



**招商永隆銀行**  
**CMB WING LUNG BANK**

**Regulatory Disclosures**

**As at 31 December 2023**

# CMB WING LUNG BANK LIMITED

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# **CMB WING LUNG BANK LIMITED**

## **1 Introduction**

### **Purpose**

The information contained in this document is for CMB Wing Lung Bank Limited (“the Bank”) and its subsidiaries (together “the Group”) and is prepared in accordance with the Banking (Disclosure) Rules and the disclosure templates issued by the Hong Kong Monetary Authority (“HKMA”).

These regulatory disclosures are governed by the Group’s disclosure policy, the disclosure policy sets out the governance, control and assurance requirements for publication of the document, while this document is not required to be subject to external audit, it has been reviewed within the Group in accordance with the Group’s governance processes over financial reporting and policies on disclosures.

### **Basis of Preparation**

The approaches used in calculating the Group’s regulatory capital or capital charge are in accordance with the Banking (Capital) Rules. The Group uses the standardized approach to calculate its credit risk and market risk. For operational risk, the Group uses the basic indicator approach to calculate its operational risk.

The financial information contained in this document has been prepared on a consolidated basis including the Bank and certain of its subsidiaries as specified by the Hong Kong Monetary Authority (“HKMA”) for its regulatory purposes. For financial reporting purposes, all the subsidiaries have been consolidated in the Group’s financial statements, the subsidiaries which are excluded from the regulatory scope of consolidation are specified in note 1 to the supplementary financial information of the Group’s 2023 Annual Report.

# CMB WING LUNG BANK LIMITED

## 2 Key prudential ratios, overview of risk management and RWA

### 2.1 KM1: Key prudential ratios

		(a)	(b)	(c)	(d)	(e)
		As at 31 December 2023 HK\$'000	As at 30 September 2023 HK\$'000	As at 30 June 2023 HK\$'000	As at 31 March 2023 HK\$'000	As at 31 December 2022 HK\$'000
	<b>Regulatory capital (amount)</b>					
1	Common Equity Tier 1 (CET1)	40,461,348	41,004,317	40,467,627	40,711,086	39,166,716
2	Tier 1	52,183,930	48,820,299	48,283,609	48,500,697	46,982,697
3	Total capital	55,465,532	52,183,620	51,642,930	51,755,871	50,131,889
	<b>RWA (amount)</b>					
4	Total RWA	290,951,370	284,665,601	280,429,676	281,816,361	271,582,608
	<b>Risk-based regulatory capital ratios (as a percentage of RWA)</b>					
5	CET1 ratio (%)	13.9%	14.4%	14.4%	14.4%	14.4%
6	Tier 1 ratio (%)	17.9%	17.2%	17.2%	17.2%	17.3%
7	Total capital ratio (%)	19.1%	18.3%	18.4%	18.4%	18.5%
	<b>Additional CET1 buffer requirement (as a percentage of RWA)</b>					
8	Capital conservation buffer requirement (%)	2.500%	2.500%	2.500%	2.500%	2.500%
9	Countercyclical capital buffer requirement (%)	0.593%	0.573%	0.573%	0.574%	0.604%
10	Higher loss absorbency requirements (%) (applicable only to G-SIBs or D-SIBs)	-	-	-	-	-
11	Total AI-specific CET1 buffer requirements (%)	3.093%	3.073%	3.073%	3.074%	3.104%
12	CET1 available after meeting the AI's minimum capital requirements (%)	9.4%	9.9%	9.9%	9.9%	9.9%
	<b>Basel III leverage ratio</b>					
13	Total leverage ratio (LR) exposure measure	441,918,368	436,732,035	428,415,889	430,910,795	402,116,172
14	LR (%)	11.8%	11.2%	11.3%	11.3%	11.7%
	<b>Liquidity Coverage Ratio (LCR) / Liquidity Maintenance Ratio (LMR)</b>					
	Applicable to category 1 institution only:					
15	Total high quality liquid assets (HQLA)	89,696,611	87,476,934	81,387,632	82,955,373	82,689,406
16	Total net cash outflows	66,704,748	62,273,372	59,479,719	55,388,496	52,707,417
17	LCR (%)	135.0%	140.9%	137.3%	151.0%	160.3%
	Applicable to category 2 institution only:					
17a	LMR (%)	N/A	N/A	N/A	N/A	N/A
	<b>Net Stable Funding Ratio (NSFR) / Core Funding Ratio (CFR)</b>					
	Applicable to category 1 institution only:					
18	Total available stable funding	281,305,948	280,520,716	269,276,876	259,737,706	246,634,659
19	Total required stable funding	207,607,921	206,570,814	208,010,365	201,843,861	192,891,087
20	NSFR (%)	135.5%	135.8%	129.5%	128.7%	127.9%
	Applicable to category 2A institution only:					
20a	CFR (%)	N/A	N/A	N/A	N/A	N/A

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## 2 Key prudential ratios, overview of risk management and RWA (continued)

### 2.2 OVA: Overview of risk management

The Group's activities expose it to a variety of financial risks and those activities involve analysis, evaluation, acceptance and management of some degree of risk or combination of risks. The Group recognizes that taking risk is core to its financial business and the operational risks are an inevitable consequence of being in business. The Group's aim is therefore to achieve an appropriate balance between risk and return and minimize potential adverse effects on the Group's financial performance.

The Board and Executives are responsible for establishing, maintaining and operating an effective system of internal control. The internal control system of the Group comprises a well-established organizational structure and comprehensive policies and standards. The Audit Committee, Risk Committee and other designated committees have been established with the objective of assisting the Board to manage and monitor various risks. The Board's expectations regarding duty, responsibility and integrity of each department are clearly spelled out in formal policy statements, which include Code of Conduct, Internal Control Policy and Compliance Policy Statement, etc. The Board has clearly defined the lines of authority and responsibilities of each business and operational unit to ensure adequate checks and balances.

The Group's internal control system covers every business and operational function so as to safeguard its assets against loss and misappropriation; to maintain proper accounting records for producing reliable financial information; to provide reasonable, but not absolute, assurance against material fraud and errors. Policies and procedures are established to ensure compliance with applicable laws, regulations and industry standards. To cope with the increasingly stringent requirements from relevant regulatory authorities together with ever-changing business environment, the Board has dedicated more resources and efforts to further strengthen the Group's management structure and oversight.

The Group has had in place various risk management policies and procedures. There are specific committees and units that are responsible for identifying, assessing, monitoring and managing the risks that the Group faces. Risk management policies and major risk control limits are established and approved by the Board or the Management Committee. A more detailed discussion of the policies and procedures for managing each of the major types of risk the Group is facing, including credit, market, liquidity and operational risk, is included in note 4 "Financial Risk Management" section to the Group's 2023 Annual Report.

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## 2 Key prudential ratios, overview of risk management and RWA (continued)

### 2.2 OVA: Overview of risk management (continued)

The Board is responsible for the Group's internal control system and for reviewing its effectiveness. The Group's internal audit function plays an important role in the Group's internal control framework. It provides objective assurance to the Board that a sound internal control system is maintained and operated in compliance with the established processes and standards through regular and comprehensive audits on all business and operational functions. The Audit Committee reviews the significant issues raised in the internal audit reports. Significant issues raised in the management letters from external auditors and reports from regulatory authorities will be brought to the attention of the Audit Committee to ensure that prompt remedial action is taken. All recommendations will be properly followed up to ensure they are implemented within a reasonable period of time. Pursuant to a risk based methodology, the Audit Department plans its internal audit schedules annually with audit resources prioritized towards higher risk areas. The Internal Audit Plan is submitted to the Audit Committee for approval. To preserve the audit independence, the Board has established the Audit Charter to set out the authorities and responsibilities of internal audit function. The Head of Audit Department reports directly to the Audit Committee, Chief Executive Officer and ultimately reports to the Board.

The members of the Risk Committee are appointed by the Board. They collectively possess relevant technical expertise and experience in risk disciplines that are adequate to enable them to discharge their responsibilities effectively. The principal duties of the Risk Committee include the following:

- To review and recommend for the Board's approval of the Group's risk management strategies, key risk policies and risk appetite, at least annually;
- To review and recommend for the Board's approval of specified types of risk management policies and procedures;
- To review and assess the adequacy of the Group's risk management framework and policies in identifying, measuring, monitoring and controlling risks and the extent to which these are operating effectively;
- To monitor, review and conduct regular assessment of the internal control system of the Group and to monitor the risk management of the Group's exposures to credit risks, market risks, operational risks, interest rate risk, strategic risk, legal and compliance risk, reputation risk, liquidity risk, cyber security, technology risk and climate risk by the Executives;
- To oversee the establishment and maintenance by senior management of appropriate infrastructure, resources and systems for risk management, particularly in relation to the Group's adherence to the approved risk appetite and related policies;
- To oversee and discuss the strategies for capital and liquidity management, and those for all relevant risks (on both an aggregated basis and by type of risk) of the Group, to ensure they are consistent with the stated risk appetite;
- To oversee and evaluate the design and execution of stress testing and scenario analyses;

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## 2 Key prudential ratios, overview of risk management and RWA (continued)

### 2.2 OVA: Overview of risk management (continued)

- To review periodic reports provided by the senior management (including the Chief Risk Officer) on the state of the Group's risk culture, risk exposure and risk management activities;
- To ensure that the staff members of the Group responsible for implementing risk management systems and controls are sufficiently independent of the Group's relevant risk-taking activities;
- To examine, without prejudice to the tasks of the Remuneration and Appraisal Committee, the incentives created by the remuneration system are aligned with the Group's risk culture and risk appetite, and ensure remuneration awards appropriately reflect risk-taking and risk outcomes; and
- To execute other duties as may be delegated by the Board.

The Group has implemented Enterprise Risk Management framework for identifying and managing potential risks of the Group. Under such framework, three lines of defense are adopted for risk management.

The first line of defense comprises risk owners at business units. They are primarily responsible for the management of the risks that their unit incur in the course of activities. These risk owners are required to set up a specific control mechanism, establish detailed procedures, and carry out ongoing risk control for their unit according to the Group's risk management framework and policy.

The second line of defense refers to those risk control units. They are responsible for providing independent oversight over the risk owners by establishing bank-wide framework, policy and control mechanism, reviewing risk issues identified by the risk takers, and reporting significant risk issues identified to the Risk Committee and the Board.

The Audit Department serves as the third line of defense. The Audit Department assists the Audit Committee in its oversight of the Group's overall risk management and internal control systems by conducting periodic reviews to assess the adequacy of the Group's risk management framework, control, and governance processes as designed by the first and second lines of defense.

To provide the Board and Executives with a clear view of the Group's exposures to different risk types, risk information such as those of asset quality, credit concentration, liquidity, profitability, portfolio mix, capital adequacy etc. is regularly reported to the Management Committee, the Risk Committee and the Board for review and discussion. The information is analyzed with regard to factors such as the Group's risk profile, risk management strategies and market statistics.

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## 2 Key prudential ratios, overview of risk management and RWA (continued)

### 2.3 OV1: Overview of RWA

The table below provides an overview of the Group's total RWAs, breakdown by the approaches with which the RWAs are computed.

During the fourth quarter of 2023, total RWA increased by HK\$6,286 million, mainly due to the increase in credit risk RWA for non-securitization exposures, which was mainly driven by the increase in loans and advances to SMEs and corporates.

		(a)	(b)	(c)
		RWA		Minimum capital requirements
		As at 31 December 2023 HK\$'000	As at 30 September 2023 HK\$'000	As at 31 December 2023 HK\$'000
1	Credit risk for non-securitization exposures	268,758,974	262,729,986	21,500,718
2	Of which STC approach	268,758,974	262,729,986	21,500,718
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	1,361,594	1,371,742	108,928
7	Of which SA-CCR approach	578,125	580,361	46,250
7a	Of which CEM	-	-	-
8	Of which IMM(CCR) approach	-	-	-
9	Of which others	-	-	-
10	CVA risk	240,625	190,488	19,250
11	Equity positions in banking book under the simple risk-weight method and internal models method	-	-	-
12	Collective investment scheme ("CIS") exposures – LTA	145,950	144,196	11,676
13	CIS exposures – MBA	-	-	-
14	CIS exposures – FBA	-	-	-
14a	CIS exposures – combination of approaches	-	-	-
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	2,642,450	2,664,775	211,396
21	Of which STM approach	2,642,450	2,664,775	211,396
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	15,007,263	14,504,188	1,200,581
24a	Sovereign concentration risk	-	-	-
25	Amounts below the thresholds for deduction (subject to 250% RW)	4,911,440	5,174,955	392,915

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## 2 Key prudential ratios, overview of risk management and RWA (continued)

### 2.3 OV1: Overview of RWA (continued)

		(a)	(b)	(c)
		RWA		Minimum capital requirements
		As at 31 December 2023 HK\$'000	As at 30 September 2023 HK\$'000	As at 31 December 2023 HK\$'000
26	Capital floor adjustment	-	-	-
26a	Deduction to RWA	2,116,926	2,114,729	169,354
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	2,116,926	2,114,729	169,354
27	<b>Total</b>	<b>290,951,370</b>	<b>284,665,601</b>	<b>23,276,110</b>

Note : Items marked with an asterisk (\*) will be applicable only after their respective policy frameworks take effect. Until then, "Not applicable" should be reported in the rows.

# CMB WING LUNG BANK LIMITED

## 3 Linkages between financial statements and regulatory exposures

### 3.1 LI1: Difference between accounting and regulatory scopes of consolidation and mapping of financial statement categories with regulatory risk categories

	(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
31 December 2023 HK\$'000							
<b>Assets</b>							
Cash, balances and placements with and loans and advances to banks	57,406,400	57,345,990	57,345,990	-	-	-	-
Derivative financial instruments <sup>#</sup>	477,025	477,025	-	477,025	-	152,687	-
Financial assets at fair value through profit or loss	4,357,741	3,651,107	-	-	-	3,651,107	-
Investments in securities	142,016,852	142,016,716	142,016,716	-	-	-	-
Advances and other accounts	215,726,817	215,690,660	213,420,952	1,331,650	-	-	689,055
Interests in subsidiaries	-	681,201	681,201	-	-	-	-
Interests in associates and joint ventures	1,858,112	440,500	440,500	-	-	-	-
Investment properties	2,638,930	2,781,721	2,781,721	-	-	-	-
Leasehold land	142,660	99,141	99,141	-	-	-	-
Other properties and equipment	1,582,902	2,182,897	2,182,897	-	-	-	-
Tax recoverable	4,900	4,900	4,900	-	-	-	-
Deferred tax assets	427,253	424,203	-	-	-	-	424,203
<b>Total Assets</b>	<b>426,639,592</b>	<b>425,796,061</b>	<b>418,974,018</b>	<b>1,808,675</b>	<b>-</b>	<b>3,803,794</b>	<b>1,113,258</b>

<sup>#</sup> Assets/liabilities arising from derivative contracts held in the regulatory trading book are subject to both market risk and counterparty credit risk because derivative contracts are marked to market and there is a risk that the counterparty may not be able to fulfil the contractual obligations. Therefore, the amount shown in column (b) does not equal to the sum of the amounts shown in columns (d) and (f).

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## 3 Linkages between financial statements and regulatory exposures (continued)

### 3.1 LI1: Difference between accounting and regulatory scopes of consolidation and mapping of financial statement categories with regulatory risk categories (continued)

	(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
31 December 2023 HK\$'000							
<b>Liabilities</b>							
Deposits and balances from banks	33,811,669	33,799,644	-	-	-	-	33,799,644
Financial liabilities at fair value through profit or loss	65,932	-	-	-	-	-	-
Derivative financial instruments <sup>#</sup>	501,819	501,819	-	501,819	-	192,239	-
Deposits from customers	326,192,761	326,339,607	-	-	-	-	326,339,607
Certificates of deposit issued	-	-	-	-	-	-	-
Subordinated debts issued	-	-	-	-	-	-	-
Current taxation	334,971	331,573	-	-	-	-	331,573
Deferred tax liabilities	1,857	1,851	-	-	-	-	1,851
Other accounts and accruals	7,616,398	7,492,482	-	-	-	-	7,492,482
<b>Total Liabilities</b>	<b>368,525,407</b>	<b>368,466,976</b>	<b>-</b>	<b>501,819</b>	<b>-</b>	<b>192,239</b>	<b>367,965,157</b>

<sup>#</sup> Assets/liabilities arising from derivative contracts held in the regulatory trading book are subject to both market risk and counterparty credit risk because derivative contracts are marked to market and there is a risk that the counterparty may not be able to fulfil the contractual obligations. Therefore, the amount shown in column (b) does not equal to the sum of the amounts shown in columns (d) and (f).

