



**招商永隆銀行**  
**CMB WING LUNG BANK**

**Pillar 3 Disclosure – Key prudential ratios**

**As at 30 September 2018**

## Key prudential ratios

The following disclosures are made in accordance with Section 16AB of the Banking (Disclosure) Rules issued by the Hong Kong Monetary Authority (“HKMA”).

	(a)	(b)	(c)	(d)	(e)	
	As of 30 September 2018 HK\$'000	As of 30 June 2018 HK\$'000	As of 31 March 2018 HK\$'000	As of 31 December 2017 HK\$'000	As of 30 September 2017 HK\$'000	
<b>Regulatory capital (amount)</b>						
1	Common Equity Tier 1 (CET1)	27,248,304	26,298,426	26,236,147	25,495,623	24,755,309
2	Tier 1	31,821,534	30,871,656	30,809,377	30,059,025	29,315,824
3	Total capital	38,523,256	37,605,712	38,843,350	37,935,626	34,327,893
<b>RWA (amount)</b>						
4	Total RWA	212,795,604	211,734,816	216,174,196	208,143,014	206,611,050
<b>Risk-based regulatory capital ratios (as a percentage of RWA)</b>						
5	CET1 ratio (%)	12.8%	12.4%	12.1%	12.2%	12.0%
6	Tier 1 ratio (%)	15.0%	14.6%	14.3%	14.4%	14.2%
7	Total capital ratio (%)	18.1%	17.8%	18.0%	18.2%	16.6%
<b>Additional CET1 buffer requirements (as a percentage of RWA)</b>						
8	Capital conservation buffer requirement (%)	1.875%	1.875%	1.875%	1.250%	1.250%
9	Countercyclical capital buffer requirement (%)	1.100%	1.099%	1.079%	0.715%	0.714%
10	Higher loss absorbency requirements (%) (applicable only to G-SIBs or D-SIBs)	-	-	-	-	-
11	Total AI-specific CET1 buffer requirements (%)	2.975%	2.974%	2.954%	1.965%	1.964%
12	CET1 available after meeting the AI's minimum capital requirements (%)	8.3%	7.9%	7.6%	7.7%	7.5%
<b>Basel III leverage ratio</b>						
13	Total leverage ratio (LR) exposure measure	307,516,983	309,951,040	315,055,802	308,594,369	297,629,832
14	LR (%)	10.3%	10.0%	9.8%	9.7%	9.9%
<b>Liquidity Coverage Ratio (LCR) / Liquidity Maintenance Ratio (LMR)</b>						
Applicable to category 1 institution only:						
15	Total high quality liquid assets (HQLA)	26,994,934	27,410,594	34,531,290	36,045,195	N/A
16	Total net cash outflows	16,325,231	17,261,100	23,640,691	24,213,421	N/A
17	LCR (%)	164.4%	150.8%	147.3%	148.9%	N/A
Applicable to category 2 institution only:						
17a	LMR (%)	N/A	N/A	N/A	N/A	46.2%
<b>Net Stable Funding Ratio (NSFR) / Core Funding Ratio (CFR)</b>						
Applicable to category 1 institution only:						
18	Total available stable funding	201,657,500	196,304,932	202,475,580	N/A	N/A
19	Total required stable funding	146,852,429	156,748,768	161,570,091	N/A	N/A
20	NSFR (%)	137.3%	125.2%	125.3%	N/A	N/A
Applicable to category 2A institution only:						
20a	CFR (%)	N/A	N/A	N/A	N/A	N/A



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**Pillar 3 Disclosure – Overview of Risk Weighted Amount**

**As at 30 September 2018**

## **Overview of Risk Weighted Amount**

The following disclosures are made in accordance with Section 16C of the Banking (Disclosure) Rules issued by the Hong Kong Monetary Authority (“HKMA”).

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 2018, total RWAs increased by HK\$1.1Bn, mainly due to the increase in RWAs for credit risk for non-securitisation exposures, which was driven by the increase in placements with and loans and advances to banks.

