



招商永隆銀行
CMB WING LUNG BANK

Regulatory Disclosures

As at 31 March 2024

CMB WING LUNG BANK LIMITED

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CMB WING LUNG BANK LIMITED

1 Introduction

Purpose

The information contained in this document is for CMB Wing Lung Bank Limited (“the Bank”) and its subsidiaries (together “the Group”) and is prepared in accordance with the Banking (Disclosure) Rules and the disclosure templates issued by the Hong Kong Monetary Authority (“HKMA”).

These regulatory disclosures are governed by the Group’s disclosure policy, the disclosure policy sets out the governance, control and assurance requirements for publication of the document, while this document is not required to be subject to external audit, it has been reviewed within the Group in accordance with the Group’s governance processes over financial reporting and policies on disclosures.

Basis of Preparation

The approaches used in calculating the Group’s regulatory capital or capital charge are in accordance with the Banking (Capital) Rules. The Group uses the standardised approach to calculate its credit risk and market risk. For operational risk, the Group uses the basic indicator approach to calculate its operational risk.

The financial information contained in this document has been prepared on a consolidated basis including the Bank and certain of its subsidiaries as specified by the Hong Kong Monetary Authority (“HKMA”) for its regulatory purposes. For financial reporting purposes, all the subsidiaries have been consolidated in the Group’s financial statements, the subsidiaries which are excluded from the regulatory scope of consolidation are specified in note 1 to the supplementary financial information of the Group’s 2023 Annual Report.

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2 Key prudential ratios, overview of risk management and RWA

2.1 KM1: Key prudential ratios

| | | (a) | (b) | (c) | (d) | (e) |
|-----|-------------------------------------------------------------------------------|------------------------------------|---------------------------------------|----------------------------------------|-----------------------------------|------------------------------------|
| | | As at 31 March 2024 HK\$'000 | As at 31 December 2023 HK\$'000 | As at 30 September 2023 HK\$'000 | As at 30 June 2023 HK\$'000 | As at 31 March 2023 HK\$'000 |
| | Regulatory capital (amount) | | | | | |
| 1 | Common Equity Tier 1 (CET1) | 41,176,688 | 40,461,348 | 41,004,317 | 40,467,627 | 40,711,086 |
| 2 | Tier 1 | 51,346,687 | 52,183,930 | 48,820,299 | 48,283,609 | 48,500,697 |
| 3 | Total capital | 54,703,217 | 55,465,532 | 52,183,620 | 51,642,930 | 51,755,871 |
| | RWA (amount) | | | | | |
| 4 | Total RWA | 302,582,857 | 290,951,370 | 284,665,601 | 280,429,676 | 281,816,361 |
| | Risk-based regulatory capital ratios (as a percentage of RWA) | | | | | |
| 5 | CET1 ratio (%) | 13.6% | 13.9% | 14.4% | 14.4% | 14.4% |
| 6 | Tier 1 ratio (%) | 17.0% | 17.9% | 17.2% | 17.2% | 17.2% |
| 7 | Total capital ratio (%) | 18.1% | 19.1% | 18.3% | 18.4% | 18.4% |
| | Additional CET1 buffer requirement (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 (%) | 0.591% | 0.593% | 0.573% | 0.573% | 0.574% |
| 10 | Higher loss absorbency requirements (%) (applicable only to G-SIBs or D-SIBs) | - | - | - | - | - |
| 11 | Total AI-specific CET1 buffer requirements (%) | 3.091% | 3.093% | 3.073% | 3.073% | 3.074% |
| 12 | CET1 available after meeting the AI's minimum capital requirements (%) | 9.1% | 9.4% | 9.9% | 9.9% | 9.9% |
| | Basel III leverage ratio | | | | | |
| 13 | Total leverage ratio (LR) exposure measure | 485,136,869 | 441,918,368 | 436,732,035 | 428,415,889 | 430,910,795 |
| 14 | LR (%) | 10.6% | 11.8% | 11.2% | 11.3% | 11.3% |
| | Liquidity Coverage Ratio (LCR) / Liquidity Maintenance Ratio (LMR) | | | | | |
| | Applicable to category 1 institution only: | | | | | |
| 15 | Total high quality liquid assets (HQLA) | 92,274,077 | 89,696,611 | 87,476,934 | 81,387,632 | 82,955,373 |
| 16 | Total net cash outflows | 68,081,549 | 66,704,748 | 62,273,372 | 59,479,719 | 55,388,496 |
| 17 | LCR (%) | 136.2% | 135.0% | 140.9% | 137.3% | 151.0% |
| | Applicable to category 2 institution only: | | | | | |
| 17a | LMR (%) | N/A | N/A | N/A | N/A | N/A |
| | Net Stable Funding Ratio (NSFR) / Core Funding Ratio (CFR) | | | | | |
| | Applicable to category 1 institution only: | | | | | |
| 18 | Total available stable funding | 295,558,044 | 281,305,948 | 280,520,716 | 269,276,876 | 259,737,706 |
| 19 | Total required stable funding | 217,310,487 | 207,607,921 | 206,570,814 | 208,010,365 | 201,843,861 |
| 20 | NSFR (%) | 136.01% | 135.5% | 135.8% | 129.5% | 128.7% |
| | Applicable to category 2A institution only: | | | | | |
| 20a | CFR (%) | N/A | N/A | N/A | N/A | N/A |