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## 3 Linkages between financial statements and regulatory exposures (continued)

### 3.2 LI2: Main sources of differences between regulatory exposure amounts and carrying values in financial statements

		(a)	(b)	(c)	(d)	(e)
31 December 2023 HK\$'000		Total	Items subject to:			
			credit risk framework	securitization framework	counterparty credit risk framework	market risk framework
1	<b>Asset carrying value amount under scope of regulatory consolidation (as per template LI1)</b>	424,682,803	418,974,018	-	1,808,675	3,803,794
2	Liabilities carrying value amount under regulatory scope of consolidation(as per template LI1)	501,819	-	-	501,819	192,239
3	Total net amount under regulatory scope of consolidation	424,180,984	418,974,018	-	1,306,856	3,611,555
4	Off-balance sheet amounts	213,734,437	10,476,556	-	1,380,549	-
5	Differences due to consideration of provisions		633,943	-	-	-
6	Difference due to potential exposure for counterparty credit risk		-	-	743,902	-
7	<b>Exposure amounts considered for regulatory purposes</b>	<b>637,915,421</b>	<b>430,084,517</b>	-	<b>3,431,307</b>	<b>3,611,555</b>

# CMB WING LUNG BANK LIMITED

## 3 Linkages between financial statements and regulatory exposures (continued)

### 3.3 LIA: Explanations of differences between accounting and regulatory exposure amounts

The basis of consolidation for regulatory purposes is different from the basis of consolidation for accounting purposes. Subsidiaries included in consolidation for regulatory purposes are specified in a notice from the HKMA in accordance with Section 3C of the Banking (Capital) Rules. Subsidiaries not included in consolidation for regulatory purposes are non-financial companies and the insurance companies that are authorized and supervised by a regulator and are subject to supervisory arrangements regarding the maintenance of adequate capital to support business activities comparable to those prescribed for authorized institutions under the Banking (Capital) Rules and the Banking Ordinance.

The main difference between accounting and regulatory exposure amounts is that accounting exposure amount is net of impairment allowance for the expected credit loss (“ECL”) for stage 1,2,3 financial assets, whereas regulatory exposure amount is net of impairment allowance for the ECL for stage 3 financial assets only. Impairment allowance for the ECL for stage 1 and 2 financial assets is included in Tier 2 capital for regulatory capital purposes.

On the other hand, counterparty credit risk exposures for regulatory purposes consist of both the current exposures and the potential exposures which are derived by applying the credit conversion factor (CCF) to the notional principal of the transactions or contracts.

#### **Systems and controls applied to assets valuation**

In order to ensure that the valuation estimates are prudent and reliable, the Group has implemented the following valuation processes and methodologies:

The Group measures fair values using the following hierarchy of methods:

Level 1 – Quoted market price (unadjusted) in an active market for an identical instrument.

Level 2 – Valuation techniques based on observable input, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3 – Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument’s valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

# CMB WING LUNG BANK LIMITED

## 3 Linkages between financial statements and regulatory exposures (continued)

### 3.3 LIA: Explanations of differences between accounting and regulatory exposure amounts (continued)

Market prices or model inputs used in the valuation process are either determined or validated by an independent function. Fair values of financial instruments are determined with reference to external quoted market prices or observable model inputs and validated against secondary sources when appropriate. For fair values that are determined through valuation models, the validation may include the logics, inputs, and outputs by an independent function, and evaluation of any adjustments required on top of the valuation models.

Valuation adjustment will be applied on instruments where significant valuation uncertainty and financial impact may arise. The Group considers that bid offer adjustment, liquidity valuation adjustment and model risk adjustment are relevant.

#### (i) Bid offer adjustment:

For the equity, bond, foreign exchange spot, foreign exchange forward, foreign exchange swap, currency options and interest rate swap and cross currency swap portfolio, would be adjusted to the prudent side of the bid offer close-out price.

#### (ii) Liquidity valuation adjustment:

Liquidity valuation adjustment would be applied to level 2 and level 3 financial instruments only.

For the fixed income, liquidity valuation adjustment is being performed for less liquid position based on the product specific nature.

For the foreign exchange portfolio, liquidity valuation adjustment of spot, forward and swap is not being performed due to the highly liquid market and insignificant positions on minor currencies.

For the currency option portfolio, liquidity valuation adjustment is not being performed due to insignificant position.

For the interest rate swap and cross currency swap, liquidity valuation adjustment is not being performed considering that the outstanding positions largely originate from dynamic hedging of the underlying bond/loans or customers demand since customers are normally not allowed or expected to early terminate the contracts, thus the associated hedging positions would be held to maturity by the Group at the same time.

#### (iii) Model risk adjustment:

If simulation technique is used for the structured product, model risk adjustment would be considered. The adjustment would be based on the alternate model if there is a significant variance between the original valuation and the price derived from alternate model.

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## 3 Linkages between financial statements and regulatory exposures (continued)

### 3.4 PV1: Prudent valuation adjustments

The following table shows a detailed breakdown of the constituent elements of valuation adjustment that have not been taken into account in the calculation of the amount of the Group's retained earnings or other disclosed reserves as at 31 December 2023:

31 December 2023 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	<i>Mid-market value</i>	-	-	-	-	-	-	-	-
3	<i>Close-out costs</i>	-	-	-	-	-	-	-	-
4	<i>Concentration</i>	-	-	-	-	-	-	-	-
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	<b>Total adjustments</b>	-	-	-	-	-	-	-	-

# CMB WING LUNG BANK LIMITED

## 4 Composition of regulatory capital

### 4.1 CC1: Composition of regulatory capital

		(a)	(b)
		Amount HK\$'000	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
31 December 2023			
<b>CET1 capital: instruments and reserves</b>			
1	Directly issued qualifying CET1 capital instruments plus any related share premium	1,160,951	[k]
2	Retained earnings	45,123,172	[r]
3	Disclosed reserves	(677,620)	[l] + [m] + [n] + [q]
4	<i>Directly issued capital subject to phase-out arrangements from CET1 (only applicable to non-joint stock companies)</i>	Not applicable	Not applicable
5	Minority interests arising from CET1 capital instruments issued by consolidated bank subsidiaries and held by third parties (amount allowed in CET1 capital of the consolidation group)	-	
6	<b>CET1 capital before regulatory adjustments</b>	45,606,503	
<b>CET1 capital: regulatory deductions</b>			
7	Valuation adjustments	-	
8	Goodwill (net of associated deferred tax liabilities)	-	
9	Other intangible assets (net of associated deferred tax liabilities)	-	
10	Deferred tax assets (net of associated deferred tax liabilities)	424,203	[g]
11	Cash flow hedge reserve	-	
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	-	
15	Defined benefit pension fund net assets (net of associated deferred tax liabilities)	46,019	[d] + [h]
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)	-	[a] + [c] + [e] + [f]
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
22	Amount exceeding the 15% threshold	Not applicable	Not applicable

# CMB WING LUNG BANK LIMITED

## 4 Composition of regulatory capital (continued)

### 4.1 CC1: Composition of regulatory capital (continued)

		(a)	(b)
		Amount HK\$'000	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
31 December 2023			
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	4,674,933	
26a	Cumulative fair value gains arising from the revaluation of land and buildings (own-use and investment properties)	3,848,957	[m] + [s]
26b	Regulatory reserve for general banking risks	825,976	[t]
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	-	
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	<b>Total regulatory deductions to CET1 capital</b>	5,145,155	
29	<b>CET1 capital</b>	40,461,348	
<b>AT1 capital: instruments</b>			
30	Qualifying AT1 capital instruments plus any related share premium	11,722,582	[u]
31	of which: classified as equity under applicable accounting standards	11,722,582	
32	of which: classified as liabilities under applicable accounting standards	-	
33	<i>Capital instruments subject to phase-out arrangements from AT1 capital</i>	-	
34	AT1 capital instruments issued by consolidated bank subsidiaries and held by third parties (amount allowed in AT1 capital of the consolidation group)	-	
35	<i>of which: AT1 capital instruments issued by subsidiaries subject to phase-out arrangements</i>	-	
36	<b>AT1 capital before regulatory deductions</b>	11,722,582	
<b>AT1 capital: regulatory deductions</b>			
37	Investments in own AT1 capital instruments	-	
38	Reciprocal cross-holdings in AT1 capital instruments	-	
39	Insignificant LAC investments in AT1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-	
40	Significant LAC investments in AT1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	-	

# CMB WING LUNG BANK LIMITED

## 4 Composition of regulatory capital (continued)

### 4.1 CC1: Composition of regulatory capital (continued)

		(a)	(b)
		Amount HK\$'000	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
31 December 2023			
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	<b>Total regulatory deductions to AT1 capital</b>	-	
44	<b>AT1 capital</b>	11,722,582	
45	<b>Tier 1 capital (T1 = CET1 + AT1)</b>	52,183,930	
<b>Tier 2 capital: instruments and provisions</b>			
46	Qualifying Tier 2 capital instruments plus any related share premium	-	[j]
47	<i>Capital instruments subject to phase-out arrangements from Tier 2 capital</i>	-	
48	Tier 2 capital instruments issued by consolidated bank subsidiaries and held by third parties (amount allowed in Tier 2 capital of the consolidation group)	-	
49	<i>of which: capital instruments issued by subsidiaries subject to phase-out arrangements</i>	-	
50	Collective provisions and regulatory reserve for general banking risks eligible for inclusion in Tier 2 capital	1,549,571	[-b] + [t]
51	<b>Tier 2 capital before regulatory deductions</b>	1,549,571	
<b>Tier 2 capital: regulatory deductions</b>			
52	Investments in own Tier 2 capital instruments	-	
53	Reciprocal cross-holdings in Tier 2 capital instruments and non-capital LAC liabilities	-	
54	Insignificant LAC investments in Tier 2 capital instruments issued by, and non-capital LAC liabilities of, financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold and, where applicable, 5% threshold)	-	
54a	Insignificant LAC investments in non-capital LAC liabilities of financial sector entities that are outside the scope of regulatory consolidation (amount formerly designated for the 5% threshold but no longer meets the conditions) (for institutions defined as "section 2 institution" under §2(1) of Schedule 4F to BCR only)	-	
55	Significant LAC investments in Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-	
55a	Significant LAC investments in non-capital LAC liabilities of financial sector entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-	
56	National specific regulatory adjustments applied to Tier 2 capital	(1,732,031)	

# CMB WING LUNG BANK LIMITED

## 4 Composition of regulatory capital (continued)

### 4.1 CC1: Composition of regulatory capital (continued)

		(a)	(b)
31 December 2023			
		<b>Amount HK\$'000</b>	<b>Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation</b>
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	(1,732,031)	45% of ([m] + [s])
56b	Regulatory deductions applied to Tier 2 capital to cover the required deductions falling within §48(1)(g) of BCR	-	
57	<b>Total regulatory adjustments to Tier 2 capital</b>	(1,732,031)	
58	<b>Tier 2 capital (T2)</b>	3,281,602	
59	<b>Total regulatory capital (TC = T1 + T2)</b>	55,465,532	
60	<b>Total RWA</b>	290,951,370	
<b>Capital ratios (as a percentage of RWA)</b>			
61	<b>CET1 capital ratio</b>	13.91%	
62	<b>Tier 1 capital ratio</b>	17.94%	
63	<b>Total capital ratio</b>	19.06%	
64	<b>Institution-specific buffer requirement (capital conservation buffer plus countercyclical capital buffer plus higher loss absorbency requirements)</b>	3.093%	
65	of which: capital conservation buffer requirement	2.500%	
66	of which: bank specific countercyclical capital buffer requirement	0.593%	
67	of which: higher loss absorbency requirement	0.00%	
68	CET1 (as a percentage of RWA) available after meeting minimum capital requirements	9.41%	
<b>National minima (if different from Basel 3 minimum)</b>			
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
<b>Amounts below the thresholds for deduction (before risk weighting)</b>			
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	3,854,511	
73	Significant LAC investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	1,964,576	
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
<b>Applicable caps on the inclusion of provisions in Tier 2 capital</b>			
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)	1,549,571	

# CMB WING LUNG BANK LIMITED

## 4 Composition of regulatory capital (continued)

### 4.1 CC1: Composition of regulatory capital (continued)

		(a)	(b)
		Amount HK\$'000	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
31 December 2023			
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	3,442,732	
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)	-	
79	Cap for inclusion of provisions in Tier 2 under the IRB approach and SEC-IRBA	-	
<b>Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2018 and 1 Jan 2022)</b>			
80	<i>Current cap on CET1 capital instruments subject to phase-out arrangements</i>	Not applicable	Not applicable
81	<i>Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)</i>	Not applicable	Not applicable
82	<i>Current cap on AT1 capital instruments subject to phase-out arrangements</i>	-	
83	<i>Amount excluded from AT1 capital due to cap (excess over cap after redemptions and maturities)</i>	-	
84	<i>Current cap on Tier 2 capital instruments subject to phase-out arrangements</i>	-	
85	<i>Amount excluded from Tier 2 capital due to cap (excess over cap after redemptions and maturities)</i>	-	

# CMB WING LUNG BANK LIMITED

## 4 Composition of regulatory capital (continued)

### 4.1 CC1: Composition of regulatory capital (continued)

**Notes to the template:**

Row No.	Description	Hong Kong basis	Basel III basis
		HK\$'000	HK\$'000
9	<b>Other intangible assets (net of associated deferred tax liability)</b>	-	-
	<u>Explanation</u> As set out in paragraph 87 of the Basel III text issued by the Basel Committee (December 2010), mortgage servicing rights ("MSRs") may be given limited recognition in CET1 capital (and hence be excluded from deduction from CET1 capital up to the specified threshold). In Hong Kong, an AI is required to follow the accounting treatment of including MSRs as part of intangible assets reported in the AI's financial statements and to deduct MSRs in full from CET1 capital. Therefore, the amount to be deducted as reported in row 9 may be greater than that required under Basel III. The amount reported under the column "Basel III basis" in this box represents the amount reported in row 9 (i.e. the amount reported under the "Hong Kong basis") adjusted by reducing the amount of MSRs to be deducted to the extent not in excess of the 10% threshold set for MSRs and the aggregate 15% threshold set for MSRs, DTAs arising from temporary differences and significant investments in CET1 capital instruments issued by financial sector entities (excluding those that are loans, facilities or other credit exposures to connected companies) under Basel III.		
10	<b>Deferred tax assets (net of associated deferred tax liabilities)</b>	424,203	-
	<u>Explanation</u> As set out in paragraphs 69 and 87 of the Basel III text issued by the Basel Committee (December 2010), DTAs of the bank to be realized are to be deducted, whereas DTAs which relate to temporary differences may be given limited recognition in CET1 capital (and hence be excluded from deduction from CET1 capital up to the specified threshold). In Hong Kong, an AI is required to deduct all DTAs in full, irrespective of their origin, from CET1 capital. Therefore, the amount to be deducted as reported in row 10 may be greater than that required under Basel III. The amount reported under the column "Basel III basis" in this box represents the amount reported in row 10 (i.e. the amount reported under the "Hong Kong basis") adjusted by reducing the amount of DTAs to be deducted which relate to temporary differences to the extent not in excess of the 10% threshold set for DTAs arising from temporary differences and the aggregate 15% threshold set for MSRs, DTAs arising from temporary differences and significant investments in CET1 capital instruments issued by financial sector entities (excluding those that are loans, facilities or other credit exposures to connected companies) under Basel III.		
18	<b>Insignificant LAC investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)</b>	-	-
	<u>Explanation</u> For the purpose of determining the total amount of insignificant LAC investments in CET1 capital instruments issued by financial sector entities, an AI is required to aggregate any amount of loans, facilities or other credit exposures provided by it to any of its connected companies, where the connected company is a financial sector entity, as if such loans, facilities or other credit exposures were direct holdings, indirect holdings or synthetic holdings of the AI in the capital instruments of the financial sector entity, except where the AI demonstrates to the satisfaction of the MA that any such loan was made, any such facility was granted, or any such other credit exposure was incurred, in the ordinary course of the AI's business. Therefore, the amount to be deducted as reported in row 18 may be greater than that required under Basel III. The amount reported under the column "Basel III basis" in this box represents the amount reported in row 18 (i.e. the amount reported under the "Hong Kong basis") adjusted by excluding the aggregate amount of loans, facilities or other credit exposures to the AI's connected companies which were subject to deduction under the Hong Kong approach.		
19	<b>Significant LAC investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)</b>	-	-
	<u>Explanation</u> 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.		

