



Nippon Wealth Limited

Quarterly Financial Disclosure Statements

31 March 2019

Nippon Wealth Limited (the “Company”) is a restricted license bank incorporated in Hong Kong, its principal activities are the provision of wealth management services, insurance agency, securities dealing and securities advisory services.

In line with Part 2A of Banking (Disclosure) Rules, specific disclosures for the quarter ended 31 March 2019 are compiled and presented in this quarterly financial disclosure statements (“the statements”).

Part I: Overview of risk management and RWA

Template KM1: Key Prudential Ratios

		a	b	c	d	e
		31 Mar 2019 (Unaudited)	31 Dec 2018 (Unaudited)	30 Sep 2018 (Unaudited)	30 Jun 2018 (Unaudited)	31 Mar 2018 (Unaudited)
	Available capital (amounts)					
1	Common Equity Tier 1 (CET1)	135,293	153,517	121,435	135,932	149,219
1a	Fully loaded ECL accounting model	135,293	153,517	121,435	135,932	149,219
2	Tier 1	135,293	153,517	121,435	135,932	149,219
2a	Fully loaded ECL accounting model Tier 1	135,293	153,517	121,435	135,932	149,219
3	Total capital	135,293	153,517	121,435	135,932	149,219
3a	Fully loaded ECL accounting model total capital	135,293	153,517	121,435	135,932	149,219
	Risk-weighted assets (amounts)					
4	Total risk-weighted assets (RWA)	89,877	89,619	107,718	88,339	84,901
4a	Total risk-weighted assets (pre-floor)	89,877	89,619	107,718	88,339	84,901
	Risk-based capital ratios as a percentage of RWA					
5	CET1 ratio (%)	150.5313	171.3006	113.2282	153.8754	175.7565
5a	Fully loaded ECL accounting model CET1 (%)	150.5313	171.3006	113.2282	153.8754	175.7565
5b	CET1 ratio (%) (pre-floor ratio)	150.5313	171.3006	113.2282	153.8754	175.7565
6	Tier 1 ratio (%)	150.5313	171.3006	113.2282	153.8754	175.7565
6a	Fully loaded ECL accounting model Tier 1 ratio (%)	150.5313	171.3006	113.2282	153.8754	175.7565
6b	Tier 1 ratio (%) (pre-floor ratio)	150.5313	171.3006	113.2282	153.8754	175.7565
7	Total capital ratio (%)	150.5313	171.3006	113.2282	153.8754	175.7565
7a	Fully loaded ECL accounting model total capital ratio (%)	150.5313	171.3006	113.2282	153.8754	175.7565
7b	Total capital ratio (%) (pre-floor ratio)	150.5313	171.3006	113.2282	153.8754	175.7565
	Additional CET1 buffer requirements as a percentage of RWA					
8	Capital conservation buffer requirement (2.5% from 2019) (%)	2.500	1.875	1.875	1.875	1.875

9	Countercyclical buffer requirement (%)	0.608	0.259	0.330	0.348	0.287
10	Bank G-SIB and/or D-SIB additional requirements (%)	-	-	-	-	-
11	Total of bank CET1 specific buffer requirements (%) (row 8 + row 9 + row 10)	3.108	2.134	2.205	2.223	2.162
12	CET1 available after meeting the bank's minimum capital requirements (%)	138.9853	160.7286	102.5852	143.2144	165.1565
Basel III leverage ratio						
13	Total Basel III leverage ratio exposure measure	262,941	282,090	254,435	226,110	261,844
14	Basel III leverage ratio (%) (including the impact of any applicable temporary exemption of central bank reserves)	51.45	54.42	47.73	60.12	56.99
14a	Fully loaded ECL accounting model Basel III leverage ratio (including the impact of any applicable temporary exemption of central bank reserves) (%)	51.45	54.42	47.73	60.12	56.99
14b	Basel III leverage ratio (%) (excluding the impact of any applicable temporary exemption of central bank reserves)	51.45	54.42	47.73	60.12	56.99
Liquidity Coverage Ratio (LCR)						
15	Total high-quality liquid assets (HQLA)	N/A	N/A	N/A	N/A	N/A
16	Total net cash outflow	N/A	N/A	N/A	N/A	N/A
17	LCR ratio (%)	N/A	N/A	N/A	N/A	N/A
17a	LMR ratio (%)	160.00	160.00	151.94	142.60	156.76
Net Stable Funding Ratio (NSFR)						
18	Total available stable funding	N/A	N/A	N/A	N/A	N/A
19	Total required stable funding	N/A	N/A	N/A	N/A	N/A
20	NSFR ratio	N/A	N/A	N/A	N/A	N/A

