

# Regulatory Disclosures

31 March 2019



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



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## **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, overview of risk management and RWA

### KM1: Key prudential ratios

		At 31 March 2019	At 31 December 2018	At 30 September 2018	At 30 June 2018	At 31 March 2018
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Regulatory capital (amount)</b>						
1	Common Equity Tier 1 (CET1)	9,575,943	7,758,669	6,058,016	5,902,332	6,096,372
2	Tier 1	11,513,655	9,696,381	7,995,728	7,840,044	8,034,084
3	Total capital	12,522,130	10,643,302	8,924,709	8,757,724	8,902,014
<b>RWA (amount)</b>						
4	Total RWA	60,555,177	50,695,553	46,950,506	46,940,300	46,636,100
<b>Risk-based regulatory capital ratios (as a percentage of RWA)</b>						
5	CET1 ratio (%)	15.81	15.30	12.90	12.57	13.07
6	Tier 1 ratio (%)	19.01	19.13	17.03	16.70	17.23
7	Total capital ratio (%)	20.68	20.99	19.01	18.66	19.09
<b>Additional CET1 buffer requirements (as a percentage of RWA)</b>						
8	Capital conservation buffer requirement (%)	2.500	1.875	1.875	1.875	1.875
9	Countercyclical capital buffer requirement (%)	1.715	1.448	1.474	1.460	1.500
10	Higher loss absorbency requirements (%) (applicable only to G-SIBs or D-SIBs)	-	-	-	-	-
11	Total AI-specific CET1 buffer requirements (%)	4.215	3.323	3.349	3.335	3.375
12	CET1 available after meeting the AI's minimum capital requirements (%)	10.979	10.672	8.328	8.029	8.433
<b>Basel III leverage ratio</b>						
13	Total leverage ratio (LR) exposure measure	130,142,152	105,325,379	92,497,743	87,457,854	85,576,149
14	LR (%)	8.85	9.21	8.64	8.96	9.39
<b>Liquidity Coverage Ratio (LCR)</b>						
15	Total high quality liquid assets (HQLA)	13,721,926	12,325,150	11,674,500	12,059,015	8,752,136
16	Total net cash outflows	6,506,137	5,194,550	4,668,731	6,823,982	5,982,046
17	LCR (%)	218.71	244.69	250.75	186.29	152.06
<b>Net Stable Funding Ratio (NSFR)</b>						
18	Total available stable funding	83,513,870	76,308,966	66,549,508	61,826,104	58,181,243
19	Total required stable funding	67,623,942	54,420,814	49,644,626	49,476,635	47,993,441
20	NSFR (%)	123.50	140.22	134.05	124.96	121.23

