



招商永隆銀行
CMB WING LUNG BANK

Regulatory Disclosures

As at 30 September 2021

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 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 2021 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 September 2021 HK\$'000	As at 30 June 2021 HK\$'000	As at 31 March 2021 HK\$'000	As at 31 December 2020 HK\$'000	As at 30 September 2020 HK\$'000
Regulatory capital (amount)						
1	Common Equity Tier 1 (CET1)	39,144,997	35,570,963	34,130,952	33,284,337	33,230,243
2	Tier 1	46,719,570	43,145,536	41,705,525	40,858,910	40,804,816
3	Total capital	52,938,978	49,396,666	47,950,801	46,980,957	47,098,862
RWA (amount)						
4	Total RWA	262,898,910	263,757,194	261,370,033	250,652,923	257,337,882
Risk-based regulatory capital ratios (as a percentage of RWA)						
5	CET1 ratio (%)	14.9%	13.5%	13.1%	13.3%	12.9%
6	Tier 1 ratio (%)	17.8%	16.4%	16.0%	16.3%	15.9%
7	Total capital ratio (%)	20.1%	18.7%	18.3%	18.7%	18.3%
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 (%)	0.596%	0.591%	0.566%	0.572%	0.591%
10	Higher loss absorbency requirements (%) (applicable only to G-SIBs or D-SIBs)	-	-	-	-	-
11	Total AI-specific CET1 buffer requirements (%)	3.096%	3.091%	3.066%	3.072%	3.091%
12	CET1 available after meeting the AI's minimum capital requirements (%)	10.4%	9.0%	8.6%	8.8%	8.4%
Basel III leverage ratio						
13	Total leverage ratio (LR) exposure measure	375,820,926	384,680,250	397,864,958	380,414,501	370,622,611
14	LR (%)	12.4%	11.2%	10.5%	10.7%	11.0%
Liquidity Coverage Ratio (LCR) / Liquidity Maintenance Ratio (LMR)						
	Applicable to category 1 institution only:					
15	Total high quality liquid assets (HQLA)	71,064,697	63,138,436	57,072,729	69,462,873	48,589,631
16	Total net cash outflows	41,969,493	34,240,803	33,280,922	41,671,128	30,390,285
17	LCR (%)	181.5%	188.7%	174.3%	172.5%	163.8%
	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	235,611,699	238,008,499	235,556,537	232,532,575	224,384,482
19	Total required stable funding	175,802,284	178,337,457	180,222,445	173,088,690	174,546,827
20	NSFR (%)	134.0%	133.5%	130.7%	134.3%	128.6%
	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 2021, total RWA decreased by HK\$858 million, mainly due to the decrease in credit risk RWA for non-securitization exposures, which was mainly driven by the decrease in corporate loans.

		(a)	(b)	(c)
		RWA		Minimum capital requirements
		As at 30 September 2021 HK\$'000	As at 30 June 2021 HK\$'000	As at 30 September 2021 HK\$'000
1	Credit risk for non-securitization exposures	240,316,360	241,052,477	19,225,309
2	Of which STC approach	240,316,360	241,052,477	19,225,309
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	1,506,200	1,827,862	120,496
7	Of which SA-CCR approach	694,106	742,300	55,528
7a	Of which CEM	-	-	-
8	Of which IMM(CCR) approach	-	-	-
9	Of which others	-	-	-
10	CVA risk	235,850	232,363	18,868
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	4,254,313	2,227,575	340,345
21	Of which STM approach	4,254,313	2,227,575	340,345
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	11,646,825	11,544,063	931,746
24a	Sovereign concentration risk	-	-	-
25	Amounts below the thresholds for deduction (subject to 250% RW)	7,038,413	8,971,905	563,073
26	Capital floor adjustment	-	-	-
26a	Deduction to RWA	2,099,051	2,099,051	167,924

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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 2021 HK\$'000	As at 30 June 2021 HK\$'000	As at 30 September 2021 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	2,099,051	2,099,051	167,924
27	Total	262,898,910	263,757,194	21,031,913

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 2021	As at 30 June 2021
On-balance sheet exposures			
1	On-balance sheet exposures (excluding those arising from derivative contracts and SFTs, but including collateral)	367,991,362	376,335,951
2	Less: Asset amounts deducted in determining Tier 1 capital	(4,489,258)	(4,959,365)
3	Total on-balance sheet exposures (excluding derivative contracts and SFTs)	363,502,104	371,376,586
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)	358,216	633,213
5	Add-on amounts for PFE associated with all derivative contracts	1,204,108	1,068,876
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	(60,123)	(36,183)
8	Less: Exempted CCP leg of client-cleared trade exposures	-	-
9	Adjusted effective notional amount of written credit-related derivative contracts	-	-
10	Less: Adjusted effective notional offsets and add-on deductions for written credit-related derivative contracts	-	-
11	Total exposures arising from derivative contracts	1,502,201	1,665,906
Exposures arising from SFTs			
12	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	870,491	1,168,565
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	870,491	1,168,565
Other off-balance sheet exposures			
17	Off-balance sheet exposure at gross notional amount	39,472,148	38,930,760
18	Less: Adjustments for conversion to credit equivalent amounts	(29,476,835)	(28,421,483)
19	Off-balance sheet items	9,995,313	10,509,277
Capital and total exposures			
20	Tier 1 capital	46,719,570	43,145,536
20a	Total exposures before adjustments for specific and collective provisions	375,870,109	384,720,334
20b	Adjustments for specific and collective provisions	(49,183)	(40,084)
21	Total exposures after adjustments for specific and collective provisions	375,820,926	384,680,250
Leverage ratio			
22	Leverage ratio	12.4%	11.2%

