



創興銀行有限公司
Chong Hing Bank Limited
(Incorporated in Hong Kong with limited liability)

REGULATORY DISCLOSURES

FOR THE SECOND QUARTER ENDED
30 June 2017

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REGULATORY DISCLOSURES

The following Pillar 3 disclosures are prepared on a consolidated basis of calculating the capital adequacy ratios.

Key Ratios

1 Capital Adequacy Ratios

The capital adequacy ratios as at 30 June 2017 and 31 March 2017 were compiled in accordance with the Banking (Capital) Rules issued by the HKMA.

In HK\$'000	As at 30 June 2017	As at 31 March 2017
Capital		
Common Equity Tier 1	12,067,439	12,026,201
Tier 1	14,379,469	14,338,231
Total	16,273,109	16,325,201
Total RWA	103,151,815	109,740,602
Capital Adequacy Ratios		
Common Equity Tier 1	11.70%	10.96%
Tier 1	13.94%	13.07%
Total	15.78%	14.88%

2 Leverage Ratio

The leverage ratio as at 30 June 2017 and 31 March 2017 were compiled in accordance with the Leverage Ratio Framework issued by the HKMA.

In HK\$'000	As at 30 June 2017	As at 31 March 2017
Capital and Total exposures		
Tier 1 capital	14,379,469	14,338,231
Total exposures	156,351,833	158,340,046
Leverage Ratio	9.20%	9.06%

Overview of RWA
Template OV1: Overview of RWA

The following table sets out the RWA by risk types and the corresponding minimum capital requirements (i.e. 8% of RWA), as required by the HKMA.

		(a)	(b)	(c)
		RWA		Minimum capital requirements
In HK\$'000		As at 30 June 2017	As at 31 March 2017	As at 30 June 2017
1	Credit risk for non-securitization exposures	95,925,599	103,044,668	7,674,048
2	<i>Of which STC approach</i>	95,925,599	103,044,668	7,674,048
2a	<i>Of which BSC approach</i>	-	-	-
3	<i>Of which IRB approach</i>	-	-	-
4	Counterparty credit risk	1,300,920	1,003,576	104,074
5	<i>Of which SA-CCR</i>	-	-	-
5a	<i>Of which CEM</i>	662,366	389,913	52,989
6	<i>Of which IMM(CCR) approach</i>	-	-	-
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	Securitization exposures in banking book	-	-	-
13	<i>Of which IRB(S) approach – ratings-based method</i>	-	-	-
14	<i>Of which IRB(S) approach – supervisory formula method</i>	-	-	-
15	<i>Of which STC(S) approach</i>	-	-	-
16	Market risk	947,813	890,463	75,825
17	<i>Of which STM approach</i>	947,813	890,463	75,825
18	<i>Of which IMM approach</i>	-	-	-
19	Operational risk	4,563,888	4,386,763	365,111
20	<i>Of which BIA approach</i>	4,563,888	4,386,763	365,111
21	<i>Of which STO approach</i>	-	-	-
21a	<i>Of which ASA approach</i>	-	-	-
22	<i>Of which AMA approach</i>	N/A	N/A	N/A
23	Amounts below the thresholds for deduction (subject to 250% RW)	535,173	535,173	42,814
24	Capital floor adjustment	-	-	-
24a	Deduction to RWA	121,578	120,041	9,726
24b	<i>Of which portion of regulatory reserve for general banking risks and collective provisions which is not included in Tier 2 Capital</i>	-	-	-
24c	<i>Of which portion of cumulative fair value gains arising from the revaluation of land and buildings which is not included in Tier 2 Capital</i>	121,578	120,041	9,726
25	Total	103,151,815	109,740,602	8,252,146

Comparative figures as at 31 March 2017 have been restated to correct prior period's errors and to conform to the presentation of current period. The restatements mainly represent:

- reclassification of RWA associated with derivative contracts (bilateral trades) accounted under CEM approach from credit risk for non-securitization exposures to counterparty credit risk.
- reclassification of RWA correspond to items subject to 250% risk-weight from credit risk for non-securitization exposures to amounts below the thresholds for deduction (subject to 250% RW).

