



招商永隆銀行
CMB WING LUNG BANK

Regulatory Disclosures

As at 30 September 2020

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 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 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 2020 Interim Financial Disclosure Statements.

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2. Key prudential ratios and overview of RWA

2.1 KM1: Key prudential ratios

		(a)	(b)	(c)	(d)	(e)
		As at 30 Sep 2020 HK\$'000	As at 30 Jun 2020 HK\$'000	As at 31 Mar 2020 HK\$'000	As at 31 Dec 2019 HK\$'000	As at 30 Sep 2019 HK\$'000
	Regulatory capital (amount)					
1	Common Equity Tier 1 (CET1)	33,230,243	32,366,819	30,407,969	28,367,761	28,463,592
2	Tier 1	40,804,816	39,941,392	37,982,730	36,076,122	36,175,382
3	Total capital	47,098,862	46,099,515	45,059,421	43,078,454	43,244,379
	RWA (amount)					
4	Total RWA	257,337,882	248,388,783	237,305,927	231,888,583	234,441,429
	Risk-based regulatory capital ratios (as a percentage of RWA)					
5	CET1 ratio (%)	12.9%	13.0%	12.8%	12.2%	12.1%
6	Tier 1 ratio (%)	15.9%	16.1%	16.0%	15.6%	15.4%
7	Total capital ratio (%)	18.3%	18.6%	19.0%	18.6%	18.4%
	Additional CET1 buffer requirements (as a percentage of RWA)					
8	Capital conservation buffer requirement (%)	2.500%	2.500%	2.500%	2.500%	2.500%
9	Countercyclical capital buffer requirement (%)	0.591%	0.568%	0.572%	1.111%	1.340%
10	Higher loss absorbency requirements (%) (applicable only to G-SIBs or D-SIBs)	-	-	-	-	-
11	Total AI-specific CET1 buffer requirements (%)	3.091%	3.068%	3.072%	3.611%	3.840%
12	CET1 available after meeting the AI's minimum capital requirements (%)	8.4%	8.5%	8.3%	7.7%	7.6%
	Basel III leverage ratio					
13	Total leverage ratio (LR) exposure measure	370,622,611	373,480,053	341,115,049	345,090,489	336,989,078
14	LR (%)	11.0%	10.7%	11.1%	10.5%	10.7%
	Liquidity Coverage Ratio (LCR) / Liquidity Maintenance Ratio (LMR)					
	Applicable to category 1 institution only:					
15	Total high quality liquid assets (HQLA)	48,589,631	49,341,655	46,838,097	41,309,056	37,287,908
16	Total net cash outflows	30,390,285	22,897,653	30,291,566	24,307,001	22,189,630
17	LCR (%)	163.8%	227.9%	161.1%	173.8%	169.2%
	Applicable to category 2 institution only:					
17a	LMR (%)	N/A	N/A	N/A	N/A	N/A
	Net Stable Funding Ratio (NSFR) / Core Funding Ratio (CFR)					
	Applicable to category 1 institution only:					
18	Total available stable funding	224,384,482	227,842,974	214,537,836	218,046,232	213,815,493
19	Total required stable funding	174,546,827	175,091,481	166,585,189	162,702,327	167,407,862
20	NSFR (%)	128.6%	130.1%	128.8%	134.0%	127.7%
	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 and overview of RWA (continued)

2.2 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 third quarter of 2020, total RWA increased by HK\$8,949 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 customers.