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

2.2 OV1: Overview of RWA

The table below provides an overview of the Group's total RWAs, breakdown by the approaches with which the RWAs are computed.

During the first quarter of 2024, total RWA increased by HK\$ 11,631 million, mainly due to the increase in credit risk RWA for non-securitization exposures, which was mainly driven by the increase in loans and advances to banks.

| | | (a) | (b) | (c) |
|-----|------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------|---------------------------------------|------------------------------------|
| | | RWA | | Minimum capital requirements |
| | | As at 31 March 2024 HK\$'000 | As at 31 December 2023 HK\$'000 | As at 31 March 2024 HK\$'000 |
| 1 | Credit risk for non-securitization exposures | 279,738,099 | 268,758,974 | 22,379,048 |
| 2 | Of which STC approach | 279,738,099 | 268,758,974 | 22,379,048 |
| 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 | 1,219,489 | 1,361,594 | 97,559 |
| 7 | Of which SA-CCR approach | 505,686 | 578,125 | 40,455 |
| 7a | Of which CEM | - | - | - |
| 8 | Of which IMM(CCR) approach | - | - | - |
| 9 | Of which others | - | - | - |
| 10 | CVA risk | 208,013 | 240,625 | 16,641 |
| 11 | Equity positions in banking book under the simple risk-weight method and internal models method | - | - | - |
| 12 | Collective investment scheme ("CIS") exposures – LTA | 163,739 | 145,950 | 13,099 |
| 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 (including IAA) | - | - | - |
| 19 | Of which SEC-SA | - | - | - |
| 19a | Of which SEC-FBA | - | - | - |
| 20 | Market risk | 3,112,175 | 2,642,450 | 248,974 |
| 21 | Of which STM approach | 3,112,175 | 2,642,450 | 248,974 |
| 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)* | N/A | N/A | N/A |
| 24 | Operational risk | 15,353,438 | 15,007,263 | 1,228,275 |
| 24a | Sovereign concentration risk | - | - | - |
| 25 | Amounts below the thresholds for deduction (subject to 250% RW) | 4,904,830 | 4,911,440 | 392,386 |

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

2.2 OV1: Overview of RWA (continued)

| | | (a) | (b) | (c) |
|-----|--------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------|---------------------------------------|------------------------------------|
| | | RWA | | Minimum capital requirements |
| | | As at 31 March 2024 HK\$'000 | As at 31 December 2023 HK\$'000 | As at 31 March 2024 HK\$'000 |
| 26 | Capital floor adjustment | - | - | - |
| 26a | Deduction to RWA | 2,116,926 | 2,116,926 | 169,354 |
| 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 | 2,116,926 | 2,116,926 | 169,354 |
| 27 | Total | 302,582,857 | 290,951,370 | 24,206,628 |

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 .