Total RWAs decreased by HK\$6.6bn since last quarter. Credit risk RWA for non-securitisation exposures was the main contributor and the key driver for its decrease of HK\$7.1bn was the changes in asset size (consisting of decrease in loans and advances to customers, available-for-sale securities and held-to-maturity securities).

Credit risk for non-securitization exposures
Template CR1: Credit quality of exposures

		(a)	(b)	(c)	(d)
		Gross carrying amounts of		Allowances / impairments	Net values
in HK\$'000		Defaulted exposures	Non-defaulted exposures		
1	Loans	135,755	94,711,294	572,063	94,274,986
2	Debt securities	-	37,270,070	-	37,270,070
3	Off-balance sheet exposures	3	27,354,723	-	27,354,726
4	Total	135,758	159,336,087	572,063	158,899,782

The Group identifies the exposures as "default" if the exposure is past due for more than 90 days or has been rescheduled.

Loans included balances with banks, loans and advances to customers and balances with central banks.

Debt securities included available-for-sale securities, held-to-maturity securities, exchange fund bills and retail bonds.

Off-balance sheet exposures included direct credit substitutes, trade-related contingencies, forward asset purchases and irrecoverable loans commitment.

Credit risk for non-securitization exposures
Template CR2: Changes in defaulted loans and debt securities

in HK\$'000		(a)
		Amount
1	Defaulted loans and debt securities at end of the previous reporting period (31 Dec 2016)	320,158
2	Loans and debt securities that have defaulted since the last reporting period	73,010
3	Returned to non-defaulted status	(259,764)
4	Amounts written off	-
5	Other changes	2,351
6	Defaulted loans and debt securities at end of the current reporting period (30 Jun 2017)	135,755

Credit risk for non-securitization exposures
Template CR3: Overview of recognized credit risk mitigation

		(a)	(b1)	(b)	(d)	(f)
		Exposures unsecured: carrying amount	Exposures to be secured	Exposures secured by recognized collateral	Exposures secured by recognized guarantees	Exposures secured by recognized credit derivative contracts
in HK\$'000						
1	Loans	90,162,242	4,112,744	3,232,604	880,140	-
2	Debt securities	36,949,221	320,849	-	320,849	-
3	Total	127,111,463	4,433,593	3,232,604	1,200,989	-
4	Of which defaulted	11,530	88,340	88,340	-	-

Credit risk for non-securitization exposures
Template CR4: Credit risk exposures and effects of recognized credit risk mitigation - for STC approach

in HK\$'000		(a)	(b)	(c)	(d)	(e)	(f)
		Exposures pre-CCF and pre-CRM		Exposures post-CCF and post-CRM		RWA and RWA density	
Exposure classes		On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
1	Sovereign exposures	21,496,365	-	21,496,365	-	382,259	1.78%
2	PSE exposures	-	-	521,680	-	104,336	20.00%
2a	Of which: domestic PSEs	-	-	521,680	-	104,336	20.00%
2b	Of which: foreign PSEs	-	-	-	-	-	-
3	Multilateral development bank exposures	-	-	-	-	-	-
4	Bank exposures	32,214,110	-	32,893,419	-	12,966,776	39.42%
5	Securities firm exposures	1,430,775	1,722,650	1,426,632	39,179	732,907	50.00%
6	Corporate exposures	69,479,941	22,759,694	66,450,327	6,126,630	68,657,918	94.60%
7	CIS exposures	-	-	-	-	-	-
8	Cash items	405,651	-	3,549,915	-	488,836	13.77%
9	Exposures in respect of failed delivery on transactions entered into on a basis other than a delivery-versus-payment basis	-	-	-	-	-	-
10	Regulatory retail exposures	211,400	218,052	199,679	17,909	163,190	75.00%
11	Residential mortgage loans	13,877,422	-	13,324,111	-	5,558,803	41.72%
12	Other exposures which are not past due exposures	7,482,176	2,654,327	6,735,713	29,279	6,764,992	100.00%
13	Past due exposures	99,870	3	99,870	-	105,582	105.72%
14	Significant exposures to commercial entities	-	-	-	-	-	-
15	Total	146,697,710	27,354,726	146,697,711	6,212,997	95,925,599	62.73%

