,527**

31 December 2021	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
Hong Kong	281,942,858	638,538	4,825,664	724,041	2,228,823
Mainland China	145,949,958	1,139,662	1,143,134	497,094	3,157,556
Macau	117,381	-	-	-	315
Asia Pacific Region (excluding Hong Kong, Mainland China and Macau)	7,535,829	213,243	213,243	216,246	330,016
Others	14,442,478	58	-	2,186	446,203
Total	449,988,504	1,991,501	6,182,041	1,439,567	6,162,913

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.

19. 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.

31 December 2022		**On-balance sheet exposure HK$'000**	**Contingent Liabilities HK$'000**	**FX and derivatives contract HK$'000**	**Total exposures HK$'000**
Type of counterparties					
(a)	Central government, central government owned entities and their subsidiaries and JVs	**147,592,668**	**1,942,705**	**38,337**	**149,573,710**
(b)	Local government, local government owned entities and their subsidiaries and JVs	**52,038,884**	**2,318,307**	**-**	**54,357,191**
(c)	PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	**93,403,665**	**22,213,377**	**84,693**	**115,701,735**
(c)(i)	Of which, PRC nationals residing in Mainland China or entities beneficially owned by Mainland interest	**87,108,826**	**22,008,340**	**84,693**	**109,201,859**
(d)	Other entities of central government not reported in item (a) above	**16,073,594**	**434,343**	**990**	**16,508,927**
(e)	Other entities of local government not reported in item (b) above	**2,807,620**	**-**	**-**	**2,807,620**
(f)	PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	**2,480,895**	**3,000**	**-**	**2,483,895**
(g)	Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	**5,855,545**	**238,615**	**375**	**6,094,535**
		320,252,871	**27,150,347**	**124,395**	**347,527,613**

19. Mainland Activities (continued)

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

20. Currency Concentrations

The table below summarises the net foreign currency positions of the Group and the Bank. The net positions in foreign currency is disclosed when the currency constitutes 10% or more of the total net position of all foreign currencies. A sensitivity analysis calculates the effect of a reasonably possible movement in a currency rate against the Hong Kong dollar, with all other variables in the income statement and equity held constant.

	US$	**RMB**	**Other foreign currencies**	**Total**
31 December 2022	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**
Non-structural position				
Spot assets	297,584,205	214,506,448	44,268,357	556,359,010
Spot liabilities	(292,472,120)	(182,576,693)	(36,388,727)	(511,437,540)
Forward purchases	365,427,083	196,200,146	74,856,082	636,483,311
Forward sales	(401,366,162)	(225,550,332)	(83,146,846)	(710,063,340)
Net option position	405,979	(2,012,734)	8,014	(1,598,741)
Net (short)/long position	(30,421,015)	566,835	(403,120)	(30,257,300)
Net structural position	213,935	14,292,594	-	14,506,529

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

Foreign currency exposures include those arising from trading position. The net option position is calculated on the basis of the delta-weighted position of option contracts. The net structural position of the Group is the structural positions of the Bank's capital investment in overseas subsidiary Chinese Mercantile Bank.

21. Off-balance Sheet Exposures

Note 41.1 of the 2022 consolidated financial statements of the Group lists out a summary of the contractual amounts of each significant contingent liability and commitments.

For the year ended 31 December 2022, the total credit risk weighted amount of contingent liabilities and commitments is HKD 44,848 million (2021: HKD 45,363 million).

22. Analysis of Fees and Commission Income

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

23. Overdue Advances to Customers and Banks and Other Overdue Assets

For details, please refer to Notes 23.2 and 23.3 of the 2022 consolidated financial statements of the Group.

24. Rescheduled Exposures

For details, please refer to Note 23.4 of the 2022 consolidated financial statements of the Group.

25. Repossessed Assets

For details, please refer to Note 23.5 of the 2022 consolidated financial statements of the Group.