



永隆銀行
WING LUNG BANK

Pillar 3 Disclosure – Regulatory Disclosures

As at 30 June 2017

Wing Lung Bank Limited

Regulatory Disclosures

As at 30 June 2017

Contents	Page
1. Introduction	3
2. Key Capital Ratios	4
3. Overview of Risk Weighted Amount	5
4. Credit Quality of Exposures	6
5. Changes in Defaulted Loans and Debt Securities	7
6. Credit Risk Exposures and Effects of Recognised Credit Risk Mitigation – For STC Approach	8
7. Credit Risk Exposures by Asset Classes and by Risk Weights – For STC Approach	9
8. Analysis of Counterparty Default Risk Exposures (Other Than Those to CCPs) by Approaches	10
9. CVA Capital Charge	11
10. Counterparty Default Risk Exposures (Other Than Those to CCPs) by Asset Classes and by Risk Weights – For STC Approach	12
11. Composition of Collateral for Counterparty Default Risk Exposures (Including Those for Contracts or Transactions Cleared Through CCPs)	13
12. Market Risk under STM Approach	14

Wing Lung Bank Limited

Regulatory Disclosures

As at 30 June 2017

1. Introduction

Purpose

The information contained in this document is for Wing Lung Bank Limited (“the Bank”) and its subsidiaries (together “the Group”) to comply with the Banking (Disclosure) Rules.

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 standardised 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. The basis of consolidation for regulatory purposes is different from that for accounting purposes.

Wing Lung Bank Limited

Regulatory Disclosures As at 30 June 2017

2. Key Capital Ratios

Capital Adequacy Ratios

The table below shows the capital ratios and risk weighted amounts ("RWAs") as contained in the 'Capital Adequacy Ratio' return submitted to the HKMA on a consolidated basis under the requirements of section 3C(1) of the Banking (Capital) Rules.

	30 June 2017 HK\$'000	31 March 2017 HK\$'000
Common Equity Tier 1 Capital	23,507,571	22,867,776
Tier 1 Capital	28,060,375	26,095,537
Total Capital	33,158,337	31,084,253
Total Risk Weighted Amounts	212,901,730	201,218,048
Common Equity Tier 1 Capital Ratio	11.04%	11.36%
Tier 1 Capital Ratio	13.18%	12.97%
Total Capital Ratio	15.57%	15.45%

Leverage Ratio

The table below shows the Tier 1 capital, total exposures and leverage ratio as contained in the 'Quarterly Template on Leverage Ratio' submitted to the HKMA on a consolidated basis under the requirements of section 3C(1) of the Banking (Capital) Rules.

	30 June 2017 HK\$'000	31 March 2017 HK\$'000
Tier 1 Capital	28,060,375	26,095,537
Total Exposures	321,444,894	284,945,418
Leverage Ratio	8.73%	9.16%

Wing Lung Bank Limited

**Regulatory Disclosures
As at 30 June 2017**

3. Overview of Risk Weighted Amount

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

During the second quarter of 2017, total RWA increased by HK\$11.7Bn, mainly due to the increase in credit risk RWA for non-securitisation exposures, which was driven by the increase in debt securities, placements with and loans and advances to banks and advances to customers.