Credit risk for non-securitization exposures
Template CR5: Credit risk exposures by asset classes and by risk weights - for STC approach

in HK\$'000		(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(ha)	(i)	(j)
On	Risk Weight	0%	10%	20%	35%	50%	75%	100%	150%	250%	Others	Total credit risk exposures amount (post CCF and post CRM)
	Exposure class											
1	Sovereign exposures	19,585,070	-	1,911,295	-	-	-	-	-	-	-	21,496,365
2	PSE exposures	-	-	521,680	-	-	-	-	-	-	-	521,680
2a	Of which: domestic PSEs	-	-	521,680	-	-	-	-	-	-	-	521,680
2b	Of which: foreign PSEs	-	-	-	-	-	-	-	-	-	-	-
3	Multilateral development bank exposures	-	-	-	-	-	-	-	-	-	-	-
4	Bank exposures	-	-	13,955,571	-	17,524,371	-	1,413,477	-	-	-	32,893,419
5	Securities firm exposures	-	-	-	-	1,465,811	-	-	-	-	-	1,465,811
6	Corporate exposures	-	-	-	-	7,838,077	-	64,738,880	-	-	-	72,576,957
7	CIS exposures	-	-	-	-	-	-	-	-	-	-	-
8	Cash items	1,106,436	-	2,443,304	-	-	-	175	-	-	-	3,549,915
9	Exposures in respect of failed delivery on transactions entered into on a basis other than a delivery-versus-payment basis	-	-	-	-	-	-	-	-	-	-	-
10	Regulatory retail exposures	-	-	-	-	-	217,588	-	-	-	-	217,588
11	Residential mortgage loans	-	-	-	11,927,742	-	49,105	1,347,264	-	-	-	13,324,111
12	Other exposures which are not past due exposures	-	-	-	-	-	-	6,764,992	-	-	-	6,764,992
13	Past due exposures	-	-	67	-	-	-	88,272	11,531	-	-	99,870
14	Significant exposures to commercial entities	-	-	-	-	-	-	-	-	-	-	-
15	Total	20,691,506	-	18,831,917	11,927,742	26,828,259	266,693	74,353,060	11,531	-	-	152,910,708

Counterparty Credit risk

Template CCR1: Analysis of counterparty default risk exposures (other than those to CCPs) by approaches

		(a)	(b)	(c)	(d)	(e)	(f)
		Replacement cost (RC)	PFE	Effective EPE	Alpha (α) used for computing default risk exposure	Default risk exposure after CRM	RWA
in HK\$'000							
1	SA-CCR (for derivative contracts)	-	-		1.4	-	-
1a	CEM	313,799	1,654,669		-	1,968,467	662,366
2	IMM (CCR) approach			-	-	-	-
3	Simple Approach (for SFTs)					9,493,497	275,379
4	Comprehensive Approach (for SFTs)					-	-
5	VaR (for SFTs)					-	-
6	Total						937,745

Counterparty Credit risk
Template CCR2: CVA capital charge

in HK\$'000		(a)	(b)
		EAD post CRM	RWA
	Netting sets for which CVA capital charge is calculated by the advanced CVA method	-	-
1	(i) VaR (after application of multiplication factor if applicable)		-
2	(ii) Stressed VaR (after application of multiplication factor if applicable)		-
3	Netting sets for which CVA capital charge is calculated by the standardized CVA method	1,968,467	339,925
4	Total	1,968,467	339,925