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4 Liquidity

4.1 LIQ1: Liquidity Coverage Ratio - for category 1 institution

For the quarter ended 30 September 2021

Number of data points used in calculating the average value of the LCR and related components set out in this template: (77)		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		71,064,697
B. Cash outflows			
2	Retail deposits and small business funding, of which:	140,015,900	11,692,731
3	<i>Stable retail deposits and stable small business funding</i>	5,155,485	257,774
4	<i>Less stable retail deposits and less stable small business funding</i>	93,838,730	9,383,873
4a	<i>Retail term deposits and small business term funding</i>	41,021,685	2,051,084
5	Unsecured wholesale funding (other than small business funding), and debt securities and prescribed instruments issued by the AI, of which:	116,848,316	74,694,474
6	<i>Operational deposits</i>	-	-
7	<i>Unsecured wholesale funding (other than small business funding) not covered in row 6</i>	116,629,393	74,475,551
8	<i>Debt securities and prescribed instruments issued by the AI and redeemable within the LCR period</i>	218,923	218,923
9	Secured funding transactions (including securities swap transactions)		584,576
10	Additional requirements, of which:	18,122,226	3,936,362
11	<i>Cash outflows arising from derivative contracts and other transactions, and additional liquidity needs arising from related collateral requirements</i>	1,408,268	1,408,268
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>	16,713,958	2,528,094
14	Contractual lending obligations (not otherwise covered in Section B) and other contractual cash outflows	4,053,127	4,053,127
15	Other contingent funding obligations (whether contractual or non-contractual)	5,389,490	430,527
16	Total Cash Outflows		95,391,797
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	77,740,422	46,415,289
19	Other cash inflows	7,969,811	7,245,285
20	Total Cash Inflows	85,710,233	53,660,574
D. Liquidity Coverage Ratio			Adjusted value
21	Total HQLA		71,064,697
22	Total Net Cash Outflows		41,969,493
23	LCR (%)		181.5%

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4 Liquidity (continued)

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

For the quarter ended 30 June 2021

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		63,138,436
B. Cash outflows			
2	Retail deposits and small business funding, of which:	141,487,517	11,731,578
3	<i>Stable retail deposits and stable small business funding</i>	5,111,969	255,598
4	<i>Less stable retail deposits and less stable small business funding</i>	93,144,055	9,314,405
4a	<i>Retail term deposits and small business term funding</i>	43,231,493	2,161,575
5	Unsecured wholesale funding (other than small business funding), and debt securities and prescribed instruments issued by the AI, of which:	99,017,384	63,833,519
6	<i>Operational deposits</i>	-	-
7	<i>Unsecured wholesale funding (other than small business funding) not covered in row 6</i>	98,064,590	62,880,725
8	<i>Debt securities and prescribed instruments issued by the AI and redeemable within the LCR period</i>	952,794	952,794
9	Secured funding transactions (including securities swap transactions)		670,791
10	Additional requirements, of which:	20,948,551	4,779,227
11	<i>Cash outflows arising from derivative contracts and other transactions, and additional liquidity needs arising from related collateral requirements</i>	1,833,933	1,833,933
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>	19,114,618	2,945,294
14	Contractual lending obligations (not otherwise covered in Section B) and other contractual cash outflows	4,214,860	4,214,860
15	Other contingent funding obligations (whether contractual or non-contractual)	5,957,612	477,042
16	Total Cash Outflows		85,707,017
C. Cash Inflows			
17	Secured lending transactions (including securities swap transactions)	19,551	19,551
18	Secured and unsecured loans (other than secured lending transactions covered in row 17) and operational deposits placed at other financial institutions	73,764,503	42,757,979
19	Other cash inflows	9,328,985	8,688,684
20	Total Cash Inflows	83,113,039	51,466,214
D. Liquidity Coverage Ratio			Adjusted value
21	Total HQLA		63,138,436
22	Total Net Cash Outflows		34,240,803
23	LCR (%)		188.7%

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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 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 second and third quarters of 2021 remained stable at 188.7% and 181.5% 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.