		(a)	(b)	(c)
		RWA		Minimum capital requirements
		As at 30 September 2020 HK\$'000	As at 30 June 2020 HK\$'000	As at 30 September 2020 HK\$'000
1	Credit risk for non-securitization exposures	235,149,351	226,393,705	18,811,948
2	Of which STC approach	235,149,351	226,393,705	18,811,948
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	1,395,891	1,255,120	111,671
7	Of which SA-CCR*	N/A	N/A	N/A
7a	Of which CEM	786,057	642,242	62,885
8	Of which IMM(CCR) approach	-	-	-
9	Of which others	-	-	-
10	CVA risk	232,475	185,438	18,598
11	Equity positions in banking book under the simple risk-weight method and internal models method	-	-	-
12	Collective investment scheme ("CIS") exposures – LTA*	N/A	N/A	N/A
13	CIS exposures – MBA*	N/A	N/A	N/A
14	CIS exposures – FBA*	N/A	N/A	N/A
14a	CIS exposures – combination of approaches*	N/A	N/A	N/A
15	Settlement risk	-	-	-
16	Securitization exposures in banking book	-	-	-
17	Of which SEC-IRBA	-	-	-
18	Of which SEC-ERBA (including IAA)	-	-	-
19	Of which SEC-SA	-	-	-
19a	Of which SEC-FBA	-	-	-
20	Market risk	2,683,975	2,814,288	214,718
21	Of which STM approach	2,683,975	2,814,288	214,718
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	11,607,513	11,591,750	928,601
24a	Sovereign concentration risk	-	-	-
25	Amounts below the thresholds for deduction (subject to 250% RW)	8,456,450	8,336,255	676,516
26	Capital floor adjustment	-	-	-
26a	Deduction to RWA	2,187,773	2,187,773	175,022

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2. Key prudential ratios and overview of RWA (continued)

2.2 OV1: Overview of RWA (continued)

		(a)	(b)	(c)
		RWA		Minimum capital requirements
		As at 30 September 2020 HK\$'000	As at 30 June 2020 HK\$'000	As at 30 September 2020 HK\$'000
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	2,187,773	2,187,773	175,022
27	Total	257,337,882	248,388,783	20,587,030

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.

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3. Leverage ratio

3.1 LR2: Leverage ratio

		(a)	(b)
		HK\$'000	
		As at 30 September 2020	As at 30 June 2020
On-balance sheet exposures			
1	On-balance sheet exposures (excluding those arising from derivative contracts and SFTs, but including collateral)	361,869,455	366,942,020
2	Less: Asset amounts deducted in determining Tier 1 capital	(5,388,184)	(5,738,627)
3	Total on-balance sheet exposures (excluding derivative contracts and SFTs)	356,481,271	361,203,393
Exposures arising from derivative contracts			
4	Replacement cost associated with all derivative contracts (where applicable net of eligible cash variation margin and/or with bilateral netting)	870,022	544,396
5	Add-on amounts for PFE associated with all derivative contracts	950,533	846,926
6	Gross-up for derivatives collateral provided 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	(32,658)	(34,744)
8	Less: Exempted CCP leg of client-cleared trade exposures	-	-
9	Adjusted effective notional amount of written credit derivative contracts	-	-
10	Less: Adjusted effective notional offsets and add-on deductions for written credit derivative contracts	-	-
11	Total exposures arising from derivative contracts	1,787,897	1,356,578
Exposures arising from SFTs			
12	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	641,730	644,512
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	Total exposures arising from SFTs	641,730	644,512
Other off-balance sheet exposures			
17	Off-balance sheet exposure at gross notional amount	51,303,068	43,765,845
18	Less: Adjustments for conversion to credit equivalent amounts	(39,542,330)	(33,449,391)
19	Off-balance sheet items	11,760,738	10,316,454
Capital and total exposures			
20	Tier 1 capital	40,804,816	39,941,392
20a	Total exposures before adjustments for specific and collective provisions	370,671,636	373,520,937
20b	Adjustments for specific and collective provisions	(49,025)	(40,884)
21	Total exposures after adjustments for specific and collective provisions	370,622,611	373,480,053
Leverage ratio			
22	Leverage ratio	11.0%	10.7%