## Overview of Risk Weighted Amount

		(a)	(b)	(c)
		RWA		Minimum capital requirements
		As of 30 September 2018 HK\$'000	As of 30 June 2018 HK\$'000	As of 30 September 2018 HK\$'000
1	Credit risk for non-securitization exposures	190,953,492	190,393,804	15,276,279
2	Of which STC approach	190,953,492	190,393,804	15,276,279
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	1,316,222	1,520,997	105,298
7	Of which SA-CCR*	Not applicable	Not applicable	Not applicable
7a	Of which CEM	683,865	608,050	54,709
8	Of which IMM(CCR) approach	-	-	-
9	Of which others	-	-	-
10	CVA risk	316,725	323,238	25,338
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	5,050,763	4,660,563	404,061
21	Of which STM approach	5,050,763	4,660,563	404,061
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)*	Not applicable	Not applicable	Not applicable
24	Operational risk	10,489,000	10,395,000	839,120
25	Amounts below the thresholds for deduction (subject to 250% RW)	6,872,538	6,644,350	549,803
26	Capital floor adjustment	-	-	-
26a	Deduction to RWA	2,203,136	2,203,136	176,251
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	2,203,136	2,203,136	176,251
27	Total	212,795,604	211,734,816	17,023,648

1. 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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**Pillar 3 Disclosure – Leverage Ratio**

**As at 30 September 2018**

## **Leverage Ratio**

The following disclosures are made in accordance with Section 16FH and 16FI of the Banking (Disclosure) Rules issued by the Hong Kong Monetary Authority (“HKMA”).

1. Summary comparison of accounting assets against leverage ratio exposure measure
2. Leverage ratio

**1. Summary comparison of accounting assets against leverage ratio ("LR") exposure measure**

**As at 30 September 2018**

		(a)
<b>Item</b>		<b>Value under the LR framework</b>
		(HK\$ '000)
1	Total consolidated assets as per published financial statements	300,469,283
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	(3,036,902)
3	Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting standard but excluded from the LR exposure measure	-
4	Adjustments for derivative contracts	1,054,609
5	Adjustment for SFTs (i.e. repos and similar secured lending)	-
6	Adjustment for off-balance sheet ("OBS") items (i.e. conversion to credit equivalent amounts of OBS exposures)	14,827,343
6a	Adjustment for specific and collective provisions that are allowed to be excluded from exposure measure	(18,099)
7	Other adjustments	(5,779,251)
<b>8</b>	<b>Leverage ratio exposure measure</b>	<b>307,516,983</b>



## 2. Leverage ratio

As at 30 September 2018

		(a)	(b)
		HK\$ '000	
		As of 30 September 2018	As of 30 June 2018
<b>On-balance sheet exposures</b>			
1	On-balance sheet exposures (excluding those arising from derivative contracts and SFTs, but including collateral)	296,175,217	296,824,152
2	Less: Asset amounts deducted in determining Tier 1 capital	(5,779,251)	(5,931,285)
3	<b>Total on-balance sheet exposures (excluding derivative contracts and SFTs)</b>	290,395,966	290,892,867
<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)	603,151	708,486
5	Add-on amounts for PFE associated with all derivative contracts	1,101,767	921,264
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	(47,158)	(72,784)
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>	1,657,760	1,556,966
<b>Exposures arising from SFTs</b>			
12	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	654,013	2,405,697
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	<b>Total exposures arising from SFTs</b>	654,013	2,405,697
<b>Other off-balance sheet exposures</b>			
17	Off-balance sheet exposure at gross notional amount	43,751,105	52,024,298
18	Less: Adjustments for conversion to credit equivalent amounts	(28,923,762)	(36,911,473)
19	<b>Off-balance sheet items</b>	14,827,343	15,112,825
<b>Capital and total exposures</b>			
20	<b>Tier 1 capital</b>	31,821,534	30,871,656
20a	<b>Total exposures before adjustments for specific and collective provisions</b>	307,535,082	309,968,355
20b	<b>Adjustments for specific and collective provisions</b>	(18,099)	(17,315)
21	<b>Total exposures after adjustments for specific and collective provisions</b>	307,516,983	309,951,040
<b>Leverage ratio</b>			
22	<b>Leverage ratio</b>	10.3%	10.0%



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**Pillar 3 Disclosure – Liquidity**

**As at 30 September 2018**

## Liquidity

The following disclosures are made in accordance with sections 16FK and 16FL of the Banking (Disclosure) Rules.