# CMB WING LUNG BANK LIMITED

## 4 Composition of regulatory capital (continued)

### 4.1 CC1: Composition of regulatory capital (continued)

**Notes to the template:**

Row No.	Description	Hong Kong basis	Basel III basis
		HK\$'000	HK\$'000
39	<b>Insignificant LAC investments in AT1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)</b>	-	-
	<p><u>Explanation</u></p> <p>The effect of treating loans, facilities or other credit exposures to connected companies which are financial sector entities as CET1 capital instruments for the purpose of considering deductions to be made in calculating the capital base (see note re row 18 to the template above) will mean the headroom within the threshold available for the exemption from capital deduction of other insignificant LAC investments in AT1 capital instruments may be smaller. Therefore, the amount to be deducted as reported in row 39 may be greater than that required under Basel III. The amount reported under the column "Basel III basis" in this box represents the amount reported in row 39 (i.e. the amount reported under the "Hong Kong basis") adjusted by excluding the aggregate amount of loans, facilities or other credit exposures to the AI's connected companies which were subject to deduction under the Hong Kong approach.</p>		
54	<b>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)</b>	-	-
	<p><u>Explanation</u></p> <p>The effect of treating loans, facilities or other credit exposures to connected companies which are financial sector entities as CET1 capital instruments for the purpose of considering deductions to be made in calculating the capital base (see note re row 18 to the template above) will mean the headroom within the threshold available for the exemption from capital deduction of other insignificant LAC investments in Tier 2 capital instruments and non-capital LAC liabilities may be smaller. Therefore, the amount to be deducted as reported in row 54 may be greater than that required under Basel III. The amount reported under the column "Basel III basis" in this box represents the amount reported in row 54 (i.e. the amount reported under the "Hong Kong basis") adjusted by excluding the aggregate amount of loans, facilities or other credit exposures to the AI's connected companies which were subject to deduction under the Hong Kong approach.</p>		
<p>Remarks:</p> <p>The amount of the 10% threshold and 5% threshold mentioned above is calculated based on the amount of CET1 capital determined in accordance with the deduction methods set out in BCR Schedule 4F. The 15% threshold is referring to paragraph 88 of the Basel III text issued by the Basel Committee (December 2010) and has no effect to the Hong Kong regime.</p>			

**Abbreviations:**

CET1: Common Equity Tier 1

AT1: Additional Tier 1

# CMB WING LUNG BANK LIMITED

## 4 Composition of regulatory capital (continued)

### 4.2 CC2: Reconciliation of regulatory capital to balance sheet

	(a)	(b)	(c)
	<b>Consolidated statement of financial position as in published financial statements</b>	<b>Under regulatory scope of consolidation</b>	<b>Reference</b>
	As at 31 December 2023 HK\$'000	As at 31 December 2023 HK\$'000	
<b>Assets</b>			
Cash, balances and placements with and loans and advances to banks	57,406,400	57,345,990	
Derivative financial instruments	477,025	477,025	
Financial assets at fair value through profit or loss	4,357,741	3,651,107	
Investments in securities	142,016,852	142,016,716	
of which:			
- significant capital investments in financial sector entities exceeding 10% threshold	-	-	[a]
Advances and other accounts	215,726,817	215,690,660	
- Loans	-	-	
of which:			
- collective impairment allowances reflected in regulatory capital	-	(723,595)	[b]
- significant capital investments in financial sector entities exceeding 10% threshold	-	-	[c]
- Other assets	-	-	
of which:			
- Defined benefit pension fund net assets	-	55,112	[d]
Interests in subsidiaries	-	681,201	
of which:			
- significant capital investments in financial sector entities exceeding 10% threshold	-	-	[e]
Interests in associates and joint ventures	1,858,112	440,500	
of which:			
- significant capital investments in financial sector entities exceeding 10% threshold	-	-	[f]
Investment properties	2,638,930	2,781,721	
Leasehold land	142,660	99,141	
Other properties and equipment	1,582,902	2,182,897	
Tax recoverable	4,900	4,900	
Deferred tax assets	427,253	424,203	[g]
of which:			
- Deferred tax liabilities on defined benefit pension fund net assets	-	(9,093)	[h]
<b>Total assets</b>	<b>426,639,592</b>	<b>425,796,061</b>	

# CMB WING LUNG BANK LIMITED

## 4 Composition of regulatory capital (continued)

### 4.2 CC2: Reconciliation of regulatory capital to balance sheet (continued)

	(a)	(b)	(c)
	<b>Consolidated statement of financial position as in published financial statements</b>	<b>Under regulatory scope of consolidation</b>	<b>Reference</b>
	As at 31 December 2023 HK\$'000	As at 31 December 2023 HK\$'000	
<b>Liabilities</b>			
Deposits and balances from banks	33,811,669	33,799,644	
Financial liabilities at fair value through profit or loss	65,932	-	
Derivative financial instruments	501,819	501,819	
Deposits from customers	326,192,761	326,339,607	
Certificates of deposit issued	-	-	
Subordinated debts issued	-	-	
of which:			
- subordinated debt eligible for inclusion in regulatory capital	-	-	[j]
Current taxation	334,971	331,573	
Deferred tax liabilities	1,857	1,851	
Other accounts and accruals	7,616,398	7,492,482	
<b>Total liabilities</b>	<b>368,525,407</b>	<b>368,466,976</b>	
<b>Shareholders' equity</b>			
Share capital	1,160,951	1,160,951	[k]
Reserves	45,230,652	44,445,552	
of which:			
- Capital reserve	-	20,000	[l]
- Bank premises revaluation reserve	-	491,072	[m]
- Financial asset revaluation reserve	-	(1,603,161)	[n]
- Other reserve	-	414,469	[q]
- Retained earnings	-	45,123,172	[r]
of which:			
- revaluation of land and buildings	-	3,357,885	[s]
- regulatory reserve for general banking risks	-	825,976	[t]
<b>Total equity attributable to shareholders of the Bank</b>	<b>46,391,603</b>	<b>45,606,503</b>	
Additional equity instruments	11,722,582	11,722,582	[u]
Non-controlling interests	-	-	
<b>Total equity</b>	<b>58,114,185</b>	<b>57,329,085</b>	
<b>Total equity and liabilities</b>	<b>426,639,592</b>	<b>425,796,061</b>	

# CMB WING LUNG BANK LIMITED

## 4 Composition of regulatory capital (continued)

### 4.3 CCA: Main features of regulatory capital instruments

#### 4.3.1 Terms and conditions of regulatory capital instruments issued as at 31 December 2023

The regulatory capital instruments included in the Bank's consolidated capital base as at 31 December 2023 are as follows:

1. Common Equity Tier 1 Capital (Ordinary share capital)
2. US\$400 million undated non-cumulative subordinated additional tier 1 capital securities (issued on 24 January 2019)
3. US\$260 million undated non-cumulative subordinated additional tier 1 capital securities (issued on 27 December 2019)
4. RMB1,000 million undated non-cumulative subordinated additional tier 1 capital securities (issued on 27 February 2020)
5. US\$200 million undated non-cumulative subordinated additional tier 1 capital securities (issued on 23 March 2022)
6. US\$500 million undated non-cumulative subordinated Additional Tier 1 capital securities (issued on 27 December 2023)

The main features of the regulatory capital instruments are set out in the following sections. Full terms and conditions, which are available in English only, are published on the Bank's website at [http://www.cmbwinglungbank.com/wlb\\_corporate/en/about-us/investor-communication/capital-instruments-issued-terms\\_20231231.html](http://www.cmbwinglungbank.com/wlb_corporate/en/about-us/investor-communication/capital-instruments-issued-terms_20231231.html)

# CMB WING LUNG BANK LIMITED

## 4 Composition of regulatory capital (continued)

### 4.3 CCA: Main features of regulatory capital instruments (continued)

#### 4.3.2 Common Equity Tier 1 Capital (Ordinary share capital)

		(a)
		Quantitative / qualitative information
1	Issuer	CMB Wing Lung Bank Limited
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	N/A
3	Governing law(s) of the instrument	Law of Hong Kong Special Administrative Region
	<i>Regulatory treatment</i>	
4	Transitional Basel III rules #	Common Equity Tier 1
5	Post-transitional Basel III rules +	Common Equity Tier 1
6	Eligible at solo / group / solo and group	Solo and group
7	Instrument type (types to be specified by each jurisdiction)	Ordinary shares
8	Amount recognized in regulatory capital (currency in millions, as of most recent reporting date)	HK\$1,161 million as at 31 December 2023
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	No maturity
14	Issuer call subject to prior supervisory approval	N/A
15	Optional call date, contingent call dates and redemption amount	N/A
16	Subsequent call dates, if applicable	N/A
	<i>Coupons / dividends</i>	
17	Fixed or floating dividend / coupon	Discretionary dividend amount
18	Coupon rate and any related index	N/A
19	Existence of a dividend stopper	N/A
20	Fully discretionary, partially discretionary or mandatory	Fully discretionary
21	Existence of step-up or other incentive to redeem	N/A
22	Non-cumulative or cumulative	N/A
23	Convertible or non-convertible	N/A
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	N/A
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

# CMB WING LUNG BANK LIMITED

## 4 Composition of regulatory capital (continued)

### 4.3 CCA: Main features of regulatory capital instruments (continued)

#### 4.3.2 Common Equity Tier 1 Capital (Ordinary share capital) (continued)

		(a)
		<b>Quantitative / qualitative information</b>
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument in the insolvency creditor hierarchy of the legal entity concerned).	Non-cumulative subordinated additional tier 1 capital securities
36	Non-compliant transitioned features	N/A
37	If yes, specify non-compliant features	N/A

# Regulatory treatment of capital instruments subject to transitional arrangements provided for in Schedule 4H to the Banking (Capital) Rules.

+ Regulatory treatment of capital instruments not subject to transitional arrangements provided for in Schedule 4H to the Banking (Capital) Rules.

# CMB WING LUNG BANK LIMITED

## 4 Composition of regulatory capital (continued)

### 4.3 CCA: Main features of regulatory capital instruments (continued)

#### 4.3.3 US\$400 million undated non-cumulative subordinated additional tier 1 capital securities (issued on 24 January 2019)

		(a)
		Quantitative / qualitative information
1	Issuer	CMB Wing Lung Bank Limited
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	ISIN number: XS1892343762
3	Governing law(s) of the instrument	English Law (subordination governed by Law of Hong Kong Special Administrative Region)
<i>Regulatory treatment</i>		
4	Transitional Basel III rules #	N/A
5	Post-transitional Basel III rules +	Additional Tier 1
6	Eligible at solo / group / solo and group	Solo and group
7	Instrument type (types to be specified by each jurisdiction)	Undated Non-Cumulative Subordinated Capital Securities
8	Amount recognized in regulatory capital (currency in millions, as of most recent reporting date)	US\$398.49 million as at 31 December 2023
9	Par value of instrument	US\$400 million
10	Accounting classification	Equity - par value
11	Original date of issuance	24 January 2019
12	Perpetual or dated	Perpetual
13	Original maturity date	No maturity
14	Issuer call subject to prior supervisory approval	Yes
15	Optional call date, contingent call dates and redemption amount	Optional redemption date: 24 January 2024 (First Call Date) Redemption for taxation reasons: Yes Redemption for regulatory reasons: Yes Redemption price: Redeemed at the outstanding principal amount together with distributions accrued to the date of redemption, subject to adjustment following the occurrence of a Non-Viability Event.
16	Subsequent call dates, if applicable	Any Distribution Payment Date after the First Call Date
<i>Coupons / dividends</i>		
17	Fixed or floating dividend / coupon	Fixed
18	Coupon rate and any related index	6.5 per cent per annum for the period from, and including, the Issue Date to, but excluding the First Call Date. The then prevailing 5 year U.S. Treasury Rate plus 394.8 bps for the period from, and including, the First Call Date and each Distribution Reset Date thereafter to, but excluding, the immediately following Distribution Reset Date.  Any distributions are subject to there being no Mandatory Distribution Cancellation Event or Optional Distribution Cancellation Event.
19	Existence of a dividend stopper	Yes
20	Fully discretionary, partially discretionary or mandatory	Fully discretionary

# CMB WING LUNG BANK LIMITED

## 4 Composition of regulatory capital (continued)

### 4.3 CCA: Main features of regulatory capital instruments (continued)

#### 4.3.3 US\$400 million undated non-cumulative subordinated additional tier 1 capital securities (issued on 24 January 2019) (continued)

		(a)
		Quantitative / qualitative information
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)	<p>If a Non-Viability Event occurs and is continuing, the Issuer shall, upon the provision of a Non-Viability Event Notice, irrevocably reduce the then prevailing principal amount of, and cancel any accrued but unpaid distribution in respect of, each Capital Security (in each case in whole or in part) by an amount equal to the Non-Viability Event write-off Amount per Capital Security.</p> <p>"Non-Viability Event" means the earlier of:                      (a) the HKMA notifying the Issuer in writing that the HKMA is of the opinion that a write-off or conversion is necessary, without which the Issuer would become non-viable; and                      (b) the HKMA notifying the Issuer in writing that a decision has been made by the government body, a government officer or other relevant regulatory body with the authority to make such a decision, that a public sector injection of capital or equivalent support is necessary, without which the Issuer would become non-viable.</p> <p>The Capital Securities may be written off, cancelled, converted or modified, or the form of the Capital Securities may be changed, in the exercise of any Hong Kong Resolution Authority Power under the Financial Institutions (Resolution) Ordination (Cap. 628) of Hong Kong by the relevant Hong Kong Resolution Authority without prior notice and which may include (without limitation) and result in any of the following or some combination thereof:                      (a) the reduction or cancellation of all or a part of the principal amount of, or Distributions on, the Capital Securities;                      (b) the conversion of all or a part of the principal amount of, or Distributions on, the Capital Securities into shares or other securities or other obligations of the Issuer or another person (and the issue to or conferral on the holder of such shares, securities or obligations), including by means of an amendment, modification or variation of the terms of the Capital Securities; and</p>

# CMB WING LUNG BANK LIMITED

## 4 Composition of regulatory capital (continued)

### 4.3 CCA: Main features of regulatory capital instruments (continued)

#### 4.3.3 US\$400 million undated non-cumulative subordinated additional tier 1 capital securities (issued on 24 January 2019) (continued)

		(a)
		Quantitative / qualitative information
31	If write-down, write-down trigger(s)	(c) the amendment or alteration of the maturity of the Capital Securities or amendment or alteration of the amount of Distributions payable on the Capital Securities, or the date on which the Distributions become payable, including by suspending payment for a temporary period, or any other amendment or alteration of the terms and conditions of the Capital Securities.
32	If write-down, full or partial	Full or partial
33	If write-down, permanent or temporary	Permanent
34	If temporary write-down, description of write-up mechanism	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument in the insolvency creditor hierarchy of the legal entity concerned).	Subordinate to the claims of: (a) all unsubordinated creditors of the Issuer (including its depositors); (b) creditors in respect of Tier 2 Capital Instruments of the Issuer; and (c) all other Subordinated Creditors of the Issuer whose claims are stated to rank senior to the Capital Securities or rank senior to the Capital Securities by operation of law or contract.
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	N/A

# Regulatory treatment of capital instruments subject to transitional arrangements provided for in Schedule 4H to the Banking (Capital) Rules.

+ Regulatory treatment of capital instruments not subject to transitional arrangements provided for in Schedule 4H to the Banking (Capital) Rules.

# CMB WING LUNG BANK LIMITED

## 4 Composition of regulatory capital (continued)

### 4.3 CCA: Main features of regulatory capital instruments (continued)

#### 4.3.4 US\$260 million undated non-cumulative subordinated additional tier 1 capital securities (issued on 27 December 2019)

		(a)
		Quantitative / qualitative information
1	Issuer	CMB Wing Lung Bank Limited
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	N/A
3	Governing law(s) of the instrument	Law of Hong Kong Special Administrative Region
	<i>Regulatory treatment</i>	
4	Transitional Basel III rules #	N/A
5	Post-transitional Basel III rules +	Additional Tier 1
6	Eligible at solo / group / solo and group	Solo and group
7	Instrument type (types to be specified by each jurisdiction)	Undated Non-Cumulative Subordinated Capital Securities
8	Amount recognized in regulatory capital (currency in millions, as of most recent reporting date)	US\$260 million as at 31 December 2023
9	Par value of instrument	US\$260 million
10	Accounting classification	Equity - par value
11	Original date of issuance	27 December 2019
12	Perpetual or dated	Perpetual
13	Original maturity date	No maturity
14	Issuer call subject to prior supervisory approval	Yes
15	Optional call date, contingent call dates and redemption amount	Optional redemption date: 27 December 2024 (First Call Date) Redemption for taxation reasons: Yes Redemption for regulatory reasons: Yes Redemption price: Redeemed at the outstanding principal amount together with distributions accrued to the date of redemption, subject to adjustment following the occurrence of a Non-Viability Event.
16	Subsequent call dates, if applicable	Any Distribution Payment Date after the First Call Date
	<i>Coupons / dividends</i>	
17	Fixed or floating dividend / coupon	Fixed
18	Coupon rate and any related index	5.23 per cent per annum for the period from, and including, the Issue Date to, but excluding the First Call Date. The then prevailing 5 year U.S. Treasury Rate plus 350 bps for the period from, and including, the First Call Date and each Distribution Reset Date thereafter to, but excluding, the immediately following Distribution Reset Date.  Any distributions are subject to there being no Mandatory Distribution Cancellation Event or Optional Distribution Cancellation Event.
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

# CMB WING LUNG BANK LIMITED

## 4 Composition of regulatory capital (continued)

### 4.3 CCA: Main features of regulatory capital instruments (continued)

#### 4.3.4 US\$260 million undated non-cumulative subordinated additional tier 1 capital securities (issued on 27 December 2019) (continued)

		(a)
		Quantitative / qualitative information
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)	<p>If a Non-Viability Event occurs and is continuing, the Issuer shall, by the provision of a Non-Viability Event Notice, irrevocably reduce the then principal amount of, and cancel any accrued but unpaid distribution in respect of, each Capital Security in whole or in part.</p> <p>"Non-Viability Event" means the earlier of:</p> <p>(a) the HKMA notifying the Issuer in writing that the HKMA is of the opinion that a write-off or conversion is necessary, without which the Issuer would become non-viable; or</p> <p>(b) the HKMA notifying the Issuer in writing that a decision has been made by the government body, a government officer or other relevant regulatory body with the authority to make such a decision, that a public sector injection of capital or equivalent support is necessary, without which the Issuer would become non-viable.</p> <p>The Capital Securities may be written off, cancelled, converted or modified, or the form of the Capital Securities may be changed, in the exercise of any Hong Kong Resolution Authority Power under the Financial Institutions (Resolution) Ordination (Cap. 628) of Hong Kong by the relevant Hong Kong Resolution Authority without prior notice and which may include (without limitation) and result in any of the following or some combination thereof:</p> <p>(a) the reduction or cancellation of all or a part of the principal amount of, or Distributions on, the Capital Securities;</p>

# CMB WING LUNG BANK LIMITED

## 4 Composition of regulatory capital (continued)

### 4.3 CCA: Main features of regulatory capital instruments (continued)

#### 4.3.4 US\$260 million undated non-cumulative subordinated additional tier 1 capital securities (issued on 27 December 2019) (continued)

		(a)
		Quantitative / qualitative information
31	If write-down, write-down trigger(s)	(b) the conversion of all or a part of the principal amount of, or Distributions on, the Capital Securities into shares or other securities or other obligations of the Issuer or another person (and the issue to or conferral on the holder of such shares, securities or obligations), including by means of an amendment, modification or variation of the terms of the Capital Securities; and (c) the amendment or alteration of the maturity of the Capital Securities or amendment or alteration of the amount of Distributions payable on the Capital Securities, or the date on which the Distributions become payable, including by suspending payment for a temporary period, or any other amendment or alteration of the terms and conditions of the Capital Securities.
32	If write-down, full or partial	Full or partial
33	If write-down, permanent or temporary	Permanent
34	If temporary write-down, description of write-up mechanism	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument in the insolvency creditor hierarchy of the legal entity concerned).	Subordinate to the claims of: (a) all unsubordinated creditors of the Issuer (including its depositors); (b) creditors in respect of Tier 2 Capital Instruments of the Issuer; and (c) all other Subordinated Creditors of the Issuer whose claims are stated to rank senior to the Capital Securities or rank senior to the Capital Securities by operation of law or contract.
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	N/A

# Regulatory treatment of capital instruments subject to transitional arrangements provided for in Schedule 4H to the Banking (Capital) Rules.