Instructions

Row number	Explanation
4a	For <i>pre-floor total RWA</i> , the disclosed amount should exclude any adjustment made to total RWA from the application of the capital floor.
5a, 6a, 7a, 14a	For fully loaded ECL ratios (%) in rows 5a, 6a, 7a and 14a, the denominator (RWA, Basel III leverage ratio exposure measure) is also "Fully loaded ECL", ie as if ECL transitional arrangements were not applied.
5b, 6b, 7b	For <i>pre-floor risk based ratios</i> in rows 5b, 6b and 7b, the disclosed ratios should exclude the impact of the capital floor in the calculation of RWA.
12	<i>CET1 available after meeting the bank's minimum capital requirements (as a percentage of RWA)</i> : it may not necessarily be the difference between row 5 and the Basel III minimum CET1 requirement of 4.5% because CET1 capital may be used to meet the bank's Tier 1 and/or total capital ratio requirements. See instructions to [CC1:68/a].
13	<i>Total Basel III leverage ratio exposure measure</i> : The amounts may reflect period-end values or averages depending on local implementation.
15	<i>Total HQLA</i> : total adjusted value using simple averages of daily observations over the previous quarter (ie the average calculated over a period of, typically, 90 days).
16	<i>Total net cash outflow</i> : total adjusted value using simple averages of daily observations over the previous quarter (ie the average calculated over a period of, typically, 90 days).

Part I: Overview of risk management and RWA - continued

Template OV1: Overview of RWA

The following table sets out the Risk-Weighted Assets ("RWA") by risk type and its corresponding minimum capital requirements (i.e. 8% of RWA) as required by Hong Kong Monetary Authority ("HKMA").

As the Company had been exempted by HKMA in writing for the calculation of market risk exposure since the reporting position of 31 March 2017, the Company calculated its market risk exposure annually in Part IV of Capital Adequacy Ratio return that was not reflected in Division A of Part I - Summary Certificate on Capital Adequacy Ratios to calculate its Capital Adequacy Ratio as at 31 March 2019.

		(a)	(b)	(c)
		RWA		Minimum capital requirements
		31 March 2019 In HK\$'000 (Unaudited)	31 December 2018 In HK\$'000 (Unaudited)	31 March 2019 In HK\$'000 (Unaudited)
1	Credit risk for non-Securitisation exposures	66,602	66,506	5,328
2	Of which STC approach	66,602	66,506	5,328
2a	Of which BSC approach	-	-	-
3	Of which IRB approach	-	-	-
4	Counterparty credit risk	-	-	-
5	Of which SA-CCR	-	-	-
5a	Of which CEM	-	-	-
6	Of which IMM(CCR) approach	-	-	-
7	Equity exposures in banking book under the market-based approach	-	-	-
8	CIS exposures – LTA	-	-	-
9	CIS exposures – MBA	-	-	-
10	CIS exposures – FBA	-	-	-
11	Settlement risk	-	-	-
12	Securitisation exposures in banking book ¹	-	-	-
13	Of which IRB(S) approach – ratings-based method	-	-	-
14	Of which IRB(S) approach – supervisory formula method	-	-	-
15	Of which STC(S) approach	-	-	-
16	Market risk	-	-	-
17	Of which STM approach	-	-	-
18	Of which IMM approach	-	-	-
19	Operational risk	23,275	23,113	1,862
20	Of which BIA approach	23,275	23,113	1,862
21	Of which STO approach	-	-	-
21a	Of which ASA approach	-	-	-
22	Of which AMA approach	N/A	N/A	N/A
23	Amounts below the thresholds for deduction (subject to 250% RW)	-	-	-
24	Capital floor adjustment	-	-	-
24a	Deduction to RWA	-	-	-
24b	Of which portion of regulatory reserve for general banking risks and collective provisions which is not included in Tier 2 Capital	-	-	-
24c	Of which portion of cumulative fair value gains arising from the revaluation of land and buildings which is not included in Tier 2 Capital	-	-	-
25	Total	89,877	89,619	7,190

