



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

REGULATORY DISCLOSURES

30 September 2019
(Unaudited)

Regulatory disclosures (unaudited)

Introduction

The information contained in this document is for Chong Hing Bank Limited ("the Bank") and its subsidiaries ("the Group") to comply with the Banking (Disclosure) Rules made under section 60A of the Banking Ordinance. The banking disclosures are prepared in accordance with the Banking (Disclosure) Rules and disclosure templates issued by the Hong Kong Monetary Authority. It has been prepared on a consolidated basis for regulatory purposes which is different from the consolidated basis for accounting purposes.

The approaches used in calculating the Group's regulatory capital and risk-weighted assets are in accordance with the Banking (Capital) Rules. The Group uses the standardised (credit risk) approach to calculate its credit risk. For counterparty credit risk, the Group uses the current exposure method to calculate its default risk exposures. For market risk, the Group uses the standardised (market risk) approach to calculate its market risk. For operational risk, the Group uses the basic indicator approach to calculate its operational risk.

The banking disclosures are governed by the Group's disclosure policy, which have been approved by the Board. The disclosure policy sets out the governance, control and assurance requirements for publication of the document. The banking disclosures are reviewed by independent party in accordance with the Group's disclosure policy.

The Group's Banking Disclosure Statement at 30 September 2019 comprises Pillar 3 information required under the framework of the Basel committee on Banking Supervision ("BCBS"). The disclosures are made in accordance with the latest Banking (Disclosure) Rules issued by the Hong Kong Monetary Authority ("HKMA").

According to the Banking (Disclosure) Rules, disclosure of comparative information is not required unless otherwise specified in the standard disclosure templates. Prior period disclosures can be found in the Regulatory Disclosures section of our website, www.chbank.com.

1 Key prudential ratios (unaudited)

| In HK\$'000 | | (a) | (b) | (c) | (d) | (e) |
|--|---|-------------------------|--------------------|---------------------|------------------------|-------------------------|
| | | As at 30 September 2019 | As at 30 June 2019 | As at 31 March 2019 | As at 31 December 2018 | As at 30 September 2018 |
| Regulatory capital (amount) | | | | | | |
| 1 | Common Equity Tier 1 (CET1) | 18,467,062 | 18,228,225 | 18,475,007 | 17,737,981 | 17,927,724 |
| 2 | Tier 1 | 21,581,768 | 20,540,255 | 20,787,037 | 20,050,011 | 20,239,754 |
| 3 | Total Capital | 26,540,135 | 25,488,495 | 25,703,037 | 25,100,544 | 25,236,189 |
| RWA (amount) | | | | | | |
| 4 | Total RWA | 147,497,141 | 143,523,675 | 137,336,150 | 132,006,902 | 124,156,734 |
| Risk-based regulatory capital ratios (as a percentage of RWA) | | | | | | |
| 5 | CET1 ratio (%) | 12.52% | 12.70% | 13.45% | 13.44% | 14.44% |
| 6 | Tier 1 ratio (%) | 14.63% | 14.31% | 15.14% | 15.19% | 16.30% |
| 7 | Total capital ratio (%) | 17.99% | 17.76% | 18.72% | 19.01% | 20.33% |
| 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 (%) | 1.773% | 1.793% | 1.830% | 1.368% | 1.398% |
| 10 | Higher loss absorbency requirements (%) (applicable only to G-SIBs or D-SIBs) | - | - | - | - | - |
| 11 | Total AI-specific CET1 buffer requirements (%) | 4.273% | 4.293% | 4.330% | 3.243% | 3.273% |
| 12 | CET1 available after meeting the AI's minimum capital requirements (%) | 8.02% | 8.20% | 8.95% | 8.94% | 9.94% |
| Basel III leverage ratio | | | | | | |
| 13 | Total leverage ratio (LR) exposure measure | 210,607,851 | 213,215,679 | 201,325,649 | 199,848,313 | 185,108,090 |
| 14 | LR (%) | 10.25% | 9.63% | 10.33% | 10.03% | 10.93% |
| Liquidity Maintenance Ratio (LMR) | | | | | | |
| 17a | LMR (%) | 47.02% | 46.19% | 45.80% | 46.50% | 44.31% |
| Core Funding Ratio (CFR) | | | | | | |
| 20a | CFR (%) | 147.18% | 148.89% | 152.20% | 161.74% | 157.68% |

Tier 1 capital increased by HK\$1 billion as compared with last quarter. It was mainly due to the Bank issued USD400 million 5.7% Undated Non-cumulative Subordinated Additional Tier 1 Capital Securities on 15 July 2019 and redeemed USD300 million 6.5% Undated Non-cumulative Subordinated Additional Tier 1 Capital Securities on 25 September 2019.