+ Regulatory treatment of capital instruments not subject to transitional arrangements provided for in Schedule 4H to the Banking (Capital) Rules.

# CMB WING LUNG BANK LIMITED

## 4 Composition of regulatory capital (continued)

### 4.3 CCA: Main features of regulatory capital instruments (continued)

#### 4.3.5 RMB1,000 million undated non-cumulative subordinated additional tier 1 capital securities (issued on 27 February 2020)

		(a)
		Quantitative / qualitative information
1	Issuer	CMB Wing Lung Bank Limited
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	N/A
3	Governing law(s) of the instrument	Law of Hong Kong Special Administrative Region
	<i>Regulatory treatment</i>	
4	Transitional Basel III rules #	N/A
5	Post-transitional Basel III rules +	Additional Tier 1
6	Eligible at solo / group / solo and group	Solo and group
7	Instrument type (types to be specified by each jurisdiction)	Undated Non-Cumulative Subordinated Capital Securities
8	Amount recognized in regulatory capital (currency in millions, as of most recent reporting date)	RMB1,000 million as at 31 December 2023
9	Par value of instrument	RMB1,000 million
10	Accounting classification	Equity - par value
11	Original date of issuance	27 February 2020
12	Perpetual or dated	Perpetual
13	Original maturity date	No maturity
14	Issuer call subject to prior supervisory approval	Yes
15	Optional call date, contingent call dates and redemption amount	Optional redemption date: 27 February 2025 (First Call Date) Redemption for taxation reasons: Yes Redemption for regulatory reasons: Yes Redemption price: Redeemed at the outstanding principal amount together with distributions accrued to the date of redemption, subject to adjustment following the occurrence of a Non-Viability Event.
16	Subsequent call dates, if applicable	Any Distribution Payment Date after the First Call Date
	<i>Coupons / dividends</i>	
17	Fixed or floating dividend / coupon	Fixed
18	Coupon rate and any related index	4.78 per cent per annum for the period from, and including, the Issue Date to, but excluding the Distribution Payment Date falling on or nearest to the First Call Date. The then prevailing rate of 5 year Chinese government notes plus 212 bps for the period from, and including, the First Call Date and each Distribution Reset Date thereafter to, but excluding, the immediately following Distribution Reset Date.  Any distributions are subject to there being no Mandatory Distribution Cancellation Event or Optional Distribution Cancellation Event.
19	Existence of a dividend stopper	Yes
20	Fully discretionary, partially discretionary or mandatory	Fully discretionary

# CMB WING LUNG BANK LIMITED

## 4 Composition of regulatory capital (continued)

### 4.3 CCA: Main features of regulatory capital instruments (continued)

#### 4.3.5 RMB1,000 million undated non-cumulative subordinated additional tier 1 capital securities (issued on 27 February 2020) (continued)

		(a)
		Quantitative / qualitative information
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)	<p>If a Non-Viability Event occurs and is continuing, the Issuer shall, by the provision of a Non-Viability Event Notice, irrevocably reduce the then principal amount of, and cancel any accrued but unpaid distribution in respect of, each Capital Security in whole or in part.</p> <p>"Non-Viability Event" means the earlier of:</p> <p>(a) the HKMA notifying the Issuer in writing that the HKMA is of the opinion that a write-off or conversion is necessary, without which the Issuer would become non-viable; or</p> <p>(b) the HKMA notifying the Issuer in writing that a decision has been made by the government body, a government officer or other relevant regulatory body with the authority to make such a decision, that a public sector injection of capital or equivalent support is necessary, without which the Issuer would become non-viable.</p> <p>The Capital Securities may be written off, cancelled, converted or modified, or the form of the Capital Securities may be changed, in the exercise of any Hong Kong Resolution Authority Power under the Financial Institutions (Resolution) Ordination (Cap. 628) of Hong Kong by the relevant Hong Kong Resolution Authority without prior notice and which may include (without limitation) and result in any of the following or some combination thereof:</p> <p>(a) the reduction or cancellation of all or a part of the principal amount of, or Distributions on, the Capital Securities;</p> <p>(b) the conversion of all or a part of the principal amount of, or Distributions on, the Capital Securities into shares or other securities or other obligations of the Issuer or another person (and the issue to or conferral on the holder of such shares, securities or obligations), including by means of an amendment, modification or variation of the terms of the Capital Securities; and</p>

# CMB WING LUNG BANK LIMITED

## 4 Composition of regulatory capital (continued)

### 4.3 CCA: Main features of regulatory capital instruments (continued)

#### 4.3.5 RMB1,000 million undated non-cumulative subordinated additional tier 1 capital securities (issued on 27 February 2020) (continued)

		(a)
		Quantitative / qualitative information
31	If write-down, write-down trigger(s)	(c) the amendment or alteration of the maturity of the Capital Securities or amendment or alteration of the amount of Distributions payable on the Capital Securities, or the date on which the Distributions become payable, including by suspending payment for a temporary period, or any other amendment or alteration of the terms and conditions of the Capital Securities.
32	If write-down, full or partial	Full or partial
33	If write-down, permanent or temporary	Permanent
34	If temporary write-down, description of write-up mechanism	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument in the insolvency creditor hierarchy of the legal entity concerned).	Subordinate to the claims of: (a) all unsubordinated creditors of the Issuer (including its depositors); (b) creditors in respect of Tier 2 Capital Instruments of the Issuer; and (c) all other Subordinated Creditors of the Issuer whose claims are stated to rank senior to the Capital Securities or rank senior to the Capital Securities by operation of law or contract.
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	N/A

# Regulatory treatment of capital instruments subject to transitional arrangements provided for in Schedule 4H to the Banking (Capital) Rules.

+ Regulatory treatment of capital instruments not subject to transitional arrangements provided for in Schedule 4H to the Banking (Capital) Rules.

# CMB WING LUNG BANK LIMITED

## 4 Composition of regulatory capital (continued)

### 4.3 CCA: Main features of regulatory capital instruments (continued)

#### 4.3.6 US\$200 million undated non-cumulative subordinated additional tier 1 capital securities (issued on 23 March 2022)

		(a)
		Quantitative / qualitative information
1	Issuer	CMB Wing Lung Bank 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 Laws (subordination governed by Laws of Hong Kong Special Administrative Region)
	<i>Regulatory treatment</i>	
4	Transitional Basel III rules #	N/A
5	Post-transitional Basel III rules +	Additional Tier 1
6	Eligible at solo / group / solo and group	Solo and group
7	Instrument type (types to be specified by each jurisdiction)	Undated Non-Cumulative Subordinated Additional Tier 1 Capital Securities
8	Amount recognized in regulatory capital (currency in millions, as of most recent reporting date)	US\$200 million as at 31 December 2023
9	Par value of instrument	US\$200 million
10	Accounting classification	Equity - par value
11	Original date of issuance	23 March 2022
12	Perpetual or dated	Perpetual
13	Original maturity date	No maturity
14	Issuer call subject to prior supervisory approval	Yes
15	Optional call date, contingent call dates and redemption amount	<ul style="list-style-type: none"> <li>- 23 March 2027 (First Call Date)</li> <li>- No fixed redemption date</li> <li>- Optional Redemption (on a designated date on 23 March 2027 or on any Distribution Payment Date thereafter), Tax or Regulatory Redemption are all subject to prior written consent of the HKMA and satisfying any conditions that the HKMA may impose at that time. Redemption amount will be the outstanding principal amount together (if appropriate) with distributions accrued to (but excluding) the date of redemption, subject to adjustment following the occurrence of a Non-Viability Event.</li> </ul>
16	Subsequent call dates, if applicable	Any Distribution Payment Date after the First Call Date
	<i>Coupons / dividends</i>	
17	Fixed or floating dividend / coupon	Fixed

# CMB WING LUNG BANK LIMITED

## 4 Composition of regulatory capital (continued)

### 4.3 CCA: Main features of regulatory capital instruments (continued)

#### 4.3.6 US\$200 million undated non-cumulative subordinated additional tier 1 capital securities (issued on 23 March 2022) (continued)

		(a)
		Quantitative / qualitative information
18	Coupon rate and any related index	At a fixed rate of 3.34% per annum for the period from, and including, the Issue Date to, but excluding the First Call Date. On the First Call Date and each anniversary falling five years thereafter, the Distribution Rate will reset by reference to the then-prevailing five year U.S. Treasury Rate plus 149 bps per annum.  Any distributions are subject to there being no Mandatory Distribution Cancellation Event or Optional Distribution Cancellation Event.
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)	If a Non-Viability Event occurs and is continuing, the Issuer shall, by the provision of a Non-Viability Event Notice, irrevocably reduce the then prevailing principal amount of, and cancel any accrued but unpaid distribution in respect of, each Capital Security in whole or in part.  "Non-Viability Event" means the earlier of: (a) the HKMA notifying the Issuer in writing that the HKMA is of the opinion that a write-off or conversion is necessary, without which the Issuer would become non-viable; and (b) the HKMA notifying the Issuer in writing that a decision has been made by the government body, a government officer or other relevant regulatory body with the authority to make such a decision, that a public sector injection of capital or equivalent support is necessary, without which the Issuer would become non-viable.

# CMB WING LUNG BANK LIMITED

## 4 Composition of regulatory capital (continued)

### 4.3 CCA: Main features of regulatory capital instruments (continued)

#### 4.3.6 US\$200 million undated non-cumulative subordinated additional tier 1 capital securities (issued on 23 March 2022) (continued)

		(a)
		Quantitative / qualitative information
31	If write-down, write-down trigger(s)	<p>The Capital Securities may be written off, cancelled, converted or modified, or the form of the Capital Securities may be changed, in the exercise of any Hong Kong Resolution Authority Power under the Financial Institutions (Resolution) Ordinance (Cap. 628) of Hong Kong by the relevant Hong Kong Resolution Authority without prior notice and which may include (without limitation) and result in any of the following or some combination thereof:</p> <p>(a) the reduction or cancellation of all or a part of the principal amount of, or Distributions on, the Capital Securities;</p> <p>(b) the conversion of all or a part of the principal amount of, or Distributions on, the Capital Securities into shares or other securities or other obligations of the Issuer or another person (and the issue to or conferral on the holder of such shares, securities or obligations), including by means of an amendment, modification or variation of the terms of the Capital Securities; and</p> <p>(c) the amendment or alteration of the maturity of the Capital Securities or amendment or alteration of the amount of Distributions payable on the Capital Securities, or the date on which the Distributions become payable, including by suspending payment for a temporary period, or any other amendment or alteration of the terms and conditions of the Capital Securities.</p>
32	If write-down, full or partial	Full or partial
33	If write-down, permanent or temporary	Permanent
34	If temporary write-down, description of write-up mechanism	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument in the insolvency creditor hierarchy of the legal entity concerned).	<p>Subordinate to the claims of:</p> <p>(a) all unsubordinated creditors of the Issuer (including its depositors);</p> <p>(b) creditors in respect of Tier 2 Capital Securities of the Issuer; and</p> <p>(c) all other Subordinated Creditors of the Issuer whose claims are stated to rank senior to the Capital Securities or rank senior to the Capital Securities by operation of law or contract.</p>
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	N/A

# Regulatory treatment of capital instruments subject to transitional arrangements provided for in Schedule 4H to the Banking (Capital) Rules.

+ Regulatory treatment of capital instruments not subject to transitional arrangements provided for in Schedule 4H to the Banking (Capital) Rules.

# CMB WING LUNG BANK LIMITED

## 4 Composition of regulatory capital (continued)

### 4.3 CCA: Main features of regulatory capital instruments (continued)

#### 4.3.7 US\$500 million undated non-cumulative subordinated additional tier 1 capital securities (issued on 27 December 2023)

		(a)
		Quantitative / qualitative information
1	Issuer	CMB Wing Lung Bank 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 Laws (subordination governed by Laws of Hong Kong Special Administrative Region)
	<i>Regulatory treatment</i>	
4	Transitional Basel III rules #	N/A
5	Post-transitional Basel III rules +	Additional Tier 1
6	Eligible at solo / group / solo and group	Solo and group
7	Instrument type (types to be specified by each jurisdiction)	Undated Non-Cumulative Subordinated Additional Tier 1 Capital Securities
8	Amount recognized in regulatory capital (currency in millions, as of most recent reporting date)	US\$500 million as at 31 December 2023
9	Par value of instrument	US\$500 million
10	Accounting classification	Equity - par value
11	Original date of issuance	27 December 2023
12	Perpetual or dated	Perpetual
13	Original maturity date	No maturity
14	Issuer call subject to prior supervisory approval	Yes
15	Optional call date, contingent call dates and redemption amount	<ul style="list-style-type: none"> <li>- 27 December 2028 (First Call Date)</li> <li>- No fixed redemption date</li> <li>- Optional Redemption (on a designated date on 27 December 2028 or on any Distribution Payment Date thereafter), Tax or Regulatory Redemption are all subject to prior written consent of the HKMA and satisfying any conditions that the HKMA may impose at that time. Redemption amount will be the outstanding principal amount together (if appropriate) with distributions accrued to (but excluding) the date of redemption, subject to adjustment following the occurrence of a Non-Viability Event.</li> </ul>
16	Subsequent call dates, if applicable	Any Distribution Payment Date after the First Call Date
	<i>Coupons / dividends</i>	
17	Fixed or floating dividend / coupon	Fixed

# CMB WING LUNG BANK LIMITED

## 4 Composition of regulatory capital (continued)

### 4.3 CCA: Main features of regulatory capital instruments (continued)

#### 4.3.7 US\$500 million undated non-cumulative subordinated additional tier 1 capital securities (issued on 27 December 2023)

		(a)
		Quantitative / qualitative information
18	Coupon rate and any related index	At a fixed rate of 6.30% per annum for the period from, and including, the Issue Date to, but excluding the First Call Date. On the First Call Date and each anniversary falling five years thereafter, the Distribution Rate will reset by reference to the then-prevailing five year U.S. Treasury Rate plus 242 bps per annum.  Any distributions are subject to there being no Mandatory Distribution Cancellation Event or Optional Distribution Cancellation Event.
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)	If a Non-Viability Event occurs and is continuing, the Issuer shall, by the provision of a Non-Viability Event Notice, irrevocably reduce the then prevailing principal amount of, and cancel any accrued but unpaid distribution in respect of, each Capital Security in whole or in part.  "Non-Viability Event" means the earlier of: (a) the HKMA notifying the Issuer in writing that the HKMA is of the opinion that a write-off or conversion is necessary, without which the Issuer would become non-viable; and (b) the HKMA notifying the Issuer in writing that a decision has been made by the government body, a government officer or other relevant regulatory body with the authority to make such a decision, that a public sector injection of capital or equivalent support is necessary, without which the Issuer would become non-viable.

# CMB WING LUNG BANK LIMITED

## 4 Composition of regulatory capital (continued)

### 4.3 CCA: Main features of regulatory capital instruments (continued)

#### 4.3.7 US\$500 million undated non-cumulative subordinated additional tier 1 capital securities (issued on 27 December 2023) (continued)

		(a)
		Quantitative / qualitative information
31	If write-down, write-down trigger(s)	<p>The Capital Securities may be written off, cancelled, converted or modified, or the form of the Capital Securities may be changed, in the exercise of any Hong Kong Resolution Authority Power under the Financial Institutions (Resolution) Ordinance (Cap. 628) of Hong Kong by the relevant Hong Kong Resolution Authority without prior notice and which may include (without limitation) and result in any of the following or some combination thereof:</p> <p>(a) the reduction or cancellation of all or a part of the principal amount of, or Distributions on, the Capital Securities;</p> <p>(b) the conversion of all or a part of the principal amount of, or Distributions on, the Capital Securities into shares or other securities or other obligations of the Issuer or another person (and the issue to or conferral on the holder of such shares, securities or obligations), including by means of an amendment, modification or variation of the terms of the Capital Securities; and</p> <p>(c) the amendment or alteration of the maturity of the Capital Securities or amendment or alteration of the amount of Distributions payable on the Capital Securities, or the date on which the Distributions become payable, including by suspending payment for a temporary period, or any other amendment or alteration of the terms and conditions of the Capital Securities.</p>
32	If write-down, full or partial	Full or partial
33	If write-down, permanent or temporary	Permanent
34	If temporary write-down, description of write-up mechanism	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument in the insolvency creditor hierarchy of the legal entity concerned).	<p>Subordinate to the claims of:</p> <p>(a) all unsubordinated creditors of the Issuer (including its depositors);</p> <p>(b) creditors in respect of Tier 2 Capital Securities of the Issuer; and</p> <p>(c) all other Subordinated Creditors of the Issuer whose claims are stated to rank senior to the Capital Securities or rank senior to the Capital Securities by operation of law or contract.</p>
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	N/A

# Regulatory treatment of capital instruments subject to transitional arrangements provided for in Schedule 4H to the Banking (Capital) Rules.

