



**永隆銀行**

WING LUNG BANK

**Pillar 3 Disclosure – Regulatory Disclosures**

**As at 30 June 2018**

# Wing Lung Bank Limited

## Regulatory Disclosures

As at 30 June 2018

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# **Wing Lung Bank Limited**

## **Regulatory Disclosures**

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### **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.

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#### 2. 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 2018					
HK\$'000					
		(a)	(b)	(c)	(d)
		Gross carrying amounts of <sup>1</sup>			
		Defaulted exposures	Non-defaulted exposures	Allowances/ impairments	Net values <sup>2</sup>
1	Loans	50,845	160,835,873	442,204	160,444,514
2	Debt securities	-	43,610,062	9,286	43,600,776
3	Off-balance sheet exposures	-	22,437,498	-	22,437,498
4	<b>Total</b>	50,845	226,883,433	451,490	226,482,788

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

<sup>2</sup> Refers to total gross carrying amount less impairment allowances

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#### 3. 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 decrease in defaulted loans and debt securities in the first half of 2018 was mainly driven by loans and debts securities that returned to non-defaulted status and amounts written off.

		(a)
		Amount
		HK\$'000
<b>1</b>	<b>Defaulted loans and debt securities at end of the previous reporting period (31 December 2017)</b>	<b>112,157</b>
2	Loans and debts securities that have defaulted since the last reporting period	5,585
3	Returned to non-defaulted status	(12,661)
4	Amounts written off	(49,559)
5	Other changes <sup>1</sup>	(4,677)
<b>6</b>	<b>Defaulted loans and debt securities at end of the current reporting period (30 June 2018)</b>	<b>50,845</b>

<sup>1</sup> Other changes comprise foreign exchange, changes in existing defaulted loans and recoveries

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#### 4. Overview of Recognised Credit Risk Mitigation

The table below illustrates the exposures and their respective recognised credit risk mitigation.

30 June 2018		HK\$'000				
		(a)	(b)	(c)	(d)	(e)
		Exposures unsecured: carrying amount	Exposures to be secured	Exposures secured by recognised collateral	Exposures secured by recognised guarantees	Exposures secured by recognised credit derivative contracts
1	Loans	144,120,167	16,324,347	5,374,442	10,949,905	-
2	Debt securities	35,036,840	8,563,936	-	8,563,936	-
3	Total	179,157,007	24,888,283	5,374,442	19,513,841	-
4	of which defaulted	34,731	2,812	-	2,812	-

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#### 5. 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 2018							
HK\$'000							
Exposure classes		(a)	(b)	(c)	(d)	(e)	(f)
		Exposures pre-CCF and pre-CRM		Exposures post-CCF and post-CRM		RWA and RWA density	
		On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
1	Sovereign exposures	22,564,746	-	22,565,442	-	369,927	1.6%
2	PSE exposures	-	-	360,821	206,933	113,551	20.0%
2a	Of which : domestic PSEs	-	-	360,821	206,933	113,551	20.0%
2b	Of which : foreign PSEs	-	-	-	-	-	0.0%
3	Multilateral development bank exposures	-	-	-	-	-	0.0%
4	Bank exposures	91,188,462	-	89,997,710	955,001	31,140,632	34.2%
5	Securities firm exposures	1,402,865	2,697,807	1,201,957	1,314	601,635	50.0%
6	Corporate exposures	142,802,658	37,753,494	131,841,600	10,092,319	133,198,856	93.9%
7	CIS exposures	-	-	-	-	-	0.0%
8	Cash items	1,056,847	-	13,446,494	296,888	2,556,690	18.6%
9	Exposures in respect of failed delivery on transactions entered into on a basis other than a delivery-versus-payment basis	-	-	-	-	-	0.0%
10	Regulatory retail exposures	8,176,960	10,232,381	8,148,755	448,002	6,447,568	75.0%
11	Residential mortgage loans	13,846,255	408,051	13,493,651	7	5,050,901	37.4%
12	Other exposures which are not past due exposures	10,602,511	932,564	10,584,873	153,316	10,738,189	100.0%
13	Past due exposures	163,375	-	163,375	-	175,860	107.6%
14	Significant exposures to commercial entities	-	-	-	-	-	0.0%
15	Total	291,804,679	52,024,297	291,804,678	12,153,780	190,393,809	62.6%