2 Overview of RWA (unaudited)

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 September 2019 | As at 30 June 2019 | As at 30 September 2019 |
| 1 | Credit risk for non-securitization exposures | 133,380,486 | 130,986,314 | 10,670,439 |
| 2 | <i>Of which STC approach</i> | 133,380,486 | 130,986,314 | 10,670,439 |
| 2a | <i>Of which BSC approach</i> | - | - | - |
| 3 | <i>Of which foundation IRB approach</i> | - | - | - |
| 4 | <i>Of which supervisory slotting criteria approach</i> | - | - | - |
| 5 | <i>Of which advanced IRB approach</i> | - | - | - |
| 6 | Counterparty default risk and default fund contributions | 1,619,797 | 1,443,478 | 129,584 |
| 7 | <i>Of which SA-CCR</i> | Not applicable | Not applicable | Not applicable |
| 7a | <i>Of which CEM</i> | 1,378,138 | 1,298,783 | 110,251 |
| 8 | <i>Of which IMM(CCR) approach</i> | - | - | - |
| 9 | <i>Of which others</i> | 241,659 | 144,695 | 19,333 |
| 10 | CVA risk | 599,688 | 570,400 | 47,975 |
| 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 | 5,809 | 2,147 | 465 |
| 17 | <i>Of which SEC-IRBA</i> | - | - | - |
| 18 | <i>Of which SEC-ERBA (including IAA)</i> | 1,384 | 2,147 | 111 |
| 19 | <i>Of which SEC-SA</i> | 4,425 | - | 354 |
| 19a | <i>Of which SEC-FBA</i> | - | - | - |
| 20 | Market risk | 4,972,213 | 4,019,688 | 397,777 |
| 21 | <i>Of which STM approach</i> | 4,972,213 | 4,019,688 | 397,777 |
| 22 | <i>Of which IMM approach</i> | - | - | - |
| 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 | 6,522,313 | 6,104,813 | 521,785 |
| 24a | Sovereign concentration risk | - | Not applicable | - |
| 25 | Amounts below the thresholds for deduction (subject to 250% RW) | 531,423 | 531,423 | 42,514 |
| 26 | Capital floor adjustment | - | - | - |
| 26a | Deduction to RWA | 134,588 | 134,588 | 10,767 |
| 26b | <i>Of which portion of regulatory reserve for general banking risks and collective provisions which is not included in Tier 2 Capital</i> | - | - | - |
| 26c | <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> | 134,588 | 134,588 | 10,767 |
| 27 | Total | 147,497,141 | 143,523,675 | 11,799,772 |