+ Regulatory treatment of capital instruments not subject to transitional arrangements provided for in Schedule 4H to the Banking (Capital) Rules.

# CMB WING LUNG BANK LIMITED

## 5 Macroprudential supervisory measures

### 5.1 CCyB1: Geographical distribution of credit exposures used in countercyclical capital buffer ("CCyB")

	31 December 2023	(a)	(c)	(d)	(e)
	<b>Geographical breakdown by Jurisdiction (J)</b>	<b>Applicable JCCyB ratio in effect (%)</b>	<b>RWA used in computation of CCyB ratio HK\$'000</b>	<b>AI-specific CCyB ratio (%)</b>	<b>CCyB amount HK\$'000</b>
1	Hong Kong, China	1.0000%	124,364,002		
2	Australia	1.0000%	64,604		
3	Germany	0.7500%	104,937		
4	Luxembourg	0.5000%	770,192		
5	Netherlands	1.0000%	97,283		
6	Sweden	2.0000%	753,390		
7	United Kingdom	2.0000%	210,585		
8	Sum		<b>126,364,993</b>		
9	Total		<b>213,853,181</b>	<b>0.5935%</b>	<b>1,269,177</b>

# CMB WING LUNG BANK LIMITED

## 6 Leverage ratio

### 6.1 LR1: Summary comparison of accounting assets against leverage ratio (“LR”) exposure measure

31 December 2023		(a)
	Item	Value under the LR framework HK\$'000
1	Total consolidated assets as per published financial statements	426,639,592
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	(843,531)
2a	Adjustment for securitised exposures that meet the operational requirements for the recognition of risk transference	-
3	Adjustment for fiduciary assets recognized 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	674,856
5	Adjustment for SFTs (i.e. repos and similar secured lending)	-
6	Adjustment for off-balance sheet (“OBS”) items (i.e. conversion to credit equivalent amounts of OBS exposures)	20,684,347
6a	Adjustments for prudent valuation adjustments and specific and collective provisions that are allowed to be excluded from exposure measure	(91,741)
7	Other adjustments	(5,145,155)
<b>8</b>	<b>Leverage ratio exposure measure</b>	<b>441,918,368</b>

# CMB WING LUNG BANK LIMITED

## 6 Leverage ratio (continued)

### 6.2 LR2: Leverage ratio

		(a)	(b)
		HK\$'000	
		As at 31 December 2023	As at 30 September 2023
<b>On-balance sheet exposures</b>			
1	On-balance sheet exposures (excluding those arising from derivative contracts and SFTs, but including collateral)	424,436,901	416,930,825
2	Less: Asset amounts deducted in determining Tier 1 capital	(5,145,155)	(4,987,181)
3	<b>Total on-balance sheet exposures (excluding derivative contracts and SFTs)</b>	419,291,746	411,943,644
<b>Exposures arising from derivative contracts</b>			
4	Replacement cost associated with all derivative contracts (where applicable net of eligible cash variation margin and/or with bilateral netting)	171,303	143,597
5	Add-on amounts for PFE associated with all derivative contracts	1,090,405	1,144,415
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	(109,827)	(104,514)
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	<b>Total exposures arising from derivative contracts</b>	1,151,881	1,183,498
<b>Exposures arising from SFTs</b>			
12	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	882,135	883,127
13	Less: Netted amounts of cash payables and cash receivables of gross SFT assets	-	-
14	CCR exposure for SFT assets	-	-
15	Agent transaction exposures	-	-
16	<b>Total exposures arising from SFTs</b>	882,135	883,127
<b>Other off-balance sheet exposures</b>			
17	Off-balance sheet exposure at gross notional amount	129,434,887	150,748,918
18	Less: Adjustments for conversion to credit equivalent amounts	(108,750,540)	(127,927,245)
19	<b>Off-balance sheet items</b>	20,684,347	22,821,673
<b>Capital and total exposures</b>			
20	<b>Tier 1 capital</b>	52,183,930	48,820,299
20a	<b>Total exposures before adjustments for specific and collective provisions</b>	442,010,109	436,831,942
20b	<b>Adjustments for specific and collective provisions</b>	(91,741)	(99,907)
21	<b>Total exposures after adjustments for specific and collective provisions</b>	441,918,368	436,732,035
<b>Leverage ratio</b>			
22	<b>Leverage ratio</b>	11.8%	11.2%

# CMB WING LUNG BANK LIMITED

## 7 Liquidity

### 7.1 LIQA: Liquidity risk management

#### Governance of liquidity risk management

Liquidity risk is the risk that the Group is unable to meet its payment obligations associated with its financial liabilities when they fall due and to replace funds when they are withdrawn. The consequence may be the failure to meet obligations to repay depositors and fulfill commitments to lend. This may be caused by market disruption or liquidity squeeze whereby the Group may only unwind specific exposures at significantly discounted values.

The Group adopts a prudent risk appetite in setting liquidity risk tolerance. Risk appetite is set in the form of liquidity risk limit and metric framework.

The management of the Group's liquidity risk is governed by the liquidity risk management policies and principles which are approved by the Board of Directors ("Board"). Management Committee is one of the committees set up under the Board. The duties of Management Committee are to approve the risk management framework that is in line with the Group's business objectives and risk profile. The Asset and Liability Management Committee ("ALCO") is a committee formed by the Management Committee on behalf of the Board. ALCO is responsible for monitoring the Group's overall liquidity management. ALCO sets the strategy, policy and limits for managing liquidity risk for approval by the Board or the Management Committee and the means for ensuring that such strategy and policy are implemented effectively. Regular meeting is held to review the compliance status of the monitoring matrix established and the needs of change in strategy and policy. Daily liquidity management is managed by the Treasury Management Team of the Asset and Liability Management Department. The limit, triggers or alerts are monitored by the Liquidity Risk Management Team of the Asset and Liability Management Department and reported to the ALCO on a regular basis. The Audit Department performs periodic reviews to make sure that the liquidity risk management functions are carried out effectively.

# CMB WING LUNG BANK LIMITED

## 7 Liquidity (continued)

### 7.1 LIQA: Liquidity risk management (continued)

#### Funding strategy

The Group sets its liquidity funding strategy according to the size and sophistication of its business, as well as the nature and complexity of its activities.

The objective of the Group's funding strategy is to strive for a balance between business growth opportunities and funding stability. The Group seeks to maintain diversified and stable funding sources with an appropriate mix of liabilities including customer deposits, interbank borrowings, issuance of negotiable certificates of deposit and debt instruments.

In setting the Group's annual budget, the diversity and stability of various funding sources is considered so that the appropriate mix of liabilities is maintained.

To manage the currency mismatch and avoid over-reliance on the currency swap market, the Group sets limits on cross currency funding ratios. The cross currency funding ratios limit the extent of one currency's assets being funded by other currencies through the swap market. In addition, the Group sets limits on individual currency liquidity coverage ratios so as to control the extent of cash flow mismatch by currencies.

#### Liquidity stress testing

Liquidity stress testing is regularly conducted to project the Group's cash flows under stress scenarios and to evaluate the sufficiency of liquidity cushion. The stress scenarios cover institution-specific crisis scenario, general market crisis scenario and combined scenario. The stress test results are regularly reported to ALCO. It is the Group's policy that the liquidity cushion should be able to cover projected cash outflows under various prescribed stress scenarios.

# CMB WING LUNG BANK LIMITED

## 7 Liquidity (continued)

### 7.1 LIQA: Liquidity risk management (continued)

#### Contingency funding plan

Contingency Funding Plan (CFP) of the Group clearly defines a set of triggering events that will activate the Plan. The mechanisms of CFP incorporate:

- A set of early warning indicators that helps to identify any emerging liquidity risks at an early stage.
- A list of potential funding sources, with due consideration of their reliability, priority and the expected available time during liquidity crisis.
- Detailed action steps and properly assigned responsibilities for implementing the CFP in case of need.

#### Balances of high quality liquid asset and maturity analysis

For details of the high quality liquid asset held by the Group, please refer to Note 4.3 (a)(vi) of the Group's 2023 Annual Report.

For the maturity analysis of the Group, please refer to Note 4.3 (b) and 4.3 (d) of the Group's 2023 Annual Report.

# CMB WING LUNG BANK LIMITED

## 7 Liquidity (continued)

### 7.2 LIQ1: Liquidity Coverage Ratio - for category 1 institution

#### For the quarter ended 31 December 2023

Number of data points used in calculating the average value of the LCR and related components set out in this template: (75)		HK\$000 equivalent	
		(a)	(b)
Basis of disclosure: <del>consolidated</del> / unconsolidated / Hong Kong office (delete as appropriate)		Unweighted value (average)	Weighted value (average)
<b>A. HQLA</b>			
1	Total HQLA		89,696,611
<b>B. Cash outflows</b>			
2	Retail deposits and small business funding, of which:	198,481,796	13,561,157
3	<i>Stable retail deposits and stable small business funding</i>	4,583,684	229,184
4	<i>Less stable retail deposits and less stable small business funding</i>	72,741,347	7,274,135
4a	<i>Retail term deposits and small business term funding</i>	121,156,765	6,057,838
5	Unsecured wholesale funding (other than small business funding), and debt securities and prescribed instruments issued by the AI, of which:	117,488,816	83,824,473
6	<i>Operational deposits</i>	-	-
7	<i>Unsecured wholesale funding (other than small business funding) not covered in row 6</i>	117,448,108	83,783,765
8	<i>Debt securities and prescribed instruments issued by the AI and redeemable within the LCR period</i>	40,708	40,708
9	Secured funding transactions (including securities swap transactions)		760,494
10	Additional requirements, of which:	28,070,177	4,563,773
11	<i>Cash outflows arising from derivative contracts and other transactions, and additional liquidity needs arising from related collateral requirements</i>	726,891	726,891
12	<i>Cash outflows arising from obligations under structured financing transactions and repayment of funding obtained from such transactions</i>	-	-
13	<i>Potential drawdown of undrawn committed facilities (including committed credit facilities and committed liquidity facilities)</i>	27,343,286	3,836,882
14	Contractual lending obligations (not otherwise covered in Section B) and other contractual cash outflows	3,778,616	3,778,616
15	Other contingent funding obligations (whether contractual or non-contractual)	4,963,650	281,905
16	<b>Total Cash Outflows</b>		106,770,418
<b>C. Cash Inflows</b>			
17	Secured lending transactions (including securities swap transactions)	1,113,545	1,113,545
18	Secured and unsecured loans (other than secured lending transactions covered in row 17) and operational deposits placed at other financial institutions	85,326,241	35,590,607
19	Other cash inflows	3,930,382	3,361,518
20	<b>Total Cash Inflows</b>	90,370,167	40,065,670
<b>D. Liquidity Coverage Ratio</b>			<b>Adjusted value</b>
21	<b>Total HQLA</b>		89,696,611
22	<b>Total Net Cash Outflows</b>		66,704,748
23	<b>LCR (%)</b>		135.0%

# CMB WING LUNG BANK LIMITED

## 7 Liquidity (continued)

### 7.2 LIQ1: Liquidity Coverage Ratio - for category 1 institution (continued)

#### For the quarter ended 30 September 2023

Number of data points used in calculating the average value of the LCR and related components set out in this template: (74)		HK\$000 equivalent	
		(a)	(b)
Basis of disclosure: <del>consolidated</del> / unconsolidated / <del>Hong Kong office</del> (delete as appropriate)		Unweighted value (average)	Weighted value (average)
<b>A. HQLA</b>			
1	Total HQLA		87,476,934
<b>B. Cash outflows</b>			
2	Retail deposits and small business funding, of which:	196,325,328	13,400,304
3	<i>Stable retail deposits and stable small business funding</i>	4,401,928	220,096
4	<i>Less stable retail deposits and less stable small business funding</i>	71,680,770	7,168,077
4a	<i>Retail term deposits and small business term funding</i>	120,242,630	6,012,131
5	Unsecured wholesale funding (other than small business funding), and debt securities and prescribed instruments issued by the AI, of which:	113,083,542	80,616,950
6	<i>Operational deposits</i>	-	-
7	<i>Unsecured wholesale funding (other than small business funding) not covered in row 6</i>	113,083,542	80,616,950
8	<i>Debt securities and prescribed instruments issued by the AI and redeemable within the LCR period</i>	-	-
9	Secured funding transactions (including securities swap transactions)		4,375
10	Additional requirements, of which:	25,332,512	4,292,676
11	<i>Cash outflows arising from derivative contracts and other transactions, and additional liquidity needs arising from related collateral requirements</i>	752,774	752,774
12	<i>Cash outflows arising from obligations under structured financing transactions and repayment of funding obtained from such transactions</i>	-	-
13	<i>Potential drawdown of undrawn committed facilities (including committed credit facilities and committed liquidity facilities)</i>	24,579,738	3,539,902
14	Contractual lending obligations (not otherwise covered in Section B) and other contractual cash outflows	4,821,158	4,821,158
15	Other contingent funding obligations (whether contractual or non-contractual)	4,636,730	274,653
16	<b>Total Cash Outflows</b>		103,410,116
<b>C. Cash Inflows</b>			
17	Secured lending transactions (including securities swap transactions)	101,002	101,002
18	Secured and unsecured loans (other than secured lending transactions covered in row 17) and operational deposits placed at other financial institutions	85,132,191	36,009,905
19	Other cash inflows	5,795,131	5,025,837
20	<b>Total Cash Inflows</b>	91,028,324	41,136,744
<b>D. Liquidity Coverage Ratio</b>			<b>Adjusted value</b>
21	<b>Total HQLA</b>		87,476,934
22	<b>Total Net Cash Outflows</b>		62,273,372
23	<b>LCR (%)</b>		140.9%

# CMB WING LUNG BANK LIMITED

## 7 Liquidity (continued)

### 7.2 LIQ1: Liquidity Coverage Ratio - for category 1 institution (continued)

Notes:

- The weighted amount of high-quality liquid assets ("HQLA") is to be calculated as the amount after applying the haircuts as required under the Banking (Liquidity) Rules.
- The unweighted amounts of cash inflows and cash outflows are to be calculated as the principle amounts in the calculation of the Liquidity Coverage Ratio (LCR) as required under the Banking (Liquidity) Rules.
- The weighted amounts of cash inflows and cash outflows are to be calculated as the amount after applying the inflow and outflow rates as required under the Banking (Liquidity) Rules.
- The adjusted value of total HQLA and the total net cash outflows have taken into account any applicable ceiling as required under the Banking (Liquidity) Rules.

The average LCR is calculated as the arithmetic mean of the LCR as at the end of each working day in the quarter on an unconsolidated basis. The average LCR for the third and fourth quarter of 2023 remained stable at 140.9% and 135.0% respectively.

The Group maintains HQLA which can be sold or pledged as collateral to provide liquidity even under periods of stress. The Group invests in good credit quality investments with deep and liquid market to ensure short term funding requirements are covered within prudent limits.

Level 1 assets comprise cash, balances with central bank and high quality central government and central bank securities, while Level 2 assets comprise corporate securities of investment grade. The majority of the HQLA is composed of Level 1 assets.

The net cash outflows are mainly from retail and corporate customer deposits which are the Group's primary source of funds, together with deposits and balances from banks. The Group ensures a sound and diversified range of funding sources, through monitoring the structure, the stability and the core level of the deposit portfolio.

Intra-group funding transactions are transacted at arm's length and treated in a manner in line with other third party transactions, with regular monitoring and appropriate control.