N/A: Not applicable in the case of Hong Kong

¹ Of note, after entering into force of the revised Securitisation framework in January 2018, the following replacements in row 13, 14 and 15 should be made: (i) IRB(S) rating based method should be replaced by Securitisation Internal Ratings-Based Approach (SEC-IRBA)*; (ii) IRB(S) supervisory formula method should be replaced by Securitisation External Ratings-Based Approach (SEC-ERBA)*; and (iii) STC(S) should be replaced by Securitisation Standardized Approach (SEC-SA)*. A new row following row 15 (say, row 15a) may be added to cater for Securitisation Fall-back Approach (SEC-FBA)* where this is applicable. (* all names and applicable approaches subject to the final amendments to the BCR).

Part IIC: Leverage Ratio

Template LR1: Summary Comparison of Accounting Assets against Leverage Ratio ("LR") Exposure Measure

31 March 2019
HK\$'000
(Unaudited)

		(a)
	Item	Value under the LR framework (HK\$'000 equivalent)
1	Total consolidated assets as per published financial statements	301,678
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	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	-
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)	-
6a	Adjustment for specific and collective provisions that are allowed to be excluded from exposure measure	-
7	Other adjustments	(38,737)
8	Leverage ratio exposure measure	262,941

Template LR2: Leverage Ratio ("LR")

		(a)	(b)
		HK\$ equivalent	
		31 Mar 2019	31 Dec 2018
On-balance sheet exposures			
1	On-balance sheet exposures (excluding those arising from derivative contracts and SFTs, but including collateral)	302,577	321,063
2	Less: Asset amounts deducted in determining Tier 1 capital	39,636	38,973
3	Total on-balance sheet exposures (excluding derivative contracts and SFTs)	262,941	282,090
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)	-	-
5	Add-on amounts for PFE associated with all derivative contracts	-	-
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	-	-
11	Total exposures arising from derivative contracts	-	-

Part IIC: Leverage Ratio - continued

Template LR2: Leverage Ratio ("LR") - continued

		(a)	(b)
		HK\$ equivalent	
		31 Mar 2019	31 Dec 2018
Exposures arising from SFTs			
12	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	-	-
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	Total exposures arising from SFTs	-	-
Other off-balance sheet exposures			
17	Off-balance sheet exposure at gross notional amount	-	-
18	Less: Adjustments for conversion to credit equivalent amounts	-	-
19	Off-balance sheet items	-	-
Capital and total exposures			
20	Tier 1 capital	135,293	153,517
20a	Total exposures before adjustments for specific and collective provisions	262,941	282,090
20b	Adjustments for specific and collective provisions	-	-
21	Total exposures after adjustments for specific and collective provisions	262,941	282,090
Leverage ratio			
22	Leverage ratio	51.45%	54.42%

Net FX position is included in item 1 total assets.

Part IID: Liquidity

As HKMA classified the Company as category II authorized institution, templates LIQ1 and LIQ2 are not applicable to it for financial disclosures as at 31 March 2019.

Part III: Credit Risk for Non-Securitisation Exposures

Template CR8 is not applicable to the Company because its credit risk exposures are calculated and reported by STC approach instead.

Part IV: Counterparty Credit Risk

The Company does not incur a counterparty credit risk capital under Part 6A of the BCR, including the CVA capital charges and charges applied to exposures to CCPs as at 31 March 2019, therefore all disclosure tables/templates (CCR7 and CVA4) under this Part IV are not applicable to the Company.

Part VI: Market Risk

Template MR2: RWA flow statements of market risk exposures under IMM approach is not applicable to the Company because its market risk exposures are compiled by STM approach yearly.

Quarterly Disclosure Statements and Statement of Compliance

The financial disclosure statements for the quarter ended 31 March 2019 is prepared in accordance with the requirements set out in Parts 2A and 2B of the Banking (Disclosure) Rules issued by the HKMA. The Company complied with all applicable disclosure requirements. For the purpose of compliance with the BDR, the Company has established a section on the Company's website.

Additional information relating to the Company's regulatory capital and other disclosures can be found in this section of the Company's website, accessible through the "Regulatory Disclosure" link on the home page of the Company's website at www.nipponwealth.com or at the following direct link: <https://www.nipponwealth.com/regulatory-disclosures>.