3 Main features of regulatory capital instruments (unaudited)
As at 30 September 2019

| | Ordinary shares | USD400 million 5.7% Undated Non-Cumulative Subordinated Additional Tier 1 Capital Securities | USD204.024 million 6% Subordinated Notes due 2020 | USD382.903 million 3.876% Tier 2 Subordinated Notes due 2027 |
|--|---|--|---|--|
| 1 Issuer | Chong Hing Bank Limited | Chong Hing Bank Limited | Chong Hing Bank Limited | Chong Hing Bank Limited |
| 2 Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement) | The Stock Exchange of Hong Kong Limited's Stock Code : 01111 | ISIN : XS2020061326 | ISIN : XS0556302163 | ISIN : XS1649885974 |
| 3 Governing law(s) of the instrument | Hong Kong law | English law / Hong Kong law | English law / Hong Kong law | English law / Hong Kong law |
| <i>Regulatory treatment</i> | | | | |
| 4 Transitional Basel III rules ^a | Common Equity Tier 1 | NA | Tier 2 | NA |
| 5 Post-transitional Basel III rules ^a | Common Equity Tier 1 | Additional Tier 1 | Ineligible | Tier 2 |
| 6 Eligible at solo*/group/group & solo | Solo and Group | Solo and Group | Solo and Group | Solo and Group |
| 7 Instrument type (types to be specified by each jurisdiction) | Ordinary shares | Undated Non-Cumulative Subordinated Capital Securities | Other Tier 2 instruments | Other Tier 2 instruments |
| 8 Amount recognised in regulatory capital (Currency in million, as of most recent reporting date) | (HKD million) 9,977.1 | (HKD million) 3,114.7 | (HKD million) 468.5 | (HKD million) 2,989.5 |
| 9 Par value of instrument | NA | USD400 million | The subordinated notes with total face value of USD 204.024 million issued in registered form in denominations of USD100,000 each and integral multiples of USD1,000 in excess thereof | The subordinated notes with total face value of USD 382.903 million issued in registered form in denominations of USD200,000 each and integral multiples of USD1,000 in excess thereof |
| 10 Accounting classification | Shareholders' equity | Equity | Liability - amortised cost | Liability - amortised cost |
| 11 Original date of issuance | Various | 15 July 2019 | 4 November 2010 | 26 July 2017 |
| 12 Perpetual or dated | Perpetual | Perpetual | Dated | Dated |
| 13 Original maturity date | No maturity | No maturity | 4 November 2020 | 26 July 2027 |
| 14 Issuer call subject to prior supervisory approval | No | Yes | Yes | Yes |
| 15 Optional call date, contingent call dates and redemption amount | NA | The First Call Date is on 15 July 2024. The Capital Securities have no fixed redemption date. Optional Redemption (on a designated date in 2024 or on any Distribution Payment Date thereafter), Tax Redemption and Regulatory Redemption are all subject to prior written consent of the Hong Kong Monetary Authority. Redemption amount will be the then prevailing principal amount. | The notes will be redeemable at the option of the Bank in whole but not in part, at a redemption price equal to their principal amount together with accrued and unpaid interest to the date fixed for redemption, upon the occurrence of certain changes in taxation in Hong Kong requiring the payment of additional amounts. The Bank may at its option, having given not less than 30 nor more than 60 days' notice to the noteholders, redeem all the notes. | The bank may redeem all, but not some only, of the Notes then outstanding on 26 July 2022, at their outstanding principal amount together with interest accrued to (but excluding) the date of redemption, subject to adjustments following the occurrence of a Non-Viability Event and prior written consent of the Hong Kong Monetary Authority. The notes will be redeemable at the option of the Bank in whole but not in part, at a redemption price equal to their principal amount together with interest accrued to (but excluding) the date fixed for redemption, upon the occurrence of a Capital Event (Regulatory Redemption), a Tax Deduction Event (Tax Deduction Redemption) or upon the occurrence of certain changes in taxation in Hong Kong requiring the payment of additional amounts (Tax Redemption). Tax Redemption, Tax Deduction Redemption and Regulatory Redemption are all subject to prior written consent of the Hong Kong Monetary Authority. |
| 16 Subsequent call dates, if applicable | NA | Any distribution payment dates thereafter first call date | NA | NA |
| <i>Coupons / dividends</i> | | | | |
| 17 Fixed or floating dividend/coupon | Floating | Fixed | Fixed | Fixed |
| 18 Coupon rate and any related index | The final dividend is proposed by the board of directors of the Bank and is subject to approval by the shareholders of the Bank in the annual general meeting. The interim dividend is declared by the board of directors of the Bank. | At a fixed rate of 5.7% per annum until 15 July 2024. Thereafter and every 5 years thereafter reset at: 5-year U.S. Treasury Rate + 3.858% | 6% | At a fixed rate of 3.876% per annum until 25 July 2022. At a Reset Interest Rate from 26 July 2022 to (but excluding) 26 July 2027 (the "Maturity Date") |
| 19 Existence of a dividend stopper | No | Yes | No | No |
| 20 Fully discretionary, partially discretionary or mandatory | Fully discretionary | Fully discretionary | Mandatory | Mandatory |
| 21 Existence of step up or other incentive to redeem | No | No | No | No |
| 22 Noncumulative or cumulative | Noncumulative | Non-cumulative | Cumulative | Cumulative |
| 23 Convertible or non-convertible | Non-convertible | Non-convertible | Convertible | Convertible |
| 24 If convertible, conversion trigger (s) | NA | NA | If at any time (on or) after 1 January 2013, the note no longer fully qualifies as term subordinated debt for inclusion in Category III - Tier 2 capital of the Bank upon changes to regulatory requirements, the Bank may, at its option and subject to the prior written approval of the HKMA, exercise a change of the status of the note by serving the "Change in Status Notice" to the noteholders. Upon a "Change in Status Notice" becoming effective, the note shall thereafter constitute unsubordinated obligations and the rate of interest on the note shall be reduced from 6% per annum to 5.5% per annum. As the "Change in Status Notice" has not been served, the rate of interest on the note remains at 6% per annum. | Each Noteholder shall be subject to having the Notes being written off, cancelled, converted or modified, or to having the form of the Notes changed, in the exercise of any Hong Kong Resolution Authority Power by the relevant Hong Kong Resolution Authority without prior notice which may include (without limitation) the conversion of all or a part of the principal amount of, or interest on, the Notes into shares or other securities or other obligations of the Issuer or another person (and the issue to or conferral on the holder of such shares, securities or obligations), including by means of an amendment, modification or variation of the terms of the Notes. |