### Liquidity Coverage Ratio - for category 1 institution

For the quarter ended 30 September 2018

Number of data points used in calculating the average value of the LCR and related components set out in this template : ( 76 )		HK\$'000 equivalent	
		(a)	(b)
Basis of disclosure : Unconsolidated		Unweighted value (average)	Weighted value (average)
<b>A. HQLA</b>			
1	Total HQLA		26,994,934
<b>B. Cash outflows</b>			
2	Retail deposits and small business funding, of which:	139,947,836	10,645,601
3	<i>Stable retail deposits and stable small business funding</i>	3,625,886	181,294
4	<i>Less stable retail deposits and less stable small business funding</i>	72,964,181	7,296,418
4a	<i>Retail term deposits and small business term funding</i>	63,357,769	3,167,889
5	Unsecured wholesale funding (other than small business funding), and debt securities and prescribed instruments issued by the AI, of which:	66,479,059	44,152,502
6	<i>Operational deposits</i>	-	-
7	<i>Unsecured wholesale funding (other than small business funding) not covered in row 6</i>	64,505,447	42,178,890
8	<i>Debt securities and prescribed instruments issued by the AI and redeemable within the LCR period</i>	1,973,612	1,973,612
9	Secured funding transactions (including securities swap transactions)	124,788	124,788
10	Additional requirements, of which:	24,114,923	6,580,922
11	<i>Cash outflows arising from derivative contracts and other transactions, and additional liquidity needs arising from related collateral requirements</i>	709,907	709,907
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>	23,405,016	5,871,015
14	Contractual lending obligations (not otherwise covered in Section B) and other contractual cash outflows	1,716,060	1,716,060
15	Other contingent funding obligations (whether contractual or non-contractual)	26,195,260	855,070
16	<b>Total Cash Outflows</b>		64,074,943
<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	53,958,954	43,906,640
19	Other cash inflows	9,047,849	8,651,264
20	<b>Total Cash Inflows</b>	63,006,803	52,557,904
<b>D. Liquidity Coverage Ratio</b>		<b>Adjusted value</b>	
21	<b>Total HQLA</b>		26,994,934
22	<b>Total Net Cash Outflows</b>		16,325,231
23	<b>LCR (%)</b>		164.4%

Liquidity Coverage Ratio - for category 1 institution  
For the quarter ended 30 June 2018

Number of data points used in calculating the average value of the LCR and related components set out in this template : ( 73 )		HK\$'000 equivalent	
		(a)	(b)
Basis of disclosure : Unconsolidated		Unweighted value (average)	Weighted value (average)
<b>A. HQLA</b>			
1	Total HQLA		27,410,594
<b>B. Cash outflows</b>			
2	Retail deposits and small business funding, of which:	135,286,875	10,335,416
3	<i>Stable retail deposits and stable small business funding</i>	3,737,935	186,897
4	<i>Less stable retail deposits and less stable small business funding</i>	71,421,439	7,142,144
4a	<i>Retail term deposits and small business term funding</i>	60,127,501	3,006,375
5	Unsecured wholesale funding (other than small business funding), and debt securities and prescribed instruments issued by the AI, of which:	64,271,984	42,546,984
6	<i>Operational deposits</i>	-	-
7	<i>Unsecured wholesale funding (other than small business funding) not covered in row 6</i>	62,160,338	40,435,338
8	<i>Debt securities and prescribed instruments issued by the AI and redeemable within the LCR period</i>	2,111,646	2,111,646
9	Secured funding transactions (including securities swap transactions)	686,471	686,471
10	Additional requirements, of which:	31,636,684	8,701,103
11	<i>Cash outflows arising from derivative contracts and other transactions, and additional liquidity needs arising from related collateral requirements</i>	888,070	888,070
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>	30,748,614	7,813,033
14	Contractual lending obligations (not otherwise covered in Section B) and other contractual cash outflows	1,472,378	1,472,378
15	Other contingent funding obligations (whether contractual or non-contractual)	27,684,493	745,667
16	<b>Total Cash Outflows</b>		64,488,019
<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	50,546,961	41,429,019
19	Other cash inflows	6,193,123	5,797,900
20	<b>Total Cash Inflows</b>	56,740,084	47,226,919
<b>D. Liquidity Coverage Ratio</b>		<b>Adjusted value</b>	
21	<b>Total HQLA</b>		27,410,594
22	<b>Total Net Cash Outflows</b>		17,261,100
23	<b>LCR (%)</b>		150.8%

## 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 Group's average LCR of the second and third quarter in 2018 remained stable at 150.8% and 164.4% 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.