

# **Regulatory Disclosures**

## **30 September 2019**



**集友銀行**  
*Chiyu Banking Corporation Ltd.*

<b>CONTENTS</b>	<b>PAGE</b>
<b>1. Basis of reporting</b>	<b>1</b>
<b>2. Key prudential ratios and overview of RWA</b>	<b>2</b>
KM1: Key prudential ratios	2
OV1: Overview of RWA	3
<b>3. Leverage ratio</b>	<b>4</b>
LR2: Leverage ratio	4
<b>4. Liquidity</b>	<b>5</b>
LIQ1: Liquidity Coverage Ratio	5
<b>5. Credit risk for non-securitization exposures</b>	<b>7</b>
CR8: RWA flow statements of credit risk exposures under IRB approach	7
<b>6. Counterparty Credit risk</b>	<b>7</b>
CCR7: RWA flow statements of default risk exposures under IMM (CCR) approach	7
<b>7. Market risk</b>	<b>7</b>
MR2: RWA flow statements of market risk exposures under IMM approach	7

---

## 1. Basis of reporting

### **Liquidity Coverage Ratio (LCR):**

The average value of liquidity coverage ratio is computed on the consolidated basis which comprises the positions of local offices, overseas branches and subsidiaries of the Bank specified by the Hong Kong Monetary Authority ("HKMA") for its regulatory purposes and in accordance with the Banking (Liquidity) Rules.

### **Net Stable Funding Ratio (NSFR):**

The net stable funding ratio is computed on the consolidated basis which comprises the positions of local offices, overseas branches and subsidiaries of the Bank specified by the HKMA for its regulatory purposes and in accordance with the Banking (Liquidity) Rules.

### **Capital Adequacy Ratio (CAR):**

Total capital ratio is computed on consolidated basis which comprises the positions of the Bank's local offices, overseas branches and designated subsidiaries specified by the HKMA for its regulatory purposes and in accordance with the Banking (Capital) Rules.

## 2. Key prudential ratios and overview of RWA

### KM1: Key prudential ratios

		At 30 September 2019	At 30 June 2019	At 31 March 2019	At 31 December 2018	At 30 September 2018
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	Regulatory capital (amount)					
1	Common Equity Tier 1 (CET1)	9,859,909	9,533,110	9,575,943	7,758,669	6,058,016
2	Tier 1	11,797,621	11,470,822	11,513,655	9,696,381	7,995,728
3	Total capital	12,915,837	12,557,531	12,522,130	10,643,302	8,924,709
	RWA (amount)					
4	Total RWA	72,370,938	69,422,316	60,555,177	50,695,553	46,950,506
	Risk-based regulatory capital ratios (as a percentage of RWA)					
5	CET1 ratio (%)	13.62	13.73	15.81	15.30	12.90
6	Tier 1 ratio (%)	16.30	16.52	19.01	19.13	17.03
7	Total capital ratio (%)	17.85	18.09	20.68	20.99	19.01
	Additional CET1 buffer requirements (as a percentage of RWA)					
8	Capital conservation buffer requirement (%)	2.500	2.500	2.500	1.875	1.875
9	Countercyclical capital buffer requirement (%)	1.759	1.735	1.715	1.448	1.474
10	Higher loss absorbency requirements (%) (applicable only to G-SIBs or D-SIBs)	-	-	-	-	-
11	Total AI-specific CET1 buffer requirements (%)	4.259	4.235	4.215	3.323	3.349
12	CET1 available after meeting the AI's minimum capital requirements (%)	8.669	8.797	10.979	10.672	8.328
	Basel III leverage ratio					
13	Total leverage ratio (LR) exposure measure	144,887,070	148,840,305	130,142,152	105,325,379	92,497,743
14	LR (%)	8.14	7.71	8.85	9.21	8.64
	Liquidity Coverage Ratio (LCR)					
15	Total high quality liquid assets (HQLA)	21,638,779	20,171,323	13,721,926	12,325,150	11,674,500
16	Total net cash outflows	10,966,381	10,739,416	6,506,137	5,194,550	4,668,731
17	LCR (%)	205.53	191.46	218.71	244.69	250.75
	Net Stable Funding Ratio (NSFR)					
18	Total available stable funding	96,636,596	92,278,766	83,513,870	76,308,966	66,549,508
19	Total required stable funding	73,725,013	72,582,514	67,623,942	54,420,814	49,644,626
20	NSFR (%)	131.08	127.14	123.50	140.22	134.05