# CMB WING LUNG BANK LIMITED

## 7 Liquidity (continued)

### 7.3 LIQ2: Net Stable Funding Ratio - for category 1 institution

31 December 2023		(a)	(b)	(c)	(d)	(e)
HK\$'000		Unweighted value by residual maturity				Weighted amount
Basis of disclosure: <del>consolidated</del> / unconsolidated / Hong Kong office (delete as appropriate)		No specified term to maturity	<6 months or repayable on demand	6 months to < 12 months	12 months or more	
<b>A. Available stable funding ("ASF") item</b>						
1	Capital:	57,358,280	-	-	-	57,358,280
2	Regulatory capital	57,358,280	-	-	-	57,358,280
2a	Minority interests not covered by row 2	-	-	-	-	-
3	Other capital instruments	-	-	-	-	-
4	Retail deposits and small business funding:	-	167,603,061	26,147,492	2,860,637	177,475,801
5	Stable deposits	-	4,426,815	366,506	32,806	4,586,461
6	Less stable deposits	-	163,176,246	25,780,986	2,827,831	172,889,340
7	Wholesale funding:	-	157,737,578	7,401,164	2,093,733	46,471,867
8	Operational deposits	-	-	-	-	-
9	Other wholesale funding	-	157,737,578	7,401,164	2,093,733	46,471,867
10	Liabilities with matching interdependent assets	-	-	-	-	-
11	Other liabilities:	6,826,682	1,747	-	-	-
12	Net derivative liabilities	-	-	-	-	-
13	All other funding and liabilities not included in the above categories	6,826,682	1,747	-	-	-
14	<b>Total ASF</b>					281,305,948
<b>B. Required stable funding ("RSF") item</b>						
15	Total HQLA for NSFR purposes				99,555,131	9,085,162
16	Deposits held at other financial institutions for operational purposes	-	-	-	-	-
17	Performing loans and securities:	44,663,708	114,153,208	45,099,265	109,220,634	185,822,472
18	Performing loans to financial institutions secured by Level 1 HQLA	-	-	-	-	482,835
19	Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	556,469	77,064,462	22,868,780	26,089,219	49,639,747
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:	41,869,983	24,575,617	13,345,214	50,875,295	97,195,905
21	With a risk-weight of less than or equal to 35% under the STC approach	-	114,963	107,899	2,989,982	2,054,919

# CMB WING LUNG BANK LIMITED

## 7 Liquidity (continued)

### 7.3 LIQ2: Net Stable Funding Ratio - for category 1 institution (continued)

31 December 2023		(a)	(b)	(c)	(d)	(e)
HK\$'000		Unweighted value by residual maturity				Weighted amount
Basis of disclosure: <del>consolidated</del> / unconsolidated / Hong Kong office (delete as appropriate)		No specified term to maturity	<6 months or repayable on demand	6 months to < 12 months	12 months or more	
22	Performing residential mortgages, of which:	-	253,894	238,206	9,136,830	6,409,185
23	With a risk-weight of less than or equal to 35% under the STC approach	-	232,292	218,561	8,015,854	5,435,732
24	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	2,237,256	12,259,235	8,647,065	23,119,289	32,094,800
25	Assets with matching interdependent liabilities	-	-	-	-	-
26	Other assets:	10,761,570	804,512	133,147	380,726	11,328,385
27	Physical traded commodities, including gold	14,745				12,533
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs	195,711				195,711
29	Net derivative assets	21,442				21,442
30	Total derivative liabilities before adjustments for deduction of variation margin posted	285,195				14,260
31	All other assets not included in the above categories	10,244,477	804,512	133,147	380,726	11,084,439
32	Off-balance sheet items				1,371,902	1,371,902
33	<b>Total RSF</b>					207,607,921
34	<b>Net Stable Funding Ratio (%)</b>					135.5%

# CMB WING LUNG BANK LIMITED

## 7 Liquidity (continued)

### 7.3 LIQ2: Net Stable Funding Ratio - for category 1 institution (continued)

30 September 2023		(a)	(b)	(c)	(d)	(e)
HK\$'000		Unweighted value by residual maturity				Weighted amount
Basis of disclosure: <del>consolidated</del> / unconsolidated / Hong Kong office (delete as appropriate)		No specified term to maturity	<6 months or repayable on demand	6 months to < 12 months	12 months or more	
<b>A. Available stable funding ("ASF") item</b>						
1	Capital:	54,439,055	-	-	-	54,439,055
2	Regulatory capital	54,439,055	-	-	-	54,439,055
2a	Minority interests not covered by row 2	-	-	-	-	-
3	Other capital instruments	-	-	-	-	-
4	Retail deposits and small business funding:	-	164,116,809	31,579,398	3,958,016	180,304,701
5	Stable deposits		4,114,309	287,660	50,515	4,232,386
6	Less stable deposits		160,002,500	31,291,738	3,907,501	176,072,315
7	Wholesale funding:	-	150,579,437	5,439,097	3,217,470	45,776,960
8	Operational deposits		-	-	-	-
9	Other wholesale funding	-	150,579,437	5,439,097	3,217,470	45,776,960
10	Liabilities with matching interdependent assets	-	-	-	-	-
11	Other liabilities:	9,312,545	574,126	-	-	-
12	Net derivative liabilities	-				
13	All other funding and liabilities not included in the above categories	9,312,545	574,126	-	-	-
14	<b>Total ASF</b>					280,520,716
<b>B. Required stable funding ("RSF") item</b>						
15	Total HQLA for NSFR purposes				96,888,497	8,337,097
16	Deposits held at other financial institutions for operational purposes	-	-	-	-	-
17	Performing loans and securities:	43,712,097	105,561,285	46,720,631	112,496,908	184,500,372
18	Performing loans to financial institutions secured by Level 1 HQLA	-	-	-	-	-
19	Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	347,717	74,665,315	21,337,117	25,474,793	47,690,866
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:	41,498,890	20,471,072	16,281,585	51,203,780	96,565,072
21	With a risk-weight of less than or equal to 35% under the STC approach	-	119,237	110,723	3,042,632	2,092,691
22	Performing residential mortgages, of which:	-	257,167	238,966	9,350,599	6,557,773

# CMB WING LUNG BANK LIMITED

## 7 Liquidity (continued)

### 7.3 LIQ2: Net Stable Funding Ratio - for category 1 institution (continued)

30 September 2023		(a)	(b)	(c)	(d)	(e)
HK\$'000		Unweighted value by residual maturity				Weighted amount
Basis of disclosure: <del>consolidated</del> / unconsolidated / Hong Kong office (delete as appropriate)		No specified term to maturity	<6 months or repayable on demand	6 months to < 12 months	12 months or more	
23	<i>With a risk-weight of less than or equal to 35% under the STC approach</i>	-	234,836	219,038	8,191,513	5,551,420
24	<i>Securities that are not in default and do not qualify as HQLA, including exchange-traded equities</i>	1,865,490	10,167,731	8,862,963	26,467,735	33,686,661
25	Assets with matching interdependent liabilities	-	-	-	-	-
26	Other assets:	18,828,303	1,616,564	199,343	-	12,456,858
27	<i>Physical traded commodities, including gold</i>	47,502				40,377
28	<i>Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs</i>	50,968				50,968
29	<i>Net derivative assets</i>	58,497				58,497
30	<i>Total derivative liabilities before adjustments for deduction of variation margin posted</i>	87,612				4,381
31	<i>All other assets not included in the above categories</i>	11,583,724	1,616,564	199,343	-	12,302,635
32	Off-balance sheet items				1,276,487	1,276,487
33	<b>Total RSF</b>					206,570,814
34	<b>Net Stable Funding Ratio (%)</b>					135.8%

#### Note:

The Group's NSFR were 135.8% and 135.5% as at 30 September and 31 December 2023, respectively. The Group has continuously maintained a healthy NSFR ratio during the second half of 2023. No material change was found in the diversity and stability of funds over the period.

# CMB WING LUNG BANK LIMITED

## 8 Credit risk for non-securitization exposures

### 8.1 CRA: General information about credit risk

The Group takes on exposure to credit risk, which is the risk that an obligor (including guarantor) or a counterparty will cause a financial loss for the Group by failing to discharge an obligation. Credit exposures arise principally from loans and advances, debt securities, derivative financial instruments, treasury bills, and other on-balance sheet exposures to counterparties in the Group's asset portfolio. There is also credit risk in off-balance sheet financial arrangements such as loan commitments. Significant changes in the economy, or in the health of a particular industry segment, could result in losses that are different from those provided for at the end of the reporting period.

The Group has established credit policies that govern credit assessment criteria, credit approval, review and monitoring processes, the internal credit rating system and impairment assessment processes. The Group's credit policies which are mainly centralized in Risk Management Department have to be approved by the Board of Directors, Management Committee, Risk Management Committee and Senior Management. The Group's credit risk control is mainly centralized in Risk Management Department which reports to the Risk Committee and Risk Management Committee regularly. The Board of Directors has ultimate responsibility for the effectiveness of credit risk management processes.

The Group manages and controls concentrations of credit risk wherever they are identified, in particular, to individual counterparties and groups, and to industries and countries.

To avoid concentration risk, credit exposures to individual customers, counterparties and industry sectors are carefully managed and monitored by the use of limits. The Risk Committee and Risk Management Committee are responsible for the portfolio management of risk concentrations. Approval authorities are mainly delegated to the Group's Executive Credit Committee and Credit Committee. The Executive Credit Committee is also responsible for the review and approval of the largest credit exposure. Actual credit exposures, including on- and off-balance sheet exposures, limits and asset quality are regularly monitored and controlled by the Risk Management Department by keeping a central liability record for each group of related counterparties and are subject to checks by the internal audit function.

The exposure to any one borrower including banks is further restricted by sub-limits covering on- and off-balance sheet exposures, and daily delivery risk limits in relation to trading items such as forward foreign exchange contracts. Actual exposures against limits are monitored daily.

In assessing credit risk of loans and advances to customers and to banks and other counterparties, effective systems are adopted for measurement and monitoring of the credit risk as part of the credit assessment process. The Group's credit grading system, which in general, takes into account the underlying credit-worthiness of the counterparties, including the financial strengths of the guarantors (as the case may be), collateral pledged and the risk of specific transactions, allows differentiation and management of credit risk for asset portfolios of respective business units.

# CMB WING LUNG BANK LIMITED

## 8 Credit risk for non-securitization exposures (continued)

### 8.1 CRA: General information about credit risk (continued)

For debt securities, external ratings from recognized external credit assessment institutions are used for assessing and managing credit risk exposures. The investments in these securities allow the Group to achieve an appropriate level of returns commensurate with the risks and to maintain a readily available source of funding at the same time.

The Group has issued credit related commitments including guarantees and letters of credit. The primary purpose of these instruments is to ensure that funds are available to a customer as required. These instruments represent irrevocable assurances that the Group will make payments in the event that a customer cannot meet its obligations to third parties. These instruments carry a similar level of the same credit risk as loans. Commitments to extend credit represent unused portions of authorized facility limits in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Group is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments, as most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Group monitors the term to maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

### 8.2 CR1: Credit quality of exposures

31 December 2023 HK\$'000		(a)	(b)	(c)	(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 category of specific provisions	Allocated in regulatory category of collective provisions		
1	Loans *	2,286,042	268,292,171	2,149,350	1,663,756	485,594	-	268,428,863
2	Debt securities	-	140,552,094	147,450	-	147,450	-	140,404,644
3	Off-balance sheet exposures	-	27,356,964	91,741	1,871	89,870	-	27,265,223
4	<b>Total</b>	<b>2,286,042</b>	<b>436,201,229</b>	<b>2,388,541</b>	<b>1,665,627</b>	<b>722,914</b>	-	<b>436,098,730</b>

\*include advances to customers, trade bills, balances and placements with and loans and advances to banks.

# CMB WING LUNG BANK LIMITED

## 8 Credit risk for non-securitization exposures (continued)

### 8.3 CR2: Changes in defaulted loans and debt securities

31 December 2023		(a)
		Amount HK\$'000
1	<b>Defaulted loans and debt securities at end of the previous reporting period (30 June 2023)</b>	<b>1,766,194</b>
2	Loans and debt securities that have defaulted since the last reporting period	1,285,670
3	Returned to non-defaulted status	(6,325)
4	Amounts written off	(3,088,303)
5	Other changes	2,328,806
6	<b>Defaulted loans and debt securities at end of the current reporting period (31 December 2023)</b>	<b>2,286,042</b>

### 8.4 CRB: Additional disclosure related to credit quality of exposures

The Group undertakes ongoing credit analysis and monitoring of its credit portfolio, and requires the review of individual financial assets that are above preset thresholds at least annually or more regularly when individual circumstances require. Expected credit loss (“ECL”) impairment model under HKFRS 9 requires an entity to account for ECL and changes in those ECL at each reporting date to reflect changes in credit risk since initial recognition. The Group’s internal credit rating system assists management to capture the varying level, nature and drivers of credit risk of all in-scope financial assets in order to reasonably ensure that the corresponding ECL are appropriately measured. ECL is updated on a timely basis to reflect changes in credit risk quality for all in-scope financial assets. The model used in the ECL computation process is validated at least on an annual basis.

At initial recognition, impairment allowance is required for ECL resulting from default events that are possible within the next 12 months (or less, where the remaining life is less than 12 months) (“12-month ECL”). In the event of a significant increase in credit risk, impairment allowance is required for ECL resulting from all possible default events over the expected life of the financial instrument (“life-time ECL”). The application of ECL model will result in three stages of financial assets, namely Stage 1, Stage 2 and Stage 3. Detailed definition of the three stages of financial assets, application of the ECL model and the approach for determining impairment allowances is set out in Notes 1.6 and 4.1(c) of the Group’s 2023 Annual Report.

Rescheduled assets refer to those that have been restructured or renegotiated because of a deterioration in the financial position of the borrower or of the inability of the borrower to meet the original repayment schedule and include assets for which the revised repayment terms, either of interest or of loan repayment period, are ‘non-commercial’ to the Group.

# CMB WING LUNG BANK LIMITED

## 8 Credit risk for non-securitization exposures (continued)

### 8.4 CRB: Additional disclosure related to credit quality of exposures (continued)

#### - Breakdown of Credit Risk Exposures by Industry

The following table illustrates the breakdown of credit risk exposures by industry.

31 December 2023		(a)
		Gross carrying amount HK\$'000
1	Property development	10,274,877
2	Property investment	5,801,743
3	Financial concerns	172,794,337
4	Stockbrokers	4,533,679
5	Wholesale and retail trade	2,587,099
6	Manufacturing	1,126,883
7	Transport and transport equipment	3,247,901
8	Recreational activities	115
9	Information technology	2,895,580
10	Others	70,158,871
11	Individuals	57,578,789
12	Trade finance	1,073,666
13	Loans for use outside Hong Kong	102,240,190
14	Trade bills	4,173,541
15	<b>Total</b>	<b>438,487,271</b>

#### - Breakdown of Credit Risk Exposures by Geographical Areas

The following table illustrates the breakdown of credit risk exposures by geographical areas.

31 December 2023		(a)
		Gross carrying amount HK\$'000
1	Hong Kong	177,597,746
2	People's Republic of China	109,073,398
3	Macau	2,887,089
4	United States of America	1,228,766
5	Others	147,700,272
6	<b>Total</b>	<b>438,487,271</b>

# CMB WING LUNG BANK LIMITED

## 8 Credit risk for non-securitization exposures (continued)

### 8.4 CRB: Additional disclosure related to credit quality of exposures (continued)

#### - Breakdown of Credit Risk Exposures by Residual Maturity

The following table illustrates the breakdown of credit risk exposures by residual maturity.

31 December 2023		(a)
HK\$'000		Gross carrying amount
		HK\$'000
1	Less than or equal to 1 year	287,510,040
2	1 to 5 years	120,933,004
3	More than 5 years	30,044,227
4	<b>Total</b>	<b>438,487,271</b>

#### - Impaired Exposures of Credit Risk Exposures by industry

31 December 2023		(a)	(b)	(c)
HK\$'000		Impaired exposures	Allowances	Write-offs during the year
1	Property development	-	-	-
2	Property investment	-	-	-
3	Financial concerns	-	-	-
4	Stockbrokers	-	-	-
5	Wholesale and retail trade	456	456	-
6	Manufacturing	-	-	-
7	Transport and transport equipment	-	-	-
8	Recreational activities	-	-	-
9	Information technology	-	-	-
10	Others	478,729	99,249	138,386
11	Individuals	36,397	12,998	3,559
12	Trade finance	7,914	7,942	-
13	Loans for use outside Hong Kong	2,753,700	1,544,982	4,262,681
14	Trade bills	-	-	-
15	<b>Total</b>	<b>3,277,196</b>	<b>1,665,627</b>	<b>4,404,626</b>

#### - Impaired Exposures of Credit Risk Exposures by geographical areas

31 December 2023		(a)	(b)	(c)
HK\$'000		Impaired exposures	Allowances	Write-offs during the year
1	Hong Kong	1,401,714	754,373	141,945
2	People's Republic of China	1,875,482	911,254	4,262,681
3	Macau	-	-	-
4	United States of America	-	-	-
5	Others	-	-	-
6	<b>Total</b>	<b>3,277,196</b>	<b>1,665,627</b>	<b>4,404,626</b>

# CMB WING LUNG BANK LIMITED

## 8 Credit risk for non-securitization exposures (continued)

### 8.4 CRB: Additional disclosure related to credit quality of exposures (continued)

#### - Aging Analysis of Accounting Past Due Exposures

The following table illustrates the aging analysis of accounting past due exposures.

31 December 2023		(a)	(b)	(c)	(d)
HK\$'000		Gross Carrying Amounts			
Overdue for		Loans	Debt Securities	Off Balance Sheet Items	Total
1	Six months or less, but over three months	774,678	-	-	774,678
2	One year or less, but over six months	1,366,912	-	-	1,366,912
3	Over one year	144,452	-	-	144,452
4	<b>Total</b>	<b>2,286,042</b>	-	-	<b>2,286,042</b>

#### - Breakdown of Restructured Exposures

The following table illustrates the breakdown of restructured exposures.

