

Regulatory Disclosures

30 September 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 30 September 2020	At 30 June 2020	At 31 March 2020	At 31 December 2019 (restated)	At 30 September 2019
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Regulatory capital (amount)						
1	Common Equity Tier 1 (CET1)	12,599,293	10,593,779	10,526,459	10,146,991	9,859,909
2	Tier 1	14,537,005	12,531,491	12,464,171	12,084,703	11,797,621
3	Total capital	15,640,427	13,618,370	13,615,925	13,222,608	12,915,837
RWA (amount)						
4	Total RWA	78,285,894	74,607,468	76,270,830	74,655,828	72,370,938
Risk-based regulatory capital ratios (as a percentage of RWA)						
5	CET1 ratio (%)	16.09	14.20	13.80	13.59	13.62
6	Tier 1 ratio (%)	18.57	16.80	16.34	16.19	16.30
7	Total capital ratio (%)	19.98	18.25	17.85	17.71	17.85
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 (%)	0.704	0.716	0.708	1.426	1.759
10	Higher loss absorbency requirements (%) (applicable only to G-SIBs or D-SIBs)	-	-	-	-	-
11	Total AI-specific CET1 buffer requirements (%)	3.204	3.216	3.208	3.926	4.259
12	CET1 available after meeting the AI's minimum capital requirements (%)	11.003	9.156	8.812	8.615	8.669
Basel III leverage ratio						
13	Total leverage ratio (LR) exposure measure	159,472,724	156,538,657	155,554,089	154,471,671	144,887,070
14	LR (%)	9.12	8.01	8.01	7.82	8.14
Liquidity Coverage Ratio (LCR)						
15	Total high quality liquid assets (HQLA)	21,622,356	23,797,301	26,237,542	24,453,791	21,638,779
16	Total net cash outflows	10,190,584	8,205,109	12,027,541	11,883,939	10,966,381
17	LCR (%)	214.89	301.99	224.76	210.17	205.53
Net Stable Funding Ratio (NSFR)						
18	Total available stable funding	108,701,739	105,942,540	104,794,745	102,181,942	96,636,596
19	Total required stable funding	72,718,494	71,395,894	72,813,937	71,736,395	73,725,013
20	NSFR (%)	149.48	148.39	143.92	142.44	131.08

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

OV1: Overview of RWA

		RWA		Minimum capital requirements
		At 30 September 2020	At 30 June 2020	At 30 September 2020
		HK\$'000	HK\$'000	HK\$'000
1	Credit risk for non-securitization exposures	69,961,191	66,457,359	5,884,012
2	Of which STC approach	10,145,210	9,751,835	811,617
2a	Of which BSC approach	-	-	-
3	Of which foundation IRB approach	59,815,981	56,705,524	5,072,395
4	Of which supervisory slotting criteria approach	-	-	-
5	Of which advanced IRB approach	-	-	-
6	Counterparty default risk and default fund contributions	137,292	125,242	11,638
7	Of which SA-CCR	Not applicable	Not applicable	Not applicable
7a	Of which CEM	73,401	67,973	6,220
8	Of which IMM(CCR) approach	-	-	-
9	Of which others	63,891	57,269	5,418
10	CVA risk	66,325	67,800	5,306
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	128,400	254,200	10,272
21	Of which STM approach	128,400	254,200	10,272
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	4,306,938	4,203,250	344,555
24a	Sovereign concentration risk	-	-	-
25	Amounts below the thresholds for deduction (subject to 250% RW)	872,000	872,000	69,760
26	Capital floor adjustment	-	-	-
26a	Deduction to RWA	783,399	782,182	62,672
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	783,399	782,182	62,672
27	Total	74,688,747	71,197,669	6,262,871

RWAs in the 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 2020	At 30 June 2020
		HK\$'000	HK\$'000
On-balance sheet exposures			
1	On-balance sheet exposures (excluding those arising from derivative contracts and SFTs, but including collateral)	155,577,590	153,738,602
2	Less: Asset amounts deducted in determining Tier 1 capital	(1,719,651)	(1,711,199)
3	Total on-balance sheet exposures (excluding derivative contracts and SFTs)	153,857,939	152,027,403
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)	152,365	135,135
5	Add-on amounts for PFE associated with all derivative contracts	140,983	140,324
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	(29,450)	(33,636)
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	263,898	241,823
Exposures arising from SFTs			
12	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	3,613,495	2,216,362
13	Less: Netted amounts of cash payables and cash receivables of gross SFT assets	-	-
14	CCR exposure for SFT assets	43,496	69,760
15	Agent transaction exposures	-	-
16	Total exposures arising from SFTs	3,656,991	2,286,122
Other off-balance sheet exposures			
17	Off-balance sheet exposure at gross notional amount	13,944,186	13,082,190
18	Less: Adjustments for conversion to credit equivalent amounts	(11,390,825)	(10,386,439)
19	Off-balance sheet items	2,553,361	2,695,751
Capital and total exposures			
20	Tier 1 capital	14,537,005	12,531,491
20a	Total exposures before adjustments for specific and collective provisions	160,332,189	157,251,099
20b	Adjustments for specific and collective provisions	(859,465)	(712,442)
21	Total exposures after adjustments for specific and collective provisions	159,472,724	156,538,657
Leverage ratio			
22	Leverage ratio	9.12%	8.01%



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 2020: 78 data points	
		Unweighted value (average)	Weighted value (average)
Basis of disclosure: consolidated		HK\$'000	HK\$'000
A. HQLA			
1	Total HQLA		21,622,356
B. Cash outflows			
2	Retail deposits and small business funding, of which:	77,434,150	4,981,640
3	<i>Stable retail deposits and stable small business funding</i>	12,470,111	374,103
4	<i>Less stable retail deposits and less stable small business funding</i>	27,110,886	2,711,089
4a	<i>Retail term deposits and small business term funding</i>	37,853,153	1,896,448
5	Unsecured wholesale funding (other than small business funding), and debt securities and prescribed instruments issued by the AI, of which:	25,678,951	16,968,061
6	<i>Operational deposits</i>	3,425,208	811,487
7	<i>Unsecured wholesale funding (other than small business funding) not covered in row 6</i>	22,253,743	16,156,574
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:	11,092,854	1,939,184
11	<i>Cash outflows arising from derivative contracts and other transactions, and additional liquidity needs arising from related collateral requirements</i>	264,186	264,186
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>	10,828,668	1,674,998
14	Contractual lending obligations (not otherwise covered in Section B) and other contractual cash outflows	1,951,468	1,951,468
15	Other contingent funding obligations (whether contractual or non-contractual)	3,044,481	133,524
16	Total Cash Outflows		25,973,877
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	23,382,355	13,592,630
19	Other cash inflows	2,190,663	2,190,663
20	Total Cash Inflows	25,573,018	15,783,293
D. Liquidity Coverage Ratio			
21	Total HQLA		21,622,356
22	Total Net Cash Outflows		10,190,584
23	LCR (%)		214.89%

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, second and third quarters were 224.76%, 301.99% and 214.89% 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 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 30 June 2020	56,705,524
2	Asset size	1,566,199
3	Asset quality	1,121,270
4	Model updates	-
5	Methodology and policy	-
6	Acquisitions and disposals	-
7	Foreign exchange movements	422,988
8	Other	-
9	RWA as at 30 September 2020	59,815,981

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 2020.

7. Market risk

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

There were no market risk exposures under the IMM approach as at 30 September 2020.