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### 6. 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 2018											
HK\$'000											
Exposure classes	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(ha)	(i)	(j)
	Risk Weights										Total credit risk exposures amount (post CCF and post CRM)
0%	10%	20%	35%	50%	75%	100%	150%	250%	Others		
1 Sovereign exposures	20,715,811	-	1,849,631	-	-	-	-	-	-	-	22,565,442
2 PSE exposures	-	-	567,754	-	-	-	-	-	-	-	567,754
2a Of which : domestic PSEs	-	-	567,754	-	-	-	-	-	-	-	567,754
2b Of which : foreign PSEs	-	-	-	-	-	-	-	-	-	-	-
3 Multilateral development bank exposures	-	-	-	-	-	-	-	-	-	-	-
4 Bank exposures	-	-	51,963,603	-	36,482,396	-	2,506,712	-	-	-	90,952,711
5 Securities firm exposures	-	-	-	-	1,203,271	-	-	-	-	-	1,203,271
6 Corporate exposures	-	-	2,785,630	-	13,203,153	-	125,755,103	190,033	-	-	141,933,919
7 CIS exposures	-	-	-	-	-	-	-	-	-	-	-
8 Cash items	1,356,794	-	12,287,373	-	-	-	99,215	-	-	-	13,743,382
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	-	-	-	-	-	8,596,757	-	-	-	-	8,596,757
11 Residential mortgage loans	-	-	-	12,733,796	-	663,160	96,702	-	-	-	13,493,658
12 Other exposures which are not past due exposures	-	-	-	-	-	-	10,738,188	-	-	-	10,738,188
13 Past due exposures	55	-	2,777	-	-	-	131,020	29,523	-	-	163,375
14 Significant exposures to commercial entities	-	-	-	-	-	-	-	-	-	-	-
15 Total	22,072,660	-	69,456,768	12,733,796	50,888,820	9,259,917	139,326,940	219,556	-	-	303,958,457



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

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

30 June 2018		(a)	(b)	(c)	(d)	(e)	(f)
HK\$'000		Replacement cost (RC)	PFE	Effective EPE	Alpha ( $\alpha$ ) used for computing default risk exposure	Default risk exposure after CRM	RWA
Exposure classes							
1	SA-CCR (for derivative contracts)	-	-		-	-	-
1a	CEM	592,908	877,392		-	1,470,300	608,050
2	IMM (CCR) approach			-	-	-	-
3	Simple Approach (for SFTs)					965,838	907,105
4	Comprehensive Approach (for SFTs)					-	-
5	VaR (for SFTs)					-	-
6	Total						1,515,155

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#### 8. 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 2018			
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	1,257,974	323,237
4	Total	1,257,974	323,237

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

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### 9. 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 2018											
HK\$'000											
Exposure classes	(a)	(b)	(c)	(ca)	(d)	(e)	(f)	(g)	(ga)	(h)	(i)
	Risk Weights										Total default risk exposure after CRM
	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	-	-	458,619	-	587,337	-	532	-	-	1,046,488
5	Securities firm exposures	-	-	-	-	-	-	-	-	-	-
6	Corporate exposures	-	-	-	-	-	211,179	-	-	-	211,179
7	CIS exposures	-	-	-	-	-	-	-	-	-	-
8	Regulatory retail exposures	-	-	-	-	-	235,237	-	-	-	235,237
9	Residential mortgage loans	-	-	-	-	-	-	-	-	-	-
10	Othe exposures which are not past due exposures	158,944	-	53,581	-	-	-	730,907	-	-	943,432
11	Significant exposures to commercial entities	-	-	-	-	-	-	-	-	-	-
12	<b>Total</b>	<b>158,944</b>	<b>-</b>	<b>512,200</b>	<b>-</b>	<b>587,337</b>	<b>235,237</b>	<b>942,618</b>	<b>-</b>	<b>-</b>	<b>2,436,336</b>

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**10. 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 2018						
HK\$'000						
	(a)	(b)	(c)	(d)	(e)	(f)
	Derivative contracts				SFTs	
	Fair value of recognised collateral received		Fair value of posted collateral		Fair value of recognised collateral received	Fair value of posted collateral
	Segregated	Unsegregated	Segregated	Unsegregated		
Cash - domestic currency	-	305,956	10,464	-	-	-
Cash - other currencies	-	1,930,522	108,559	434,168	-	-
<b>Total</b>	-	<b>2,236,478</b>	<b>119,023</b>	<b>434,168</b>	-	-

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#### 11. Credit-related derivatives contracts

The table below shows the amount of credit-related derivatives contracts broken down into credit protection bought and credit protection sold:.

30 June 2018		
HK\$'000		
	(a)	(b)
	Protection bought	Protection sold
<b>Notional amounts</b>		
Credit default swaps	-	-
Total return swaps	-	-
Other credit-related derivative contracts	-	-
Total notional amounts	-	-
<b>Fair values</b>		
Positive fair value (asset)	-	-
Negative fair value (liability)	-	-
	-	-

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#### 12. Exposures to CCPs

The table below shows the exposures to CCPs.

30 June 2018			
HK\$'000			
		(a)	(b)
		Exposure after CRM	RWA
<b>1</b>	<b>Exposures of the AI as clearing member or client to qualifying CCPs (total)</b>		<b>1,729</b>
2	Default risk exposures to qualifying CCPs (excluding items disclosed in rows 7 to 10), of which:	170,107	1,729
3	(i) OTC derivative transactions	170,107	1,729
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	205,637	
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 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	-	-

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**13. Market Risk under STM Approach**

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

30 June 2018		
HK\$'000		
		(a)
		RWA
	Outright product exposures	
1	Interest rate exposures (general and specific risk)	1,840,200
2	Equity exposures (general and specific risk)	-
3	Foreign exchange (including gold) exposures	2,816,850
4	Commodity Exposures	-
	Option exposures	
5	Simplified approach	-
6	Delta-plus approach	3,513
7	Other approach	-
8	Securitisation exposures	-
<b>9</b>	<b>Total</b>	<b>4,660,563</b>