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

### OV1: Overview of RWA

		RWA		Minimum capital requirements
		At 31 March 2019	At 31 December 2018	At 31 March 2019
		HK\$'000	HK\$'000	HK\$'000
1	Credit risk for non-securitization exposures	54,868,739	45,457,842	4,635,661
2	Of which STC approach	3,584,853	2,554,124	286,788
2a	Of which BSC approach	-	-	-
3	Of which foundation IRB approach	51,283,886	42,903,718	4,348,873
4	Of which supervisory slotting criteria approach	-	-	-
5	Of which advanced IRB approach	-	-	-
6	Counterparty default risk and default fund contributions	179,540	212,134	14,564
7	Of which SA-CCR	Not applicable	Not applicable	Not applicable
7a	Of which CEM	129,030	47,746	10,515
8	Of which IMM(CCR) approach	-	-	-
9	Of which others	50,510	164,388	4,049
10	CVA risk	53,063	72,925	4,245
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	1,094	-	88
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	98,813	211,275	7,905
21	Of which STM approach	18,625	18,150	1,490
22	Of which IMM approach	80,188	193,125	6,415
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	3,037,438	2,925,463	242,995
25	Amounts below the thresholds for deduction (subject to 250% RW)	19,500	19,500	1,560
26	Capital floor adjustment	-	-	-
26a	Deduction to RWA	782,545	782,163	62,604
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	782,545	782,163	62,604
27	<b>Total</b>	<b>57,475,642</b>	<b>48,116,976</b>	<b>4,844,414</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 31 March 2019	At 31 December 2018
		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)	125,348,604	103,110,687
2	Less: Asset amounts deducted in determining Tier 1 capital	(1,903,077)	(1,860,296)
<b>3</b>	<b>Total on-balance sheet exposures (excluding derivative contracts and SFTs)</b>	<b>123,445,527</b>	<b>101,250,391</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)	101,195	81,976
5	Add-on amounts for PFE associated with all derivative contracts	130,637	148,312
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	-	-
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	-	-
<b>11</b>	<b>Total exposures arising from derivative contracts</b>	<b>231,832</b>	<b>230,288</b>
<b>Exposures arising from SFTs</b>			
12	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	3,781,707	1,531,520
13	Less: Netted amounts of cash payables and cash receivables of gross SFT assets	-	-
14	CCR exposure for SFT assets	23,300	17,459
15	Agent transaction exposures	-	-
<b>16</b>	<b>Total exposures arising from SFTs</b>	<b>3,805,007</b>	<b>1,548,979</b>
<b>Other off-balance sheet exposures</b>			
17	Off-balance sheet exposure at gross notional amount	11,875,010	11,447,268
18	Less: Adjustments for conversion to credit equivalent amounts	(8,761,019)	(8,792,393)
<b>19</b>	<b>Off-balance sheet items</b>	<b>3,113,991</b>	<b>2,654,875</b>
<b>Capital and total exposures</b>			
<b>20</b>	<b>Tier 1 capital</b>	<b>11,513,655</b>	<b>9,696,381</b>
<b>20a</b>	<b>Total exposures before adjustments for specific and collective provisions</b>	<b>130,596,357</b>	<b>105,684,533</b>
<b>20b</b>	<b>Adjustments for specific and collective provisions</b>	<b>(454,205)</b>	<b>(359,154)</b>
<b>21</b>	<b>Total exposures after adjustments for specific and collective provisions</b>	<b>130,142,152</b>	<b>105,325,379</b>
<b>Leverage ratio</b>			
<b>22</b>	<b>Leverage ratio</b>	<b>8.85%</b>	<b>9.21%</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 31 March 2019: 73 data points	
		Unweighted value (average)	Weighted value (average)
Basis of disclosure: consolidated		HK\$'000	HK\$'000
<b>A. HQLA</b>			
1	Total HQLA		13,767,298
<b>B. Cash outflows</b>			
2	Retail deposits and small business funding, of which:	62,037,527	3,652,607
3	<i>Stable retail deposits and stable small business funding</i>	10,206,064	306,182
4	<i>Less stable retail deposits and less stable small business funding</i>	15,004,216	1,500,422
4a	<i>Retail term deposits and small business term funding</i>	36,827,247	1,846,003
5	Unsecured wholesale funding (other than small business funding), and debt securities and prescribed instruments issued by the AI, of which:	18,351,886	12,960,415
6	<i>Operational deposits</i>	3,395,458	801,596
7	<i>Unsecured wholesale funding (other than small business funding) not covered in row 6</i>	14,956,428	12,158,819
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)		-
10	Additional requirements, of which:	10,712,840	1,769,649
11	<i>Cash outflows arising from derivative contracts and other transactions, and additional liquidity needs arising from related collateral requirements</i>	230,431	230,431
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>	10,482,409	1,539,218
14	Contractual lending obligations (not otherwise covered in Section B) and other contractual cash outflows	2,170,065	2,170,065
15	Other contingent funding obligations (whether contractual or non-contractual)	1,933,723	65,988
<b>16</b>	<b>Total Cash Outflows</b>		<b>20,618,724</b>
<b>C. Cash Inflows</b>			
17	Secured lending transactions (including securities swap transactions)	12,920	-
18	Secured and unsecured loans (other than secured lending transactions covered in row 17) and operational deposits placed at other financial institutions	18,553,373	14,617,723
19	Other cash inflows	1,009,928	1,009,928
<b>20</b>	<b>Total Cash Inflows</b>	<b>19,576,221</b>	<b>15,627,651</b>
<b>D. Liquidity Coverage Ratio</b>			
<b>21</b>	<b>Total HQLA</b>		<b>13,721,926</b>
<b>22</b>	<b>Total Net Cash Outflows</b>		<b>6,506,137</b>
<b>23</b>	<b>LCR (%)</b>		<b>218.71%</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 quarters was 218.71%. 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 deposit which are the Group's primary source of funds, together with deposit and balance from bank and other financial institution. To ensure stable, sufficient and diversified source of funds, the Group actively attracts new deposits, keeps the core deposit and obtains supplementary funding from the interbank market. Other cash outflow, such as commitment, cash outflow under derivative contract 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</b>	<b>RWA as at 31 December 2018</b>	<b>42,903,718</b>
2	Asset size	8,164,721
3	Asset quality	129,673
4	Model updates	-
5	Methodology and policy	-
6	Acquisitions and disposals	-
7	Foreign exchange movements	85,774
8	Other	-
<b>9</b>	<b>RWA as at 31 March 2019</b>	<b>51,283,886</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 31 March 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</b>	<b>RWA as at 31 December 2018</b>	<b>98,988</b>	<b>94,137</b>	-	-	-	<b>193,125</b>
1a	Regulatory adjustment	(67,875)	(64,374)	-	-	-	(132,249)
1b	RWA as at day-end of 31 December 2018	31,113	29,763	-	-	-	60,876
2	Movement in risk levels	(26,200)	(28,438)	-	-	-	(54,638)
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 31 March 2019	4,913	1,325	-	-	-	6,238
7b	Regulatory adjustment	39,537	34,413	-	-	-	73,950
<b>8</b>	<b>RWA as at 31 March 2019</b>	<b>44,450</b>	<b>35,738</b>	-	-	-	<b>80,188</b>