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4. Liquidity

4.1 LIQ1: Liquidity Coverage Ratio - for category 1 institution

For the quarter ended 30 September 2020

Number of data points used in calculating the average value of the LCR and related components set out in this template: 78		HK\$'000 equivalent	
		(a)	(b)
Basis of disclosure: consolidated / unconsolidated / Hong Kong office (delete as appropriate)		Unweighted value (average)	Weighted value (average)
A. HQLA			
1	Total HQLA		48,589,631
B. Cash outflows			
2	Retail deposits and small business funding, of which:	142,678,629	11,182,492
3	<i>Stable retail deposits and stable small business funding</i>	4,656,440	232,822
4	<i>Less stable retail deposits and less stable small business funding</i>	80,971,212	8,097,121
4a	<i>Retail term deposits and small business term funding</i>	57,050,977	2,852,549
5	Unsecured wholesale funding (other than small business funding), and debt securities and prescribed instruments issued by the AI, of which:	99,186,736	67,298,447
6	<i>Operational deposits</i>	-	-
7	<i>Unsecured wholesale funding (other than small business funding) not covered in row 6</i>	98,702,188	66,813,899
8	<i>Debt securities and prescribed instruments issued by the AI and redeemable within the LCR period</i>	484,548	484,548
9	Secured funding transactions (including securities swap transactions)		967,690
10	Additional requirements, of which:	23,187,513	4,826,119
11	<i>Cash outflows arising from derivative contracts and other transactions, and additional liquidity needs arising from related collateral requirements</i>	971,647	971,647
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>	22,215,866	3,854,472
14	Contractual lending obligations (not otherwise covered in Section B) and other contractual cash outflows	3,346,832	3,346,832
15	Other contingent funding obligations (whether contractual or non-contractual)	5,100,669	428,726
16	Total Cash Outflows		88,050,306
C. Cash Inflows			
17	Secured lending transactions (including securities swap transactions)	-	-
18	Secured and unsecured loans (other than secured lending transactions covered in row 17) and operational deposits placed at other financial institutions	69,333,547	46,163,213
19	Other cash inflows	12,838,475	12,284,858
20	Total Cash Inflows	82,172,022	58,448,071
D. Liquidity Coverage Ratio			
21	Total HQLA		48,589,631
22	Total Net Cash Outflows		30,390,285
23	LCR (%)		163.8%

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4. Liquidity (continued)

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

For the quarter ended 30 June 2020

Number of data points used in calculating the average value of the LCR and related components set out in this template: 71		HK\$'000 equivalent	
		(a)	(b)
Basis of disclosure: consolidated / unconsolidated / Hong Kong office (delete as appropriate)		Unweighted value (average)	Weighted value (average)
A. HQLA			
1	Total HQLA		49,341,655
B. Cash outflows			
2	Retail deposits and small business funding, of which:	145,406,231	11,199,448
3	<i>Stable retail deposits and stable small business funding</i>	4,308,862	215,443
4	<i>Less stable retail deposits and less stable small business funding</i>	78,582,740	7,858,274
4a	<i>Retail term deposits and small business term funding</i>	62,514,629	3,125,731
5	Unsecured wholesale funding (other than small business funding), and debt securities and prescribed instruments issued by the AI, of which:	92,728,557	65,621,814
6	<i>Operational deposits</i>	-	-
7	<i>Unsecured wholesale funding (other than small business funding) not covered in row 6</i>	91,725,580	64,618,837
8	<i>Debt securities and prescribed instruments issued by the AI and redeemable within the LCR period</i>	1,002,977	1,002,977
9	Secured funding transactions (including securities swap transactions)		1,320,352
10	Additional requirements, of which:	18,350,062	4,507,208
11	<i>Cash outflows arising from derivative contracts and other transactions, and additional liquidity needs arising from related collateral requirements</i>	865,128	865,128
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>	17,484,934	3,642,080
14	Contractual lending obligations (not otherwise covered in Section B) and other contractual cash outflows	5,278,432	5,278,432
15	Other contingent funding obligations (whether contractual or non-contractual)	4,754,499	411,180
16	Total Cash Outflows		88,338,434
C. Cash Inflows			
17	Secured lending transactions (including securities swap transactions)	-	-
18	Secured and unsecured loans (other than secured lending transactions covered in row 17) and operational deposits placed at other financial institutions	83,387,484	57,653,573
19	Other cash inflows	14,971,080	14,388,357
20	Total Cash Inflows	98,358,564	72,041,930
D. Liquidity Coverage Ratio			
21	Total HQLA		49,341,655
22	Total Net Cash Outflows		22,897,653
23	LCR (%)		227.9%

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4. Liquidity (continued)

4.1 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 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 Bank's average LCR for the second and third quarter of 2020 remained strong at 227.9% and 163.8% respectively. The decrease of the average LCR in the third quarter is mainly due to the increase in total net cash outflows.

The Bank maintains HQLA which can be sold or pledged as collateral to provide liquidity even under periods of stress. The Bank 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 Bank's primary source of funds, together with deposits and balances from banks. The Bank 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.