31 December 2023		(a)	(b)	(c)
HK\$'000		Gross Carrying Amounts		
		Impaired	Not Impaired	Total
1	Restructured exposures	107	1,341	1,448
2	<b>Total</b>	<b>107</b>	<b>1,341</b>	<b>1,448</b>

# CMB WING LUNG BANK LIMITED

## 8 Credit risk for non-securitization exposures (continued)

### 8.5 CRC: Qualitative disclosures related to credit risk mitigation

The Group seeks to obtain collateral to mitigate credit risk to an acceptable level. All credit decisions, whether or not secured by collateral, are based on counterparties' repayment capacity. The Group implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation. The principal types of collateral in credit risk mitigation include:

- Mortgages over residential properties and other properties;
- Charges over business assets such as cash deposits, premises, machineries, inventory and accounts receivable; and
- Charges over financial instruments such as equities, debt securities and life insurance policies.

The Group has established policies to govern the determination of eligibility of assets taken as collateral for credit risk mitigation. In order for an asset to be considered as effective risk mitigation, the market value of the asset should be readily determinable or can be reasonably established. The asset is marketable and there exists a readily available secondary market for disposal of the asset. In addition, the Group is able to secure control over the asset if necessary. The collateral is revalued periodically ranging from daily to annually, depending on the type of collateral. As for those past due exposures, the main types of collateral held are cash deposits and properties.

The Group further restricts its exposure to credit losses by entering into master netting arrangements with counterparties with which it undertakes a significant volume of transactions. Master netting arrangements do not generally result in an offset of the assets and liabilities in the statement of financial position, as transactions are usually settled on a gross basis. However, the credit risk associated with favorable contracts is reduced by a master netting arrangement to the extent that if an event of default occurs, all amounts with the counterparty are terminated and settled on a net basis.

The principal derivatives used by the Group are interest and foreign exchange rate related contracts, which are primarily over-the-counter derivatives. Most of the Group's derivative positions have been entered into to meet customer demand and to hedge these and other trading positions. The Management Committee places trading limits on the level of exposure that can be taken in relation to both overnight and intra-day market positions. With the exception of specific hedging arrangements, foreign exchange and interest rate exposures associated with these derivatives are normally offset by entering into counterbalancing positions, thereby controlling the variability in the net cash amounts required to liquidate market positions. Given the purpose for entering into such derivative transaction, collateral or other security is not usually obtained for credit risk exposures on these instruments, except where the Group requires margin deposits from counterparties.

# CMB WING LUNG BANK LIMITED

## 8 Credit risk for non-securitization exposures (continued)

### 8.6 CR3: Overview of recognized credit risk mitigation (continued)

31 December 2023		HK\$'000				
		(a)	(b)	(c)	(d)	(e)
		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	258,820,599	9,608,264	3,849,875	5,758,389	-
2	Debt securities	140,404,644	-	-	-	-
<b>3</b>	<b>Total</b>	<b>399,225,243</b>	<b>9,608,264</b>	<b>3,849,875</b>	<b>5,758,389</b>	-
4	of which defaulted	830,704	480,220	7,281	472,939	-

# CMB WING LUNG BANK LIMITED

## 8 Credit risk for non-securitization exposures (continued)

### 8.7 CRD: Qualitative disclosures on use of ECAI ratings under STC approach

The Group adopts the Standardized approach, which mainly features the risk-weighting of credit risk exposures according to credit ratings provided by External Credit Assessment Institutions (“ECAIs”) recognized by the HKMA, in assessing the capital adequacy of credit risk exposures. There has been no change on the ECAIs during the reporting period.

Credit ratings from Moody’s Investors Service, Standard and Poor’s Ratings Services, etc. are used in the Group for risk-weighting credit risk exposures under the following exposure classes:

- Sovereign;
- Public sector entity;
- Bank;
- Securities firm; and
- Corporate.

In accordance with the requirements prescribed in Part 4 of the Banking (Capital) Rules in respect of the application of ECAI ratings, for an exposure falling under any of the exposure classes listed above that consists of a debt obligation issued or undertaken by the obligor which has one or more than one ECAI issue specific rating, the Group would apply the issue specific rating(s) directly in risk-weighting the exposure; while for an exposure listed above which does not have an ECAI issue specific rating and the obligor of which has an ECAI issuer rating but does not have a long-term ECAI issue specific rating assigned to a debt obligation issued or undertaken by the obligor, the Group would use the ECAI issuer rating in risk-weighting the exposure under any of the following circumstances:

- The use of the ECAI issuer rating would result in the allocation of a risk weight to the exposure that would be equal to, or higher than, the risk weight allocated to the exposure on the basis that the obligor has neither an ECAI issuer rating nor an ECAI issue specific rating assigned to a debt obligation issued or undertaken by the obligor; the ECAI issuer rating is only applicable to unsecured exposures to the obligor as an issuer that are not subordinated to other exposures to that obligor; and the exposure to the obligor ranks equally with, or is subordinated to, the unsecured exposures referred to above.
- The use of the ECAI issuer rating would result in the allocation of a risk weight to the exposure that would be lower than the risk weight allocated to the exposure on the basis that the obligor has neither an ECAI issuer rating nor an ECAI issue specific rating assigned to a debt obligation issued or undertaken by the obligor; the ECAI issuer rating is only applicable to unsecured exposures to the obligor as an issuer that are not subordinated to other exposures to that obligor; and the exposure to the obligor is not subordinated to other exposures to the obligor as an issuer.

# CMB WING LUNG BANK LIMITED

## 8 Credit risk for non-securitization exposures (continued)

### 8.8 CR4: Credit risk exposures and effects of recognized credit risk mitigation – for STC approach

		(a)	(b)	(c)	(d)	(e)	(f)
	31 December 2023 HK\$'000	<b>Exposures pre-CCF and pre-CRM</b>		<b>Exposures post-CCF and post-CRM</b>		<b>RWA and RWA density</b>	
	Exposure classes	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
1	Sovereign exposures	55,283,672	-	55,283,672	-	2,622,795	4.7%
2	PSE exposures	10,337,750	50,000	10,822,650	147,328	2,193,996	20.0%
2a	Of which: domestic PSEs	9,932,282	50,000	10,417,182	147,328	2,112,902	20.0%
2b	Of which: foreign PSEs	405,468	-	405,468	-	81,094	20.0%
3	Multilateral development bank exposures	-	-	-	-	-	-
4	Bank exposures	116,948,238	-	121,749,423	904,275	51,920,485	42.3%
5	Securities firm exposures	3,128,525	164,906	4,064,386	1,471	2,032,929	50.0%
6	Corporate exposures	151,830,661	33,959,002	142,941,369	6,859,716	141,260,912	94.3%
7	CIS exposures	-	-	-	-	-	-
8	Cash items	505,244	-	4,070,345	51,950	626,974	15.2%
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	24,197,967	91,185,589	24,184,472	2,030,907	19,661,534	75.0%
11	Residential mortgage loans	12,976,280	244,655	12,491,976	-	4,857,308	38.9%
12	Other exposures which are not past due exposures	41,681,478	3,830,735	41,281,522	480,909	41,762,431	100.0%
13	Past due exposures	1,391,329	-	1,391,329	-	1,819,610	130.8%
14	Significant exposures to commercial entities	-	-	-	-	-	-
15	<b>Total</b>	<b>418,281,144</b>	<b>129,434,887</b>	<b>418,281,144</b>	<b>10,476,556</b>	<b>268,758,974</b>	<b>62.7%</b>

# CMB WING LUNG BANK LIMITED

## 8 Credit risk for non-securitization exposures (continued)

### 8.9 CR5: Credit risk exposures by asset classes and by risk weights – for STC approach

31 December 2023 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	42,195,511	-	13,070,953	-	17,208	-	-	-	-	-	55,283,672
2	PSE exposures	-	-	10,969,978	-	-	-	-	-	-	-	10,969,978
2a	Of which: domestic PSEs	-	-	10,564,510	-	-	-	-	-	-	-	10,564,510
2b	Of which: foreign PSEs	-	-	405,468	-	-	-	-	-	-	-	405,468
3	Multilateral development bank exposures	-	-	-	-	-	-	-	-	-	-	-
4	Bank exposures	-	-	37,580,346	-	81,337,874	-	3,735,478	-	-	-	122,653,698
5	Securities firm exposures	-	-	-	-	4,065,857	-	-	-	-	-	4,065,857
6	Corporate exposures	-	-	1,540	-	17,077,883	-	132,721,662	-	-	-	149,801,085
7	CIS exposures	-	-	-	-	-	-	-	-	-	-	-
8	Cash items	1,317,481	-	2,722,300	-	-	-	82,514	-	-	-	4,122,295
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	-	-	-	-	-	26,215,379	-	-	-	-	26,215,379
11	Residential mortgage loans	-	-	-	11,486,817	-	672,948	332,211	-	-	-	12,491,976
12	Other exposures which are not past due exposures	-	-	-	-	-	-	41,762,431	-	-	-	41,762,431
13	Past due exposures	-	-	-	-	31,507	-	471,755	888,067	-	-	1,391,329
14	Significant exposures to commercial entities	-	-	-	-	-	-	-	-	-	-	-
15	<b>Total</b>	<b>43,512,992</b>	<b>-</b>	<b>64,345,117</b>	<b>11,486,817</b>	<b>102,530,329</b>	<b>26,888,327</b>	<b>179,106,051</b>	<b>888,067</b>	<b>-</b>	<b>-</b>	<b>428,757,700</b>

# CMB WING LUNG BANK LIMITED

## 9 Counterparty Credit risk

### 9.1 CCRA: Qualitative disclosures related to counterparty credit risk (including those arising from clearing through CCPs)

Counterparty credit risk (“CCR”) is the risk of a counterparty defaulting before the final settlement of the transaction, which generally represents uncertain exposures that can vary over time with the movement of underlying market factors such as those in over-the-counter (“OTC”) derivatives.

To mitigate the credit risk arise from counterparty, credit risk mitigation may be considered to include obtaining guarantee from a third party with stronger financial standing, or other measures such as rights of set-off, option-to-terminate and material-change triggers etc to be incorporated in the master or bilateral agreements.

The Group currently adopted the Standardized Approach for Counterparty Credit Risk (SA-CCR) for purpose of providing capital for counterparty credit exposures in accordance with the Banking (Capital) Rules. Internally, the Group measures counterparty credit exposure using the marked-to-market exposure with appropriate add-on for future potential exposures.

For prudent risk management, the Group has defined risk-based haircut and concentration monitoring mechanism for initial margin & variation margin, which is based on factors such as asset types, external rating, maturities, etc.

Wrong-way risk occurs when exposure to a counterparty is adversely correlated with the credit quality of that counterparty. It is further classified into “general wrong-way risk” and “specific wrong-way risk”.

- General wrong-way risk arises when the probability of default of counterparties is positively correlated with general market risk factors.
- Specific wrong-way risk arises when the exposure to a counterparty is positively correlated with the probability of default of the counterparty due to the nature of the transaction with the counterparty.

The Group has established policies to govern the wrong-way risk. Any wrong-way risk will be assessed before considering to grant a credit line.

A credit rating downgrade clause in International Swaps and Derivatives Association (“ISDA”) Master Agreement or a credit rating downgrade threshold clause in a Credit Support Annexes (“CSA”) is designed to trigger an action if the credit rating of the affected party falls below a specified level, if deemed required. These actions may include the requirement to pay or increase collateral, the termination of transactions by the non-affected party or the assignment of transactions by the affected party.

# CMB WING LUNG BANK LIMITED

## 9 Counterparty Credit risk (continued)

### 9.1 CCRA: Qualitative disclosures related to counterparty credit risk (including those arising from clearing through CCPs) (continued)

All Credit Support Annexes (“CSA”) will be centralized dealing in Global Financial Markets Department, and the Group is using mark-to-market (“MTM”) approach for collateral management. As such, the impact of downgrade of the Group to the collateral will be minimal.

### 9.2 CCR1: Analysis of counterparty default risk exposures (other than those to CCPs) by approaches

		(a)	(b)	(c)	(d)	(e)	(f)
31 December 2023 HK\$'000		Replacement cost (RC)	PFE	Effective EPE	Alpha ( $\alpha$ ) used for computing default risk exposure	Default risk exposure after CRM	RWA
1	SA-CCR (for derivative contracts)	131,081	743,902		1.4	1,224,975	578,125
1a	CEM (for derivative contracts)	-	-		-	-	-
2	IMM (CCR) approach			-	-	-	-
3	Simple Approach (for SFTs)					882,135	780,358
4	Comprehensive Approach (for SFTs)					-	-
5	VaR (for SFTs)					-	-
6	<b>Total</b>						<b>1,358,483</b>

### 9.3 CCR2: CVA capital charge

31 December 2023 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	1,110,346	240,625
4	<b>Total</b>	<b>1,110,346</b>	<b>240,625</b>

# CMB WING LUNG BANK LIMITED

## 9 Counterparty Credit risk (continued)

### 9.4 CCR3: Counterparty default risk exposures (other than those to CCPs) by asset classes and by risk weights – for STC approach or BSC approach

31 December 2023 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	-	-	-	-	-	-	-	-	-	-	-
2	PSE exposures	-	-	-	-	-	-	-	-	-	-	-
2a	Of which: domestic PSEs	-	-	-	-	-	-	-	-	-	-	-
2b	Of which: foreign PSEs	-	-	-	-	-	-	-	-	-	-	-
3	Multilateral development bank exposures	-	-	-	-	-	-	-	-	-	-	-
4	Bank exposures	-	-	415,645	-	601,500	-	-	-	-	-	1,017,145
5	Securities firm exposures	-	-	-	-	-	-	-	-	-	-	-
6	Corporate exposures	-	-	-	-	-	-	628,513	-	-	-	628,513
7	CIS exposures	-	-	-	-	-	-	-	-	-	-	-
8	Regulatory retail exposures	-	-	-	-	-	461,452	-	-	-	-	461,452
9	Residential mortgage loans	-	-	-	-	-	-	-	-	-	-	-
10	Other exposures which are not past due exposures	-	-	-	-	-	-	-	-	-	-	-
11	Significant exposures to commercial entities	-	-	-	-	-	-	-	-	-	-	-
12	<b>Total</b>	-	-	<b>415,645</b>	-	<b>601,500</b>	<b>461,452</b>	<b>628,513</b>	-	-	-	<b>2,107,110</b>

# CMB WING LUNG BANK LIMITED

## 9 Counterparty Credit risk (continued)

### 9.5 CCR5: Composition of collateral for counterparty default risk exposures (including those for contracts or transactions cleared through CCPs)

	(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			
30 December 2023 HK\$'000						
Cash - domestic currency	-	-	-	-	-	-
Cash - other currencies	-	116,430	195,711	109,827	-	-
Domestic sovereign debt	-	-	-	-	-	-
Other sovereign debt	-	-	-	-	-	-
Government agency debt	-	-	-	-	-	-
Corporate bonds	-	-	-	-	-	-
Equity securities	-	-	-	-	-	-
Other collateral	-	-	-	-	-	-
...	-	-	-	-	-	-
<b>Total</b>	-	<b>116,430</b>	<b>195,711</b>	<b>109,827</b>	-	-

### 9.6 CCR6: Credit-related derivatives contracts

31 December 2023 HK\$'000	(a)	(b)
	Protection bought	Protection sold
<b>Notional amounts</b>		
Single-name credit default swaps	-	-
Index credit default swaps	-	-
Total return swaps	-	-
Credit-related options	-	-
Other credit-related derivative contracts	-	-
<b>Total notional amounts</b>	-	-
<b>Fair values</b>		
Positive fair value (asset)	-	-
Negative fair value (liability)	-	-

# CMB WING LUNG BANK LIMITED

## 9 Counterparty Credit risk (continued)

### 9.7 CCR8: Exposures to CCPs

31 December 2023 HK\$'000		(a)	(b)
		Exposure after CRM	RWA
<b>1</b>	<b>Exposures of the AI as clearing member or clearing client<sup>1</sup> to qualifying CCPs (total)</b>		<b>3,111</b>
2	Default risk exposures to qualifying CCPs (excluding items disclosed in rows 7 to 10), of which:	155,574	3,111
3	(i) OTC derivative transactions	155,574	3,111
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	195,711	
8	Unsegregated initial margin	-	-
9	Funded default fund contributions	-	-
10	Unfunded default fund contributions	-	-
<b>11</b>	<b>Exposures of the AI as clearing member or clearing client to non-qualifying CCPs (total)</b>		<b>-</b>
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	-	-

<sup>1</sup> "Clearing client" here may mean a direct client, or an indirect client within a multi-level client structure, as applicable. These terms have the meaning given by the BCR.

# CMB WING LUNG BANK LIMITED

## 10 Market risk

### 10.1 MRA: Qualitative disclosures related to market risk

The Group has established risk governance management framework to oversee and monitor market risk. This framework is built around a structure that enables the Board to discharge the responsibility for on-going market risk management to the Risk Committee (“RC”), the Management Committee (“MC”), the Risk Management Committee (“RMC”) and the Asset and Liability Management Committee (“ALCO”). The ALCO deals with all market risk limits issues of the Group and decides the corresponding strategy while RMC is responsible for conducting a regular review of market risk faced by the Group, stress testing and deciding the Market Risk Appetite of the Group. Risk appetite has been defined in accordance with the Group’s business strategies and objectives to govern the trading book activities; and under the approved risk appetite, risk limits and management action triggers are set with reference to the nature, volume of transaction and risk appetite of the Group. Market Risk Appetite is approved by the Board and the market risk limits are approved by the MC.

The Group has implemented Enterprise Risk Management framework for identifying and managing potential risks of the Group. Under such framework, three lines of defense are adopted for market risk management. The first line of defense comprises risk owners at business units. They are primarily responsible for the day-to-day market risk management. The second line of defense refers to the Market Risk Management Department (“MRD”) and the third line of defense refers to the Audit Department.

