



Nippon Wealth Limited

Quarterly Financial Disclosure Statements

30 September 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 30 September 2019 are compiled and presented in this quarterly financial disclosure statements (“the statements”).

Part I : Key Prudential Ratios, Key Metrics of Loss-absorbing Capacity, Overview of Risk Management and RWA

Template KM1 : Key Prudential Ratios

In HK\$'000

		(a)	(b)	(c)	(d)	(e)
		30 Sep 2019 (Unaudited)	30 Jun 2019 (Unaudited)	31 Mar 2019 (Unaudited)	31 Dec 2018 (Unaudited)	30 Sep 2018 (Unaudited)
	Regulatory capital (amount)					
1	Common Equity Tier 1 (CET1)	97,267	114,733	135,293	153,517	121,435
2	Tier 1	97,267	114,733	135,293	153,517	121,435
3	Total capital	97,267	114,733	135,293	153,517	121,435
	RWA (amount)					
4	Total RWA	77,313	83,043	89,877	86,619	107,248
	Risk-based regulatory capital ratios (as a percentage of RWA)					
5	CET1 ratio (%)	125.8094%	138.1618%	150.5313%	171.3006%	113.2282%
6	Tier 1 ratio (%)	125.8094%	138.1618%	150.5313%	171.3006%	113.2282%
7	Total capital ratio (%)	125.8094%	138.1618%	150.5313%	171.3006%	113.2282%
	Additional CET1 buffer requirements (as a percentage of RWA)					
8	Capital conservation buffer requirement (%)	2.500%	2.500%	2.500%	1.875%	1.875%
9	Countercyclical capital buffer requirement (%)	1.015%	1.958%	0.608%	0.259%	0.330%
10	Higher loss absorbency requirements (%) (applicable only to G-SIBs or D-SIBs)	N/A	N/A	N/A	N/A	N/A
11	Total AI-specific CET1 buffer requirements (%)	3.515%	4.458%	3.108%	2.134%	2.205%
12	CET1 available after meeting the AI's minimum capital requirements (%)	113.8564%	125.2658%	138.9853%	160.7286%	102.5852%
	Basel III leverage ratio					
13	Total leverage ratio (LR) exposure measure	191,996	207,604	262,941	282,090	254,435
14	LR (%)	50.66%	55.27%	51.45%	54.42%	47.73%
	Liquidity Coverage Ratio (LCR) / Liquidity Maintenance Ratio (LMR)					
	Applicable to category 1 institution only :					
15	Total high quality liquid assets (HQLA)	N/A	N/A	N/A	N/A	N/A
16	Total net cash outflows	N/A	N/A	N/A	N/A	N/A
17	LCR (%)	N/A	N/A	N/A	N/A	N/A
	Applicable to category 2 institution only :					
17a	LMR (%)	160.00%	160.00%	160.00%	160.00%	151.94%
	Net Stable Funding Ratio (NSFR) / Core Funding Ratio (CFR)					
	Applicable to category 1 institution only :					
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 (%)	N/A	N/A	N/A	N/A	N/A
	Applicable to category 2A institution only :					
20a	CFR (%)	N/A	N/A	N/A	N/A	N/A

The liquidity maintenance ratio is calculated as the arithmetic mean of each calendar month's average value on a Hong Kong office basis in accordance with rule 10(1)(a) of the Banking (Liquidity) Rules.

Part I : Key Prudential Ratios, Key Metrics of Loss-absorbing Capacity, Overview of Risk Management and RWA - continued

Template KM2 : Key Metrics – LAC Requirements for Resolution Entities (at LAC Consolidation Group Level)

In HK\$'000

		(a)	(b)	(c)	(d)	(e)
		30 Sep 2019 (Unaudited)	30 Jun 2019 (Unaudited)	31 Mar 2019 (Unaudited)	31 Dec 2018 (Unaudited)	30 Sep 2018 (Unaudited)
Of the resolution entity at LAC consolidation group level						
1	External loss-absorbing capacity available	-	-	-	-	-
2	Risk-weighted amount under the LAC Rules	-	-	-	-	-
3	External LAC risk-weighted ratio	-	-	-	-	-
4	Exposure measure under the LAC Rules	-	-	-	-	-
5	External LAC leverage ratio	-	-	-	-	-
6a	Does the subordination exemption in the antepenultimate paragraph of Section 11 of the FSB TLAC Term Sheet apply?	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
6b	Does the subordination exemption in the penultimate paragraph of Section 11 of the FSB TLAC Term Sheet apply?	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
6c	If the capped subordination exemption applies, the amount of funding issued that ranks pari passu with excluded liabilities and that is recognised as external loss-absorbing capacity, divided by funding issued that ranks pari passu with excluded liabilities and that would be recognised as external loss-absorbing capacity if no cap was applied	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable

Points to note:

- (i) Under the BCBS's standards on Pillar 3 disclosure requirements – consolidated and enhanced framework (March 2017), template KM2 applies to the disclosure of loss-absorbing capacity at the resolution group level. In tailoring the template KM2 for Hong Kong, the HKMA has made necessary adjustments so that the template applies to the disclosure by a resolution entity of external loss-absorbing capacity at the LAC consolidation group level to reflect that a requirement of a resolution entity to maintain, on a consolidated basis, its external LAC risk-weighted ratio or its external LAC leverage ratio at or above a specified minimum under the LAC Rules is imposed with respect to its LAC consolidation group.
- (ii) Disclosures are prospective during the first period of implementation and build up quarterly comparatives over time. Enter "NA" in the columns with respect to periods prior to the first period of implementation.
- (iii) A row shaded yellow represents an item that is not applicable in Hong Kong.
- (iv) Where the functional currency of a resolution entity is a currency other than Hong Kong dollars and the resolution entity reports amounts in this template in Hong Kong dollars, the closing middle market T/T rates prevailing at the end of the current reporting period should be used for conversion purposes.

Part I : Key Prudential Ratios, Key Metrics of Loss-absorbing Capacity, 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 30 September 2019.

In HK\$'000

		(a)	(b)	(c)
		RWA		Minimum capital requirements
		30 Sep 2019 (Unaudited)	30 Jun 2019 (Unaudited)	30 Sep 2019 (Unaudited)
1	Credit risk for non-securitization exposures	52,025	56,530	4,162
2	Of which STC approach	52,025	56,530	4,162
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	-	-	-
7	Of which SA - CCR*	-	-	-
7a	Of which CEM	-	-	-
8	Of which IMM(CCR) approach	-	-	-
9	Of which others	-	-	-
10	CVA risk	-	-	-
11	Equity positions in banking book under the simple risk - Weight method and internal models method	-	-	-
12	Collective investment scheme (“CIS”) exposures - LTA*	-	-	-
13	CIS exposures - MBA*	-	-	-
14	CIS exposures - FBA*	-	-	-
14a	CIS exposures - Combination of approaches*	-	-	-
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	-	-	-
21	Of which STM approach	-	-	-
22	Of which IMM approach	-	-	-

Nippon Wealth Limited
Interim Financial Disclosure Statements
For the quarter ended 30 September 2019

		(a)	(b)	(c)
		RWA		Minimum capital requirements
		30 Sep 2019 (Unaudited)	30 Jun 2019 (Unaudited)	30 Sep 2019 (Unaudited)
23	Capital charge for switch between exposures in trading book and banking book (not applicable before the revised market risk framework takes effect)*	-	-	-
24	Operational risk	25,288	26,513	2,023
25	Amounts below the thresholds for deduction (subject to 250% RW)	-	-	-
26	Capital floor adjustment	-	-	-
26a	Deduction to RWA	-	-	-
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	-	-	-
27	Total	77,313	83,043	6,185
<p><i>Point to note : 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.</i></p>				

Part IIC : Leverage Ratio

Template LR2 : Leverage Ratio ("LR")

		(a)	(b)
		In HK\$'000	
		30 Sep 2019 (Unaudited)	30 Jun 2019 (Unaudited)
On-balance sheet exposures			
1	On-balance sheet exposures (excluding those arising from derivative contracts and SFTs, but including collateral)	191,996	207,604
2	Less : Asset amounts deducted in determining Tier 1 capital	-	-
3	Total on-balance sheet exposures (excluding derivative contracts and SFTs)	191,996	207,604
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	-	-
Exposures arising from SFTs			
12	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting	-	-
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	97,267	114,733
20a	Total exposures before adjustments for specific and collective provisions	191,996	207,604
20b	Adjustments for specific and collective provisions	-	-
21	Total exposures after adjustments for specific and collective provisions	191,996	207,604
Leverage ratio			
22	Leverage ratio	50.66%	55.27%

Net FX position is included in item 1 total assets.

Part IID : Liquidity

Template LIQ1 : Liquidity Coverage Ratio – for category 1 institution

As HKMA classified the Company as category II authorized institution, templates LIQ1 is not applicable to it for financial disclosures as at 30 Sep 2019.

Part III : Credit Risk for Non-securitization Exposures

Template CR8 : RWA flow statements of credit risk exposures under IRB approach

The IRB approach is not applicable to the Company for calculating its credit risk exposures by using the above template.

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 30 Sep 2019, template CCR7 under this Part IV is not applicable to the Company.

Part VI : Market Risk

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

The IMM template 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 30 September 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>.