Counterparty Credit risk
Template CCR3: Counterparty default risk exposures (other than those to CCPs) by asset classes and by risk weights - for STC approach

in HK\$'000		(a)	(b)	(c)	(ca)	(d)	(e)	(f)	(g)	(ga)	(h)	(i)
Risk Weight		0%	10%	20%	35%	50%	75%	100%	150%	250%	Others	Total default risk exposure after CRM
Exposure class												
1	Sovereign exposures	-	-	-	-	-	-	-	-	-	-	-
2	PSE exposures	-	-	-	-	-	-	-	-	-	-	-
2a	Of which: domestic PSEs	-	-	-	-	-	-	-	-	-	-	-
2b	Of which: foreign PSEs	-	-	-	-	-	-	-	-	-	-	-
3	Multilateral development bank exposures	-	-	-	-	-	-	-	-	-	-	-
4	Bank exposures	8,595,416	-	1,780,095	-	766,341	-	-	-	-	-	11,141,852
5	Securities firm exposures	-	-	-	-	-	-	-	-	-	-	-
6	Corporate exposures	-	-	-	-	243,113	-	76,948	-	-	-	320,061
7	CIS exposures	-	-	-	-	-	-	-	-	-	-	-
8	Regulatory retail exposures	-	-	-	-	-	-	-	-	-	-	-
9	Residential mortgage loans	-	-	-	-	-	-	-	-	-	-	-
10	Other exposures which are not past due exposures	-	-	-	-	-	-	51	-	-	-	51
11	Significant exposures to commercial entities	-	-	-	-	-	-	-	-	-	-	-
12	Total	8,595,416	-	1,780,095	-	1,009,454	-	76,999	-	-	-	11,461,964

Counterparty Credit risk
Template CCR5: Composition of collateral for counterparty default risk exposures (including those for contracts or transactions cleared through CCPs)

	(a)	(b)	(c)	(d)	(e)	(f)
	Derivative contracts				SFTs	
	Fair value of recognized collateral received		Fair value of posted collateral		Fair value of recognized collateral received	Fair value of posted collateral
	Segregated	Unsegregated	Segregated	Unsegregated		
in HK\$'000						
Cash - domestic currency	-	816	-	-	-	-
Cash - other currencies	-	12,336	-	527,307	45,570	6,307
Total	-	13,152	-	527,307	45,570	6,307

Counterparty Credit risk
Template CCR8: Exposures to CCPs

in HK\$'000		(a)	(b)
		Exposure after CRM	RWA
1	Exposures of the AI as clearing member or client to qualifying CCPs (total)		23,250
2	Default risk exposures to qualifying CCPs (excluding items disclosed in rows 7 to 10), of which:	1,117,242	22,345
3	(i) OTC derivative transactions	1,117,242	22,345
4	(ii) Exchange-traded derivative contracts	-	-
5	(iii) Securities financing transactions	-	-
6	(iv) Netting sets subject to valid cross-product netting agreements	-	-
7	Segregated initial margin	-	
8	Unsegregated initial margin	45,271	905
9	Funded default fund contributions	-	-
10	Unfunded default fund contributions	-	-
11	Exposures of the AI as clearing member or client to non-qualifying CCPs (total)		-
12	Default risk exposures to non-qualifying CCPs (excluding items disclosed in rows 17 to 20), of which:	-	-
13	(i) OTC derivative transactions	-	-
14	(ii) Exchange-traded derivative contracts	-	-
15	(iii) Securities financing transactions	-	-
16	(iv) Netting sets subject to valid cross-product netting agreements	-	-
17	Segregated initial margin	-	
18	Unsegregated initial margin	-	-
19	Funded default fund contributions	-	-
20	Unfunded default fund contributions	-	-

Market Risk

Template MR1: Market risk under STM approach

in HK\$'000		(a)
		RWA
	Outright product exposures	
1	Interest rate exposures (general and specific risk)	106,875
2	Equity exposures (general and specific risk)	-
3	Foreign exchange (including gold) exposures	840,913
4	Commodity exposures	-
	Option exposures	
5	Simplified approach	-
6	Delta-plus approach	25
7	Other approach	-
8	Securitization exposures	-
9	Total	947,813