		(a)	(b)	(c)
		RWA		Minimum capital
		As at 30 June 2017 HK\$'000	As at 31 March 2017 HK\$'000	As at 30 June 2017 HK\$'000
1	Credit risk for non-securitisation exposures	193,518,590	181,926,732	15,481,487
2	Of which STC approach	193,518,590	181,926,732	15,481,487
2a	Of which BSC approach	-	-	-
3	Of which IRB approach	-	-	-
4	Counterparty credit risk	1,471,575	1,635,905	117,726
5	Of which SA-CCR	-	-	-
5a	Of which CEM	750,867	678,824	60,069
6	Of which IMM(CCR) approach	-	-	-
7	Equity exposures in banking book under the market-based approach	-	-	-
8	CIS exposures - LTA	-	-	-
9	CIS exposures - MBA	-	-	-
10	CIS exposures - FBA	-	-	-
11	Settlement risk	-	-	-
12	Securitisation exposures in banking book	-	-	-
13	Of which IRB(S) approach - ratings-based method	-	-	-
14	Of which IRB(S) approach - supervisory formula method	-	-	-
15	Of which STC(S) approach	-	-	-
16	Market risk	3,729,713	3,515,350	298,377
17	Of which STM approach	3,729,713	3,515,350	298,377
18	Of which IMM approach	-	-	-
19	Operational risk	10,286,525	10,303,825	822,922
20	Of which BIA approach	10,286,525	10,303,825	822,922
21	Of which STO approach	-	-	-
21a	Of which ASA approach	-	-	-
22	Of which AMA approach	N/A	N/A	N/A
23	Amounts below the thresholds for deduction (subject to 250% RW)	6,104,730	5,999,198	488,378
24	Capital floor adjustment	-	-	-
24a	Deduction to RWA	2,209,403	2,162,962	176,752
24b	Of which portion of regulatory reserve for general banking risks and collective provisions which is not included in Tier 2 Capital	-	-	-
24c	Of which portion of cumulative fair value gains arising from the revaluation of land and buildings which is not included in Tier 2 Capital	2,209,403	2,162,962	176,752
25	Total	212,901,730	201,218,048	17,032,138

N/A: Not applicable in the case of Hong Kong

Wing Lung Bank Limited

Regulatory Disclosures As at 30 June 2017

4. Credit Quality of Exposures

The table below provides an overview of the credit quality of the on and off-balance sheet assets of the Group.

30 June 2017

HK\$'000

		(a)	(b)	(c)	(d)
		Gross carrying amounts of ¹		Allowances / impairments	Net values ²
	Defaulted exposures	Non-defaulted exposures			
1	Loans	234,871	159,154,818	382,328	159,007,361
2	Debt securities	-	59,712,484	-	59,712,484
3	Off-balance sheet exposures	-	23,835,039	-	23,835,039
4	Total	234,871	242,702,341	382,328	242,554,884

¹ Refers to the accounting value of the assets before any impairment allowances but after write-offs

² Refers to total gross carrying amount less impairment allowances

Wing Lung Bank Limited

Regulatory Disclosures As at 30 June 2017

5. Changes in Defaulted Loans and Debt Securities

The table below identifies the changes in defaulted loans and debt securities from the previous reporting period, including the flows between non-defaulted and defaulted categories and reductions due to write-offs.

The increase in defaulted loans and debt securities in the first half of 2017 was mainly driven by new defaulted loans that were partially offset by write-offs and recoveries.

		(a)
		Amount HK\$'000
1	Defaulted loans and debt securities at end of the previous reporting period (31 December 2016)	106,652
2	Loans and debts securities that have defaulted since the last reporting period	146,512
3	Returned to non-defaulted status	(13,878)
4	Amounts written off	(2,127)
5	Other changes ¹	(2,288)
6	Defaulted loans and debt securities at end of the current reporting period (30 June 2017)	234,871

¹Other changes comprise foreign exchange, increase in existing defaulted loans and recoveries

Wing Lung Bank Limited

Regulatory Disclosures
As at 30 June 2017

6. Credit Risk Exposures and Effects of Recognised Credit Risk Mitigation - For STC Approach

The following table illustrates the effects of credit risk mitigation ("CRM") on the calculation of capital requirements for credit risk exposures under the Standardised approach.

30 June 2017

HK\$'000

		(a)	(b)	(c)	(d)	(e)	(f)
		Exposures pre-CCF and pre-CRM		Exposures post-CCF and post-CRM		RWA and RWA density	
Exposure classes		On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
1	Sovereign exposures	46,538,831	-	46,540,704	-	221,645	0.48%
2	PSE exposures	-	-	371,979	185,533	111,502	20.00%
2a	Of which : domestic PSEs	-	-	371,979	185,533	111,502	20.00%
2b	Of which : foreign PSEs	-	-	-	-	-	0.00%
3	Multilateral development bank exposures	-	-	-	-	-	0.00%
4	Bank exposures	84,429,352	-	87,647,209	948,300	38,898,025	43.91%
5	Securities firm exposures	1,137,849	1,930,637	886,140	-	443,070	50.00%
6	Corporate exposures	141,611,298	42,060,924	132,128,758	9,441,771	132,260,403	93.42%
7	CIS exposures	-	-	-	-	-	0.00%
8	Cash items	854,804	-	7,419,596	107,688	1,335,812	17.75%
9	Exposures in respect of failed delivery on transactions entered into on a basis other than a delivery-versus-payment basis	-	-	-	-	-	0.00%
10	Regulatory retail exposures	7,438,049	10,147,983	7,400,064	257,008	5,742,804	75.00%
11	Residential mortgage loans	13,845,335	390,079	13,478,439	7	5,054,093	37.50%
12	Othe exposures which are not past due exposures	9,318,653	336,369	9,301,282	83,745	9,385,027	100.00%
13	Past due exposures	48,436	-	48,436	-	66,209	136.69%
14	Significant exposures to commercial entities	-	-	-	-	-	0.00%
15	Total	305,222,607	54,865,992	305,222,607	11,024,052	193,518,590	61.19%