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3 Leverage ratio

3.1 LR2: Leverage ratio

| | | (a) | (b) |
|----------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------|---------------------------|
| | | HK\$'000 | |
| | | As at 31 March 2024 | As at 31 December 2023 |
| On-balance sheet exposures | | | |
| 1 | On-balance sheet exposures (excluding those arising from derivative contracts and SFTs, but including collateral) | 464,789,942 | 424,436,901 |
| 2 | Less: Asset amounts deducted in determining Tier 1 capital | (5,134,602) | (5,145,155) |
| 3 | Total on-balance sheet exposures (excluding derivative contracts and SFTs) | 459,655,340 | 419,291,746 |
| 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) | 125,222 | 171,303 |
| 5 | Add-on amounts for PFE associated with all derivative contracts | 777,897 | 1,090,405 |
| 6 | Gross-up for collateral provided in respect of derivative contracts 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 | (98,775) | (109,827) |
| 8 | Less: Exempted CCP leg of client-cleared trade exposures | - | - |
| 9 | Adjusted effective notional amount of written credit-related derivative contracts | - | - |
| 10 | Less: Adjusted effective notional offsets and add-on deductions for written credit-related derivative contracts | - | - |
| 11 | Total exposures arising from derivative contracts | 804,344 | 1,151,881 |
| Exposures arising from SFTs | | | |
| 12 | Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions | 544,549 | 882,135 |
| 13 | Less: Netted amounts of cash payables and cash receivables of gross SFT assets | - | - |
| 14 | CCR exposure for SFT assets | 700,560 | - |
| 15 | Agent transaction exposures | - | - |
| 16 | Total exposures arising from SFTs | 1,245,109 | 882,135 |
| Other off-balance sheet exposures | | | |
| 17 | Off-balance sheet exposure at gross notional amount | 166,345,155 | 129,434,887 |
| 18 | Less: Adjustments for conversion to credit equivalent amounts | (142,803,285) | (108,750,540) |
| 19 | Off-balance sheet items | 23,541,870 | 20,684,347 |
| Capital and total exposures | | | |
| 20 | Tier 1 capital | 51,346,687 | 52,183,930 |
| 20a | Total exposures before adjustments for specific and collective provisions | 485,246,663 | 442,010,109 |
| 20b | Adjustments for specific and collective provisions | (109,794) | (91,741) |
| 21 | Total exposures after adjustments for specific and collective provisions | 485,136,869 | 441,918,368 |
| Leverage ratio | | | |
| 22 | Leverage ratio | 10.6% | 11.8% |

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4 Liquidity

4.1 LIQ1: Liquidity Coverage Ratio - for category 1 institution

For the quarter ended 31 March 2024

| Number of data points used in calculating the average value of the LCR and related components set out in this template: (73) | | HK\$000 equivalent | |
|------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------|-----------------------------|
| | | (a) | (b) |
| Basis of disclosure: consolidated / unconsolidated / Hong Kong office (delete as appropriate) | | Unweighted value (average) | Weighted value (average) |
| A. HQLA | | | |
| 1 | Total HQLA | | 92,274,077 |
| B. Cash outflows | | | |
| 2 | Retail deposits and small business funding, of which: | 204,560,552 | 14,038,573 |
| 3 | <i>Stable retail deposits and stable small business funding</i> | 5,025,051 | 251,253 |
| 4 | <i>Less stable retail deposits and less stable small business funding</i> | 76,210,914 | 7,621,091 |
| 4a | <i>Retail term deposits and small business term funding</i> | 123,324,587 | 6,166,229 |
| 5 | Unsecured wholesale funding (other than small business funding), and debt securities and prescribed instruments issued by the AI, of which: | 120,482,168 | 86,005,400 |
| 6 | <i>Operational deposits</i> | - | - |
| 7 | <i>Unsecured wholesale funding (other than small business funding) not covered in row 6</i> | 120,480,798 | 86,004,030 |
| 8 | <i>Debt securities and prescribed instruments issued by the AI and redeemable within the LCR period</i> | 1,370 | 1,370 |
| 9 | Secured funding transactions (including securities swap transactions) | | 1,021,300 |
| 10 | Additional requirements, of which: | 26,882,495 | 4,013,872 |
| 11 | <i>Cash outflows arising from derivative contracts and other transactions, and additional liquidity needs arising from related collateral requirements</i> | 684,686 | 684,686 |
| 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> | 26,197,809 | 3,329,186 |
| 14 | Contractual lending obligations (not otherwise covered in Section B) and other contractual cash outflows | 5,255,174 | 5,255,174 |
| 15 | Other contingent funding obligations (whether contractual or non-contractual) | 6,359,986 | 328,477 |
| 16 | Total Cash Outflows | | 110,662,796 |
| C. Cash Inflows | | | |
| 17 | Secured lending transactions (including securities swap transactions) | 1,327,541 | 1,327,541 |
| 18 | Secured and unsecured loans (other than secured lending transactions covered in row 17) and operational deposits placed at other financial institutions | 87,817,633 | 33,916,966 |
| 19 | Other cash inflows | 7,898,980 | 7,336,740 |
| 20 | Total Cash Inflows | 97,044,154 | 42,581,247 |
| D. Liquidity Coverage Ratio | | | Adjusted value |
| 21 | Total HQLA | | 92,274,077 |
| 22 | Total Net Cash Outflows | | 68,081,549 |
| 23 | LCR (%) | | 136.2% |

