

Regulatory Disclosures

31 March 2020



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 and overview of RWA

KM1: Key prudential ratios

		At 31 March 2020	At 31 December 2019	At 30 September 2019	At 30 June 2019	At 31 March 2019
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Regulatory capital (amount)						
1	Common Equity Tier 1 (CET1)	10,526,459	10,146,991	9,859,909	9,533,110	9,575,943
2	Tier 1	12,464,171	12,084,703	11,797,621	11,470,822	11,513,655
3	Total capital	13,615,925	13,222,608	12,915,837	12,557,531	12,522,130
RWA (amount)						
4	Total RWA	76,270,830	74,655,828	72,370,938	69,422,316	60,555,177
Risk-based regulatory capital ratios (as a percentage of RWA)						
5	CET1 ratio (%)	13.80	13.59	13.62	13.73	15.81
6	Tier 1 ratio (%)	16.34	16.19	16.30	16.52	19.01
7	Total capital ratio (%)	17.85	17.71	17.85	18.09	20.68
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 (%)	0.708	1.426	1.759	1.735	1.715
10	Higher loss absorbency requirements (%) (applicable only to G-SIBs or D-SIBs)	-	-	-	-	-
11	Total AI-specific CET1 buffer requirements (%)	3.208	3.926	4.259	4.235	4.215
12	CET1 available after meeting the AI's minimum capital requirements (%)	8.812	8.615	8.669	8.797	10.979
Basel III leverage ratio						
13	Total leverage ratio (LR) exposure measure	155,554,089	154,471,671	144,887,070	148,840,305	130,142,152
14	LR (%)	8.01	7.82	8.14	7.71	8.85
Liquidity Coverage Ratio (LCR)						
15	Total high quality liquid assets (HQLA)	26,237,542	24,453,791	21,638,779	20,171,323	13,721,926
16	Total net cash outflows	12,027,541	11,883,939	10,966,381	10,739,416	6,506,137
17	LCR (%)	224.76	210.17	205.53	191.46	218.71
Net Stable Funding Ratio (NSFR)						
18	Total available stable funding	104,794,745	102,181,942	96,636,596	92,278,766	83,513,870
19	Total required stable funding	72,813,937	71,745,791	73,725,013	72,582,514	67,623,942
20	NSFR (%)	143.92	142.42	131.08	127.14	123.50

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

OV1: Overview of RWA

		RWA		Minimum capital requirements
		At 31 March 2020	At 31 December 2019	At 31 March 2020
		HK\$'000	HK\$'000	HK\$'000
1	Credit risk for non-securitization exposures	68,451,526	67,359,267	5,761,481
2	Of which STC approach	9,001,858	8,073,465	720,149
2a	Of which BSC approach	-	-	-
3	Of which foundation IRB approach	59,449,668	59,285,802	5,041,332
4	Of which supervisory slotting criteria approach	-	-	-
5	Of which advanced IRB approach	-	-	-
6	Counterparty default risk and default fund contributions	211,628	74,051	17,942
7	Of which SA-CCR	Not applicable	Not applicable	Not applicable
7a	Of which CEM	72,240	40,870	6,122
8	Of which IMM(CCR) approach	-	-	-
9	Of which others	139,388	33,181	11,820
10	CVA risk	74,563	43,263	5,965
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	223,500	165,113	17,880
21	Of which STM approach	17,475	17,888	1,398
22	Of which IMM approach	206,025	147,225	16,482
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	4,054,450	3,776,600	324,356
24a	Sovereign concentration risk	-	-	-
25	Amounts below the thresholds for deduction (subject to 250% RW)	479,500	479,500	38,360
26	Capital floor adjustment	-	-	-
26a	Deduction to RWA	803,966	803,518	64,318
26b	Of which portion of regulatory reserve for general banking risks and collective provisions which is not included in Tier 2 Capital	4,895	4,845	392
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	799,071	798,673	63,926
27	Total	72,691,201	71,094,276	6,101,666