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

### OV1: Overview of RWA

		RWA		Minimum capital requirements
		At 30 September 2019	At 30 June 2019	At 30 September 2019
		HK\$'000	HK\$'000	HK\$'000
1	Credit risk for non-securitization exposures	65,852,206	62,963,902	5,549,386
2	Of which STC approach	7,266,995	4,915,748	581,360
2a	Of which BSC approach	-	-	-
3	Of which foundation IRB approach	58,585,211	58,048,154	4,968,026
4	Of which supervisory slotting criteria approach	-	-	-
5	Of which advanced IRB approach	-	-	-
6	Counterparty default risk and default fund contributions	40,165	209,159	3,402
7	Of which SA-CCR	Not applicable	Not applicable	Not applicable
7a	Of which CEM	40,165	133,284	3,402
8	Of which IMM(CCR) approach	-	-	-
9	Of which others	-	75,875	-
10	CVA risk	50,300	53,113	4,024
11	Equity positions in banking book under the simple risk-weight method and internal models method	-	-	-
12	Collective investment scheme ("CIS") exposures – LTA	Not applicable	Not applicable	Not applicable
13	CIS exposures – MBA	Not applicable	Not applicable	Not applicable
14	CIS exposures – FBA	Not applicable	Not applicable	Not applicable
14a	CIS exposures – combination of approaches	Not applicable	Not applicable	Not applicable
15	Settlement risk	-	-	-
16	Securitization exposures in banking book	-	-	-
17	Of which SEC-IRBA	-	-	-
18	Of which SEC-ERBA	-	-	-
19	Of which SEC-SA	-	-	-
19a	Of which SEC-FBA	-	-	-
20	Market risk	162,563	128,013	13,005
21	Of which STM approach	17,525	18,138	1,402
22	Of which IMM approach	145,038	109,875	11,603
23	Capital charge for switch between exposures in trading book and banking book (not applicable before the revised market risk framework takes effect)	Not applicable	Not applicable	Not applicable
24	Operational risk	3,522,388	3,350,138	281,791
24a	Sovereign concentration risk	-	-	-
25	Amounts below the thresholds for deduction (subject to 250% RW)	29,500	29,500	2,360
26	Capital floor adjustment	-	-	-
26a	Deduction to RWA	803,654	801,569	64,292
26b	Of which portion of regulatory reserve for general banking risks and collective provisions which is not included in Tier 2 Capital	4,140	2,448	331
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	799,514	799,121	63,961
27	<b>Total</b>	<b>68,853,468</b>	<b>65,932,256</b>	<b>5,789,676</b>

RWAs in this table are before the application of the 1.06 scaling factor following a clarification from the HKMA. Minimum capital requirement represents the amount of capital required to be held for that risk based on its RWAs after any applicable scaling factor multiplied by 8%.

### 3. Leverage ratio

#### LR2: Leverage ratio

		At 30 September 2019	At 30 June 2019
		HK\$'000	HK\$'000
<b>On-balance sheet exposures</b>			
1	On-balance sheet exposures (excluding those arising from derivative contracts and SFTs, but including collateral)	141,861,917	142,603,845
2	Less: Asset amounts deducted in determining Tier 1 capital	(1,977,417)	(1,978,436)
3	<b>Total on-balance sheet exposures (excluding derivative contracts and SFTs)</b>	<b>139,884,500</b>	<b>140,625,409</b>
<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)	101,589	123,256
5	Add-on amounts for PFE associated with all derivative contracts	131,045	132,574
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	(35,832)	(16,004)
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	<b>Total exposures arising from derivative contracts</b>	<b>196,802</b>	<b>239,826</b>
<b>Exposures arising from SFTs</b>			
12	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	2,200,000	4,953,184
13	Less: Netted amounts of cash payables and cash receivables of gross SFT assets	-	-
14	CCR exposure for SFT assets	-	103,300
15	Agent transaction exposures	-	-
16	<b>Total exposures arising from SFTs</b>	<b>2,200,000</b>	<b>5,056,484</b>
<b>Other off-balance sheet exposures</b>			
17	Off-balance sheet exposure at gross notional amount	12,780,175	13,334,733
18	Less: Adjustments for conversion to credit equivalent amounts	(9,565,257)	(9,815,584)
19	<b>Off-balance sheet items</b>	<b>3,214,918</b>	<b>3,519,149</b>
<b>Capital and total exposures</b>			
20	Tier 1 capital	11,797,621	11,470,822
20a	Total exposures before adjustments for specific and collective provisions	145,496,220	149,440,868
20b	Adjustments for specific and collective provisions	(609,150)	(600,563)
21	<b>Total exposures after adjustments for specific and collective provisions</b>	<b>144,887,070</b>	<b>148,840,305</b>
<b>Leverage ratio</b>			
22	<b>Leverage ratio</b>	<b>8.14%</b>	<b>7.71%</b>