Wing Lung Bank Limited

Regulatory Disclosures
As at 30 June 2017

7. Credit Risk Exposures by Asset Classes and by Risk Weights - For STC Approach

The following table provides a breakdown of credit risk exposures treated under the Standardised approach by asset class and risk weight. The risk weight assigned corresponds with level of risk attributed to each exposure.

30 June 2017
HK\$'000

		(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(ha)	(i)	(j)
		Risk Weights										
Exposure classes		0%	10%	20%	35%	50%	75%	100%	150%	250%	Others	Total credit risk exposures amount (post CCF and post CRM) ¹
1	Sovereign exposures	45,432,479	-	1,108,225	-	-	-	-	-	-	-	46,540,704
2	PSE exposures	-	-	557,512	-	-	-	-	-	-	-	557,512
2a	Of which : domestic PSEs	-	-	557,512	-	-	-	-	-	-	-	557,512
2b	Of which : foreign PSEs	-	-	-	-	-	-	-	-	-	-	-
3	Multilateral development bank exposures	-	-	-	-	-	-	-	-	-	-	-
4	Bank exposures	-	-	26,424,112	-	57,116,389	-	5,055,008	-	-	-	88,595,509
5	Securities firm exposures	-	-	-	-	886,140	-	-	-	-	-	886,140
6	Corporate exposures	-	-	1,584,840	-	16,089,569	-	123,891,058	5,062	-	-	141,570,529
7	CIS exposures	-	-	-	-	-	-	-	-	-	-	-
8	Cash items	1,211,715	-	6,224,697	-	-	-	90,872	-	-	-	7,527,284
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	-	-	-	-	-	7,657,072	-	-	-	-	7,657,072
11	Residential mortgage loans	-	-	-	12,701,326	-	673,963	103,157	-	-	-	13,478,446
12	Other exposures which are not past due exposures ²	-	-	-	-	-	-	9,385,027	-	-	-	9,385,027
13	Past due exposures	-	-	554	-	1,398	-	8,654	37,830	-	-	48,436
14	Significant exposures to commercial entities	-	-	-	-	-	-	-	-	-	-	-
15	Total	46,644,194	-	35,899,940	12,701,326	74,093,496	8,331,035	138,533,776	42,892	-	-	316,246,659

¹ Total credit risk exposures amount refers to both on and off-balance sheet amounts that are used for computing capital requirements, net of impairment allowances and write-offs and after application of CRM and CCF

² Includes other exposures not included in the above asset classes, such as fixed assets

Wing Lung Bank Limited

**Regulatory Disclosures
As at 30 June 2017**

8. Analysis of Counterparty Default Risk Exposures (Other Than Those to CCPs) by Approaches

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.

The Group currently treats CCR under the Current Exposure Method ("CEM"), with regulatory prescribed add-on that represent the potential future exposure in addition to the net replacement cost of the OTC derivatives.

The table below provides an overview of the CCR for OTC derivatives and Securities Financing Transactions ("SFTs").