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 2020	At 31 December 2019
		HK\$'000	HK\$'000
On-balance sheet exposures			
1	On-balance sheet exposures (excluding those arising from derivative contracts and SFTs, but including collateral)	151,439,579	150,436,098
2	Less: Asset amounts deducted in determining Tier 1 capital	(2,026,610)	(1,981,424)
3	Total on-balance sheet exposures (excluding derivative contracts and SFTs)	149,412,969	148,454,674
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)	163,987	116,315
5	Add-on amounts for PFE associated with all derivative contracts	143,135	102,083
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	(31,710)	(19,001)
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	275,412	199,397
Exposures arising from SFTs			
12	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	3,597,125	3,316,597
13	Less: Netted amounts of cash payables and cash receivables of gross SFT assets	-	-
14	CCR exposure for SFT assets	114,070	63,931
15	Agent transaction exposures	-	-
16	Total exposures arising from SFTs	3,711,195	3,380,528
Other off-balance sheet exposures			
17	Off-balance sheet exposure at gross notional amount	13,547,738	12,637,876
18	Less: Adjustments for conversion to credit equivalent amounts	(10,758,339)	(9,536,225)
19	Off-balance sheet items	2,789,399	3,101,651
Capital and total exposures			
20	Tier 1 capital	12,464,171	12,084,703
20a	Total exposures before adjustments for specific and collective provisions	156,188,975	155,136,250
20b	Adjustments for specific and collective provisions	(634,886)	(664,579)
21	Total exposures after adjustments for specific and collective provisions	155,554,089	154,471,671
Leverage ratio			
22	Leverage ratio	8.01%	7.82%

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 2020: 74 data points	
		Unweighted value (average)	Weighted value (average)
Basis of disclosure: consolidated		HK\$'000	HK\$'000
A. HQLA			
1	Total HQLA		26,237,542
B. Cash outflows			
2	Retail deposits and small business funding, of which:	79,650,651	4,792,577
3	<i>Stable retail deposits and stable small business funding</i>	10,733,553	322,007
4	<i>Less stable retail deposits and less stable small business funding</i>	20,394,413	2,039,441
4a	<i>Retail term deposits and small business term funding</i>	48,522,685	2,431,129
5	Unsecured wholesale funding (other than small business funding), and debt securities and prescribed instruments issued by the AI, of which:	23,631,494	16,299,041
6	<i>Operational deposits</i>	3,095,537	729,881
7	<i>Unsecured wholesale funding (other than small business funding) not covered in row 6</i>	20,535,957	15,569,160
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:	12,420,541	2,340,720
11	<i>Cash outflows arising from derivative contracts and other transactions, and additional liquidity needs arising from related collateral requirements</i>	221,421	221,421
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>	12,199,120	2,119,299
14	Contractual lending obligations (not otherwise covered in Section B) and other contractual cash outflows	1,933,674	1,933,674
15	Other contingent funding obligations (whether contractual or non-contractual)	1,378,010	45,164
16	Total Cash Outflows		25,411,176
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	20,794,596	11,776,513
19	Other cash inflows	1,607,122	1,607,122
20	Total Cash Inflows	22,401,718	13,383,635
D. Liquidity Coverage Ratio			
21	Total HQLA		26,237,542
22	Total Net Cash Outflows		12,027,541
23	LCR (%)		224.76%

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 2020, 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 quarter was 224.76%. 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 2020, 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
1	RWA as at 31 December 2019	59,285,802
2	Asset size	(367,639)
3	Asset quality	902,243
4	Model updates	-
5	Methodology and policy	-
6	Acquisitions and disposals	-
7	Foreign exchange movements	(370,738)
8	Other	-
9	RWA as at 31 March 2020	59,449,668

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 2020.

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
1	RWA as at 31 December 2019	80,063	67,162	-	-	-	147,225
1a	Regulatory adjustment	(49,750)	(41,862)	-	-	-	(91,612)
1b	RWA as at day-end of 31 December 2019	30,313	25,300	-	-	-	55,613
2	Movement in risk levels	2,488	1,938	-	-	-	4,426
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 2020	32,801	27,238	-	-	-	60,039
7b	Regulatory adjustment	79,374	66,612	-	-	-	145,986
8	RWA as at 31 March 2020	112,175	93,850	-	-	-	206,025