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4 Liquidity (continued)

4.1 LIQ1: Liquidity Coverage Ratio - for category 1 institution (continued)

For the quarter ended 31 December 2023

| Number of data points used in calculating the average value of the LCR and related components set out in this template: (75) | | HK\$000 equivalent | |
|------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------|-----------------------------|
| | | (a) | (b) |
| Basis of disclosure: consolidated / unconsolidated / Hong Kong office (delete as appropriate) | | Unweighted value (average) | Weighted value (average) |
| A. HQLA | | | |
| 1 | Total HQLA | | 89,696,611 |
| B. Cash outflows | | | |
| 2 | Retail deposits and small business funding, of which: | 198,481,796 | 13,561,157 |
| 3 | <i>Stable retail deposits and stable small business funding</i> | 4,583,684 | 229,184 |
| 4 | <i>Less stable retail deposits and less stable small business funding</i> | 72,741,347 | 7,274,135 |
| 4a | <i>Retail term deposits and small business term funding</i> | 121,156,765 | 6,057,838 |
| 5 | Unsecured wholesale funding (other than small business funding), and debt securities and prescribed instruments issued by the AI, of which: | 117,488,816 | 83,824,473 |
| 6 | <i>Operational deposits</i> | - | - |
| 7 | <i>Unsecured wholesale funding (other than small business funding) not covered in row 6</i> | 117,448,108 | 83,783,765 |
| 8 | <i>Debt securities and prescribed instruments issued by the AI and redeemable within the LCR period</i> | 40,708 | 40,708 |
| 9 | Secured funding transactions (including securities swap transactions) | | 760,494 |
| 10 | Additional requirements, of which: | 28,070,177 | 4,563,773 |
| 11 | <i>Cash outflows arising from derivative contracts and other transactions, and additional liquidity needs arising from related collateral requirements</i> | 726,891 | 726,891 |
| 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> | 27,343,286 | 3,836,882 |
| 14 | Contractual lending obligations (not otherwise covered in Section B) and other contractual cash outflows | 3,778,616 | 3,778,616 |
| 15 | Other contingent funding obligations (whether contractual or non-contractual) | 4,963,650 | 281,905 |
| 16 | Total Cash Outflows | | 106,770,418 |
| C. Cash Inflows | | | |
| 17 | Secured lending transactions (including securities swap transactions) | 1,113,545 | 1,113,545 |
| 18 | Secured and unsecured loans (other than secured lending transactions covered in row 17) and operational deposits placed at other financial institutions | 85,326,241 | 35,590,607 |
| 19 | Other cash inflows | 3,930,382 | 3,361,518 |
| 20 | Total Cash Inflows | 90,370,167 | 40,065,670 |
| D. Liquidity Coverage Ratio | | | Adjusted value |
| 21 | Total HQLA | | 89,696,611 |
| 22 | Total Net Cash Outflows | | 66,704,748 |
| 23 | LCR (%) | | 135.0% |

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4 Liquidity (continued)

4.1 LIQ1: Liquidity Coverage Ratio - for category 1 institution (continued)

Notes:

- The weighted amount of high-quality liquid assets ("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 principle amounts in the calculation of the Liquidity Coverage Ratio (LCR) as required under the Banking (Liquidity) Rules.
- The weighted amounts of cash inflows and cash outflows are to be calculated as the amount 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.

The average LCR is calculated as the arithmetic mean of the LCR as at the end of each working day in the quarter on an unconsolidated basis. The average LCR for the fourth quarter of 2023 and first quarter of 2024 remained stable at 135.0% and 136.2% respectively.

The Group maintains HQLA which can be sold or pledged as collateral to provide liquidity even under periods of stress. The Group invests in good credit quality investments with deep and liquid market to ensure short term funding requirements are covered within prudent limits.

Level 1 assets comprise cash, balances with central bank and high quality central government and central bank securities, while Level 2 assets comprise corporate securities of investment grade. The majority of the HQLA is composed of Level 1 assets.

The net cash outflows are mainly from retail and corporate customer deposits which are the Group's primary source of funds, together with deposits and balances from banks. The Group ensures a sound and diversified range of funding sources, through monitoring the structure, the stability and the core level of the deposit portfolio.

Intra-group funding transactions are transacted at arm's length and treated in a manner in line with other third party transactions, with regular monitoring and appropriate control.