## 4. Liquidity

### LIQ1: Liquidity Coverage Ratio

Number of data points used in calculating the average value of the LCR and related components set out in this template		For the quarter ended 30 September 2019: 77 data points	
Basis of disclosure: consolidated		Unweighted value (average)	Weighted value (average)
		HK\$'000	HK\$'000
<b>A. HQLA</b>			
1	Total HQLA		21,638,779
<b>B. Cash outflows</b>			
2	Retail deposits and small business funding, of which:	73,693,322	4,379,812
3	<i>Stable retail deposits and stable small business funding</i>	10,892,111	326,763
4	<i>Less stable retail deposits and less stable small business funding</i>	18,160,684	1,816,068
4a	<i>Retail term deposits and small business term funding</i>	44,640,527	2,236,981
5	Unsecured wholesale funding (other than small business funding), and debt securities and prescribed instruments issued by the AI, of which:	21,015,832	15,007,363
6	<i>Operational deposits</i>	2,948,772	689,675
7	<i>Unsecured wholesale funding (other than small business funding) not covered in row 6</i>	18,067,060	14,317,688
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)		1,427
10	Additional requirements, of which:	12,140,974	2,245,423
11	<i>Cash outflows arising from derivative contracts and other transactions, and additional liquidity needs arising from related collateral requirements</i>	236,923	236,923
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>	11,904,051	2,008,500
14	Contractual lending obligations (not otherwise covered in Section B) and other contractual cash outflows	1,325,410	1,325,410
15	Other contingent funding obligations (whether contractual or non-contractual)	1,627,095	54,084
16	<b>Total Cash Outflows</b>		<b>23,013,519</b>
<b>C. Cash Inflows</b>			
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	17,516,262	10,971,558
19	Other cash inflows	1,075,580	1,075,580
20	<b>Total Cash Inflows</b>	<b>18,591,842</b>	<b>12,047,138</b>
<b>D. Liquidity Coverage Ratio</b>			
21	<b>Total HQLA</b>		<b>21,638,779</b>
22	<b>Total Net Cash Outflows</b>		<b>10,966,381</b>
23	<b>LCR (%)</b>		<b>205.53%</b>

---

## 4. Liquidity (continued)

### LIQ1: Liquidity Coverage Ratio (continued)

Notes:

- The weighted amount of 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 principal 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 amounts 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.

In 2019, the Group has maintained a healthy liquidity position. The LCR was sensitive to the asset deployment and the funding structure of the Group. The average LCR of the first, second and third quarters were 218.71%, 191.46% and 205.53% respectively. The ratio has maintained at stable and healthy levels.

The HQLA consists of cash, balances at central banks and high quality marketable securities issued or guaranteed by sovereigns, central banks, public sector entities or multilateral development banks and non-financial corporate debt securities. In 2019, the majority of the HQLA was composed of Level 1 HQLA.

The net cash outflow was mainly from retail and corporate customer deposits which are the Group's primary source of funds, together with deposits and balances from banks and other financial institutions. To ensure stable, sufficient and diversified source of funds, the Group actively attracts new deposits, keeps the core deposits and obtains supplementary funding from the interbank market. Other cash outflow, such as commitment, cash outflow under derivative contracts and potential collateral requirement, were minimal to the LCR.

Majority of the Group's customer deposits are denominated in HKD, USD and RMB. As the supply of HKD denominated HQLA in the market is relatively limited, the Group swaps surplus HKD funding into USD and other foreign currencies, part of funding are deployed to investment in HQLA.



## 5. Credit risk for non-securitization exposures

### CR8: RWA flow statements of credit risk exposures under IRB approach

	HK\$'000
<b>1 RWA as at 30 June 2019</b>	<b>58,048,154</b>
2 Asset size	463,486
3 Asset quality	417,314
4 Model updates	-
5 Methodology and policy	-
6 Acquisitions and disposals	-
7 Foreign exchange movements	(343,743)
8 Other	-
<b>9 RWA as at 30 September 2019</b>	<b>58,585,211</b>

## 6. Counterparty Credit risk

### CCR7: RWA flow statements of default risk exposures under IMM (CCR) approach

The Group did not use IMM(CCR) approach to measure default risk exposures as at 30 September 2019.

## 7. Market risk

### MR2: RWA flow statements of market risk exposures under IMM approach

	VaR	Stressed VaR	IRC	CRC	Other	Total RWA
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>1 RWA as at 30 June 2019</b>	<b>65,300</b>	<b>44,575</b>	-	-	-	<b>109,875</b>
1a Regulatory adjustment	(43,949)	(26,587)	-	-	-	(70,536)
1b RWA as at day-end of 30 June 2019	21,351	17,988	-	-	-	39,339
2 Movement in risk levels	537	(288)	-	-	-	249
3 Model updates/changes	-	-	-	-	-	-
4 Methodology and policy	-	-	-	-	-	-
5 Acquisitions and disposals	-	-	-	-	-	-
6 Foreign exchange movements	-	-	-	-	-	-
7 Other	-	-	-	-	-	-
7a RWA as at day-end of 30 September 2019	21,888	17,700	-	-	-	39,588
7b Regulatory adjustment	57,450	48,000	-	-	-	105,450
<b>8 RWA as at 30 September 2019</b>	<b>79,338</b>	<b>65,700</b>	-	-	-	<b>145,038</b>