MRD coordinates market risk management related matters of the Group and formulates market risk management policies. MRD also carries out the daily monitoring of the market risk/trading book position and reports to the Risk Management Department and Group’s Chief Risk Officer who is responsible for overseeing the Group’s risk management issues which include, but are not limited to, the risk management infrastructure, strategies, appetites, culture and resources.

Market risk management policies have been set up to identify, measure, monitor, control, and report on the market risk, where appropriate, to allocate adequate capital to cover those risks. Market risk management policies and limits are regularly reviewed and monitored to align with market changes, statutory requirements, and best practices in risk management processes.

Different systems are employed to facilitate the calculation, measurement, analysis and reporting of market risk and risk reports are prepared for different level of governance on a regular basis. Through different policies, sensitivity analysis, stress testing and limit structures, market risk analysis is conducted on different dimensions, including but not limited to risk factors, concentration, currencies and duration in the form of potential loss and impact to capital adequacy.

# CMB WING LUNG BANK LIMITED

## 10 Market risk (continued)

### 10.2 MR1: Market risk under STM approach

31 December 2023 HK\$'000		(a)
		RWA
	Outright product exposures	
1	Interest rate risk (general and specific risk)	1,197,788
2	Equity exposures (general and specific risk)	-
3	Foreign exchange (including gold) exposures	1,443,137
4	Commodity exposures	-
	Option exposures	-
5	Simplified approach	-
6	Delta-plus approach	1,525
7	Other approach	-
8	Securitization exposures	-
9	<b>Total</b>	<b>2,642,450</b>

# CMB WING LUNG BANK LIMITED

## 11 Interest rate risk in banking book

### 11.1 IRRBBA: Interest rate risk in banking book – risk management objectives and policies

#### **Qualitative Disclosures of Interest Rate Risk in Banking Book (IRRBB)**

This section contains qualitative disclosures providing a description of the risk management objective and policies concerning IRRBB.

#### **a) Definition of IRRBB for the purpose of risk control and measurement**

The Group defines IRRBB as risk to loss to the exposure of the Group's financial condition to adverse movements in interest rates that affect the banking book positions. Changes in interest rate can affect both the underlying economic value of the Group's assets, liabilities and off-balance sheet instruments and its net interest income. Excessive interest rate risk can pose a significant threat to the Group's earnings and capital base.

IRRBB comprises:

**GAP risk** arises from changes in the interest rates on instruments of different maturities. The extent of gap risk depends on whether changes to the term structure of interest rates occur consistently across the yield curve or differentially by period.

**Basis risk** arises from imperfect correlation in the adjustment of the rates earned and paid on different instruments with otherwise similar repricing characteristics.

**Option risk** arises from interest rate option derivatives or from optional elements embedded in the Group's assets, liabilities and OBS portfolios, where the Group or the customer can make elections such as prepayment of a loan or early redemption of a deposit that alter the timing and amount of their cash flows.

#### **b) The Group's IRRBB management and mitigation strategies**

IRRBB is centrally coordinated in Asset and Liability Management Committee. Market Risk Management Department and Financial Management Department are responsible for the interest rate monitoring and reporting. The Board of directors has the ultimate jurisdictions for conducting interest rate risk control practices, oversees and ensures that the risk is in line with the risk appetite set out by the Board. The Board of directors has delegated its responsibility for IRRBB management to Management Committee (MC). MC ensures that the IRRBB is within the range set by the Board, providing the recommendation on IRRBB management to the Board.

# CMB WING LUNG BANK LIMITED

## 11 Interest rate risk in banking book (continued)

### 11.1 IRRBBA: Interest rate risk in banking book – risk management objectives and policies (continued)

ALCO is a standing committee established under the MC to assist the MC in Asset and Liability Management of the Group and the IRRBB is included in its working areas.

As the Board assumes ultimate responsibility for IRRBB, the Board has defined the Group's overall risk appetite for IRRBB. Appropriate limits have been set to measure this risk for earnings and Economic Value of Equity (EVE). Compliance with this limit is measured and reported to ALCO and the Board.

ALCO's functions include: reviewing and discussing the IRRBB framework to identify, measure, evaluate, control and monitor IRRBB in the Group's balance sheet, access and manage the risk on Bank-wide assets and liabilities whenever new interest rate environment arises. Measurement outcomes including outcome analysis of EVE and net interest income (NII) would also be reported to ALCO periodically.

Hedging – The Group primarily maintains its risk position within the desired level through adjustments to balance composition. If or when a hedge is concluded to be executed the proper documentation is maintained and accounting is done as per relevant HKFRS standard.

Conduct of Stress Testing – The Group currently conducts stress tests for net income variation, by assessing the impact of parallel/down interest rate shocks on the Group's earnings in NII. In addition, EVE stress tests under 6 standard scenarios as required by the HKMA have been adopted by the Group.

Model Validation – The Group has set up the model validation framework which covers the IRRBB models. The model validation would be carried out when an internal model is initially developed or when a significant change is made in the model. All new model and any revisions to existing models will be presented to relevant committee for approval.

The Group has implemented Enterprise Risk Management framework for identifying and managing potential risks of the Group. Under such framework, three lines of defense are adopted for interest rate risk management. The first line of defense comprises risk owners at business units. They are primarily responsible for the day-to-day interest risk management.

# CMB WING LUNG BANK LIMITED

## 11 Interest rate risk in banking book (continued)

### 11.1 IRRBBA: Interest rate risk in banking book – risk management objectives and policies (continued)

The second line of defense refers to the Market Risk Management Department (“MRD”) and the third line of defense refers to the Audit Department.

Risk measure scenarios: The Group has adopted the HKMA regulatory scenarios on the  $\Delta$ EVE and  $\Delta$ NII risk measures. Beyond the regulatory scenarios, the Group will also review periodically and consider if additional internal interest rate shock scenarios is necessary to apply reflecting the changes in macroeconomic conditions and specific interest rate environments.

#### c) The periodicity of the calculation of the Group’s IRRBB measures

The Group would undertake its IRRBB measurement on a monthly basis to measure interest rate sensitivity in banking book on both interest earning and economic value basis. This would include the stress tests of earning and economic value for multiple stress interest rate scenarios.

Earning Approach: This is defined by calculating the impact of changes in interest rate on the Group’s earnings over the next 12 month. Under this approach, the impact on earnings is measured by the changes in the NII by assuming a constant balance sheet implying that the repricing or maturing cash flow should be replaced by new cash flow with the same amount, repricing period and spread component.

Economic Value approach (EVE): EVE sensitivity is computed with the assumption of a run-off balance sheet implying that the existing interest sensitive positions in the Banking book are amortized based on the repricing cash flows and are not replaced by any new business. EVE measures the changes in present value of the cash flow generated from assets and liabilities which depicts the changes in economic equity resulting from an interest rate shock.

#### d) Interest rate shock and stress scenarios

The Group has adopted the following six standard interest rate shock scenarios which are prescribed in the HKMA guideline.

- Parallel up;
- Parallel down;
- Steepener (short rates down and long rates up);
- Flatterer(short rates up and long rates down);
- Short rate up; and
- Short rate down.

# CMB WING LUNG BANK LIMITED

## 11 Interest rate risk in banking book (continued)

### 11.1 IRRBBA: Interest rate risk in banking book – risk management objectives and policies (continued)

While 6 scenarios are applied for  $\Delta$ EVE calculations, only the parallel up/down are used to compute the  $\Delta$ NII in the income approach.

#### e) Modeling assumptions

The assumption used in the Group's internal measurement systems aligns with the assumption prescribed for the disclosure in template IRRBB1.

#### f) IRRBB hedging

The Group does not fully hedge the interest rate risk but targets to maintain its IRRBB position at a desired level, within the risk appetite, mainly through strategic planning of balance sheet composition including an appropriate tenor and repricing mix of fixed and floating rate products. Hedging could be excused by the Group for interest risk management purpose if necessary.

#### g) Key modeling assumption

The modeling assumptions considered for the computation of  $\Delta$ EVE and  $\Delta$ NII:

- For  $\Delta$ EVE commercial margins and other spread components have been included in the cash flow. The spread components are slotted according to their payment schedule until contractual maturity and risk free rate is used in discounting.
- Historical data are used for the analysis and development of the Non-maturity deposits (NMDs) model, covering the determination of the core deposit ratios and the cash flow distributions of NMDs. As at the reporting date, the weighted average repricing maturity and the longest repricing maturity for NMDs is 1.3 years and 4.5 years respectively. A conditional prepayment rate (CPR) has been computed for the retail loan portfolio based on historical data by using logistic regression model.
- The early withdrawal rate (TDRR) is estimated by the historical average early withdrawal rate for the retail term deposit portfolio.

# CMB WING LUNG BANK LIMITED

## 11 Interest rate risk in banking book (continued)

### 11.1 IRRBBA: Interest rate risk in banking book – risk management objectives and policies (continued)

- The Group has significant currency exposure in HKD, USD, CNH, CNY and EUR. The Group also includes minor currency exposures in the terms of basis currency (HKD) by using the conversion rate as on the reporting date. Accordingly, significant interest rate correlations between different currencies are not applicable.

### 11.2 IRRBB1: Quantitative information on interest rate risk in banking book

#### Quantitative Disclosures of IRRBB

Among the six scenarios, the max of  $\Delta$ EVE loss is under the parallel up scenario. Compare with last year end, the drop of  $\Delta$ EVE loss was mainly due to the reduction of the bond investment portfolio duration and implementation of the NMDs model.

The change of  $\Delta$ NII between 31 December 2022 and 31 December 2023 is mainly due to the increase of the positive HKD gap position within 1 year.

		(a)	(b)	(c)	(d)
HK\$ Million		$\Delta$ EVE		$\Delta$ NII	
	Period	31 December 2023	31 December 2022	31 December 2023	31 December 2022
1	Parallel up	1,813	4,810	-727	501
2	Parallel down	1,218	-	733	-500
3	Steepener	446	350		
4	Flattener	607	958		
5	Short rate up	1,201	2,718		
6	Short rate down	903	100		
7	<b>Maximum</b>	1,813	4,810	733	501
	<b>Period</b>	<b>31 December 2023</b>		<b>31 December 2022</b>	
8	<b>Tier 1 capital</b>	52,184		46,983	

# **CMB WING LUNG BANK LIMITED**

## **12 Remuneration**

### **12.1 REMA: Remuneration policy**

#### **The Remuneration and Appraisal Committee**

The Remuneration and Appraisal Committee (“Remuneration Committee”) is established with specific terms of reference and chaired by an independent non-executive director with majority of its members (over 50%) are independent non-executive directors. The Remuneration Committee is delegated by the Board with the authority and duties to study, review and approve the Bank’s remuneration policy and to monitor its implementation in the Bank (including its subsidiaries and overseas branches). The Remuneration Committee is also responsible for reviewing and approving the remuneration of the Bank’s Senior Management and Key Personnel.

Senior Management are Management Committee members who are appointed by the Board including Chief Executive Officer, Alternate Chief Executive Officer and staff members directly report to Chief Executive Officer (i.e. General Managers, Deputy General Managers, Chief Business Officers and Assistant General Managers) and are responsible for oversight of the firm-wide strategy or activities or those of the material business lines.

Key Personnel are employees whose duties or activities in the course of their employment involve the assumption of material risk or the taking on of material exposures on behalf of the Bank, including Chief Financial Officer, Chief Risk Officer, Director of Financial Institutions & Global Markets, Director of Wholesale Banking Headquarters, Director of Information Technology and business Department/Subsidiary Heads (including Acting Department/Subsidiary Heads) directly report to Chief Executive Officer, General Managers, Deputy General Managers, Chief Business Officers and Assistant General Managers.

#### **Design and Structure of Remuneration Process**

The remuneration policy of the Bank is designed to encourage employee behaviour that supports the Bank’s overall business goals and objectives, long-term financial soundness and risk management framework. It aims to create long-term value for the Bank and to align the remuneration of employees with the Bank’s profitability, time horizon of risks and capital adequacy.

# **CMB WING LUNG BANK LIMITED**

## **12 Remuneration (continued)**

### **12.1 REMA: Remuneration policy (continued)**

The risk control functions of the Bank conduct regular review (at least annually), independent of the Bank's Management, on the adequacy and effectiveness of the Bank's remuneration policy and its implementation to ensure that it is consistent with regulatory requirements and promotes effective risk management. The remuneration policy is reviewed and approved by the Remuneration Committee once a year. Risk control personnel are compensated in a manner that is independent of the business areas they oversee, aligned with their performance objectives and commensurate with their respective roles in the Bank.

#### **Remuneration Structure**

The remuneration of employees is composed of an appropriate mix of fixed and variable remuneration. Fixed remuneration includes salaries, allowances, year-end payments and pension contributions. Variable remuneration refers to cash bonus payments and is awarded based on the performance of the Bank, units and individual employees. The fixed remuneration is set at a level which is sufficient to attract and retain employees with relevant skills, knowledge and expertise to discharge their functions while the award of variable remuneration does not induce excessive risk taking. The size and allocation of variable remuneration take into account of the full range of current and potential risks associated with the relevant employees' activities. The proportion of variable remuneration to total remuneration generally increases in line with the seniority, roles, responsibilities and activities of employees within the Bank.

#### **Performance Measurement**

Pre-determined performance criteria including both financial and non-financial factors are used to assess the performance of individual employees and support the award of variable remuneration. Financial factors include quantitative measures such as profit, revenue, turnover or volume. Non-financial factors include criteria such as adherence to risk management policies, compliance with legal/ regulatory/ ethical standards, result of internal audit reviews, adherence to corporate values and customer satisfaction. The non-financial factors constitute a significant part of employees' overall performance measurement. In general, both quantitative measures and qualitative assessments play vital roles in determining risk adjustments and assessments for all types of risks.

# **CMB WING LUNG BANK LIMITED**

## **12 Remuneration (continued)**

### **12.1 REMA: Remuneration policy (continued)**

#### **Deferral Arrangement**

A proportion of the employees' variable remuneration is required to be deferred and be realized over a timeframe if the payout amount reaches a certain prescribed threshold so as to allow their performance and the associated risks to be observed and validated over a sufficient period of time.

The award of deferred variable remuneration is subject to a 3-year vesting period and pre-defined vesting conditions. The payment of deferred variable remuneration will be made gradually over the vesting period and no faster than on a pro-rata basis.

In circumstances where it is later established that any performance measurement on the part of the relevant employees was based on data which is later proven to have been manifestly misstated, or there has been fraud or other malfeasance, or violations of regulations or the Bank's policies, or misconduct that leads to significant deterioration of the Bank's financial performance or economic capital, the deferred variable remuneration of the relevant employees will be forfeited or claw-back.

#### **Remuneration Instrument**

The remuneration (including fixed and variable portions) is paid in cash.

# CMB WING LUNG BANK LIMITED

## 12 Remuneration (continued)

### 12.2 REM1: Remuneration awarded during financial year

31 December 2023			(a)	(b)
Remuneration amount and quantitative information			Senior management HK\$'000	Key personnel HK\$'000
1	Fixed remuneration	Number of employees	9	20
2		Total fixed remuneration	18,456	29,639
3		Of which: cash-based	18,456	29,639
4		Of which: deferred		
5		Of which: shares or other share-linked instruments		
6		Of which: deferred		
7		Of which: other forms		
8		Of which: deferred		
9	Variable remuneration	Number of employees	6	17
10		Total variable remuneration	16,347	21,075
11		Of which: cash-based	16,347	21,075
12		Of which: deferred	8,174	8,468
13		Of which: shares or other share-linked instruments		
14		Of which: deferred		
15		Of which: other forms		
16		Of which: deferred		
<b>17</b>	<b>Total remuneration</b>		<b>34,803</b>	<b>50,714</b>

### 12.3 REM2: Special payments

31 December 2023		(a)	(b)	(c)	(d)	(e)	(f)
Special payments		Guaranteed bonuses		Sign-on awards		Severance payments	
		Number of employees	Total amount HK\$'000	Number of employees	Total amount HK\$'000	Number of employees	Total amount HK\$'000
1	Senior management	-	-	-	-	-	-
2	Key personnel	-	-	-	-	-	-

# CMB WING LUNG BANK LIMITED

## 12 Remuneration (continued)

### 12.4 REM3: Deferred remuneration

31 December 2023		(a)	(b)	(c)	(d)	(e)
Deferred and retained remuneration		Total amount of outstanding deferred remuneration HK\$'000	Of which: Total amount of outstanding deferred and retained remuneration exposed to ex post explicit and/or implicit adjustment HK\$'000	Total amount of amendment during the year due to ex post explicit adjustments (Resignation) HK\$'000	Total amount of amendment during the year due to ex post implicit adjustments HK\$'000	Total amount of deferred remuneration paid out in the financial year HK\$'000
1	Senior management					
2	Cash	15,505	15,505			5,101
3	Shares	-	-	-	-	-
4	Cash-linked instruments	-	-	-	-	-
5	Other	-	-	-	-	-
6	Key personnel					
7	Cash	12,373	12,373			4,859
8	Shares	-	-	-	-	-
9	Cash-linked instruments	-	-	-	-	-
10	Other	-	-	-	-	-
<b>11</b>	<b>Total</b>	<b>27,878</b>	<b>27,878</b>			<b>9,960</b>