30 June 2017
HK\$'000

		(a)	(b)	(c)	(d)	(e)	(f)
Exposure classes		Replacement cost (RC)	PFE	Effective EPE	Alpha (α) used for computing default risk exposure	Default risk exposure after CRM	RWA
1	SA-CCR (for derivative contracts)	-	-		-	-	-
1a	CEM	758,773	1,028,749		-	1,787,522	750,867
2	IMM (CCR) approach			-	-	-	-
3	Simple Approach (for SFTs)					1,844,222	463,031
4	Comprehensive Approach (for SFTs)					-	-
5	VaR (for SFTs)					-	-
6	Total						1,213,898

Wing Lung Bank Limited

Regulatory Disclosures As at 30 June 2017

9. CVA Capital Charge

The Credit Valuation Adjustment ("CVA") is made to the mark-to-market valuation of OTC derivatives, for which these are calculated under the Standardised CVA method for the Group.

30 June 2017

HK\$'000

		(a)	(b)
		EAD post CRM ¹	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 standardised CVA method	1,628,471	257,677
4	Total	1,628,471	257,677

¹ EAD refers to the amount relevant for capital requirements calculation, after taking into account the effects of CRM

Wing Lung Bank Limited

Regulatory Disclosures

As at 30 June 2017

10. Counterparty Default Risk Exposures (Other Than Those to CCPs) by Asset Classes and by Risk Weights - For STC Approach

The table below represents the risk weights used in the calculation of capital for the Group's portfolio subjected to the CCR requirements under the Standardised Approach by asset classes.

30 June 2017

HK\$'000

	Exposure class	(a)	(b)	(c)	(ca)	(d)	(e)	(f)	(g)	(ga)	(h)	(i) Total default risk exposure after CRM
		Risk Weights										
		0%	10%	20%	35%	50%	75%	100%	150%	250%	Others	
1	Sovereign exposures	-	-	-	-	-	-	-	-	-	-	-
2	PSE exposures	-	-	-	-	-	-	-	-	-	-	-
2a	Of which : domestic PSEs	-	-	-	-	-	-	-	-	-	-	-
2b	Of which : foreign PSEs	-	-	-	-	-	-	-	-	-	-	-
3	Multilateral development bank exposures	-	-	-	-	-	-	-	-	-	-	-
4	Bank exposures	-	-	608,815	-	815,015	-	17,892	-	-	-	1,441,722
5	Securities firm exposures	-	-	-	-	235,522	-	-	-	-	-	235,522
6	Corporate exposures	-	-	-	-	-	-	186,516	-	-	-	186,516
7	CIS exposures	-	-	-	-	-	-	-	-	-	-	-
8	Cash items	1,308,981	-	84,927	-	-	-	-	-	-	-	1,393,908
9	Regulatory retail exposures	-	-	-	-	-	114,407	-	-	-	-	114,407
10	Residential mortgage loans	-	-	-	-	-	-	-	-	-	-	-
11	Othe exposures which are not past due exposures	-	-	-	-	-	-	259,669	-	-	-	259,669
12	Significant exposures to commercial entities	-	-	-	-	-	-	-	-	-	-	-
13	Total	1,308,981	-	693,742	-	1,050,537	114,407	464,077	-	-	-	3,631,744

Wing Lung Bank Limited

Regulatory Disclosures

11. Composition of Collateral for Counterparty Default Risk Exposures (Including Those for Contracts or Transactions Cleared Through CCPs)

The table below shows the composition of collateral for counterparty default risk exposures.

30 June 2017

HK\$'000

	(a)	(b)	(c)		(d)	(e)	(f)
	Derivative contracts				SFTs		
	Fair value of recognized collateral received		Fair value of posted collateral		Fair value of recognized collateral received	Fair value of posted collateral	
	Segregated	Unsegregated	Segregated	Unsegregated			
Cash - domestic currency	-	411,115	-	6,383	-	-	
Cash - other currencies	-	1,534,830	-	88,309	1,234,857	-	
Total	-	1,945,945	-	94,692	1,234,857	-	

Wing Lung Bank Limited

Regulatory Disclosures As at 30 June 2017

12. Market Risk under STM Approach

The table below provides an overview of RWA for market risk by risk.

30 June 2017		(a)
HK\$'000		RWA
	Outright product exposures	
1	Interest rate exposures (general and specific risk)	1,033,425
2	Equity exposures (general and specific risk)	-
3	Foreign exchange (including gold) exposures	2,692,613
4	Commodity Exposures	-
	Option exposures	
5	Simplified approach	-
6	Delta-plus approach	3,675
7	Other approach	-
8	Securitisation exposures	-
9	Total	3,729,713