| 25 If convertible, fully or partially | NA | NA | Fully | Full or partial |
| 26 If convertible, conversion rate | NA | NA | 1 : 1 | NA |
| 27 If convertible, mandatory or optional conversion | NA | NA | Optional | Mandatory |
| 28 If convertible, specify instrument type convertible into | NA | NA | Other : Senior note | Shares or other securities or other obligations |
| 29 If convertible, specify issuer of instrument it converts into | NA | NA | Chong Hing Bank Limited | Chong Hing Bank Limited or another person |
| 30 Write-down feature | No | Yes | No | Yes |
| 31 If write-down, write-down trigger(s) | NA | If a Non-Viability Event occurs and is continuing, the Bank shall, upon the provision of a Non-Viability Event Notice, irrevocably reduce the then prevailing principal amount of, and cancel any accrued but unpaid Distribution in respect of, each Capital Security (in each case in whole or in part) by an amount equal to the Non-Viability Event Write-off Amount per Perpetual Capital Security. "Non-Viability Event" means the earlier of: (i) the Hong Kong Monetary Authority notifying the Bank in writing that the Hong Kong Monetary Authority is of the opinion that a Write-off or conversion is necessary, without which the Bank would become non-viable; and (ii) the Hong Kong Monetary Authority notifying the Bank in writing that a decision has been made by the government body, a government officer or other relevant regulatory body with the authority to make such a decision, that a public sector injection of capital or equivalent support is necessary, without which the Bank would become non-viable. | NA | If a Non-Viability Event occurs and is continuing, the Bank shall, upon the provision of a Non-Viability Event Notice, irrevocably reduce the then principal amount of, and cancel any accrued but unpaid interest in respect of, each Note (in each case in whole or in part) by an amount equal to the Non-Viability Event Write-off Amount per Note. "Non-Viability Event" means the earlier of: (i) the Hong Kong Monetary Authority notifying the Bank in writing that the Hong Kong Monetary Authority is of the opinion that a Write-off or conversion is necessary, without which the Bank would become non-viable; and (ii) the Hong Kong Monetary Authority notifying the Bank in writing that a decision has been made by the government body, a government officer or other relevant regulatory body with the authority to make such a decision, that a public sector injection of capital or equivalent support is necessary, without which the Bank would become non-viable. |
| 32 If write-down, full or partial | NA | Full or partial | NA | Full or partial |
| 33 If write-down, permanent or temporary | NA | Permanent | NA | Permanent |
| 34 If temporary write-down, description of write-up mechanism | NA | NA | NA | NA |
| 35 Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument in the insolvency creditor hierarchy of the legal entity concerned). | Subordinated to additional tier 1 capital securities | In the event of a Winding-Up, the rights of the Security holders to payment of principal and Distributions on the Perpetual Capital Securities, and any other obligations in respect of the Perpetual Capital Securities, shall rank: (a) Subordinate and junior in right of payment to, and of all claims of: (i) all unsubordinated creditors of the Bank (including its depositors); (ii) any holders of Tier 2 Capital Instruments of the Bank; and (iii) the holders of other subordinated instruments or other obligations issued, entered into, or guaranteed by the Bank, and any other instrument or other obligation issued, entered into, or guaranteed by the Bank that ranks or is expressed to rank senior to the Perpetual Capital Securities by operation of law or contract; (b) Pari passu in right of payment to and of all claims of the holders of Parity Obligations; and (c) Senior in right of payment to, and of all claims of the holders of Junior Obligations of the Bank. | Certificates of deposit | In the event of a winding-up, the rights of the Noteholders to payment of principal and interest, and any other obligations in respect of the Notes, shall rank : (a) Subordinate and junior in right of payment to, and of all claims of, (i) all unsubordinated creditors of the Bank (including depositors), and (ii) all other Subordinated Creditors of the Bank whose claims are stated to rank senior to the Notes or rank senior to the Notes by operations of law or contract (b) Pari passu in right of payment to and of all claims of the holders of Tier 2 Capital Instruments (or its equivalent) under applicable Capital Regulations or any instrument or other obligation issued, entered into, or guaranteed by the Bank that ranks or is expressed to rank pari passu with the Notes by operation of law or contract, excludes any Junior Obligations of the Bank. (c) Senior in right of payment to and of all claims of, (i) the holders of Junior Obligations, and (ii) the holders of Tier 1 Capital Instruments of the Bank, in each case in the manner provided in the Trust Deed. |
| 36 Non-compliant transitioned features | No | No | Yes | No |
| 37 If yes, specify non-compliant features | NA | NA | No loss absorption provision at the point of non-viability | NA |

Footnote:
^a Regulatory treatment of capital instruments subject to transitional arrangements provided for in Schedule 4H of the Banking (Capital) Rules

^b Regulatory treatment of capital instruments not subject to transitional arrangements provided for in Schedule 4H of the Banking (Capital) Rules

^c Include solo-consolidated

The full terms and conditions of all capital instruments are available on the Bank's website: <http://www.chbank.com/en/personal/footer/about-ch-bank/regulatory-disclosures/terms-and-conditions/index.shtml>

4 Leverage ratio (unaudited)

| | | (a) | (b) |
|--|--|-------------------------|--------------------|
| | | As at 30 September 2019 | As at 30 June 2019 |
| In HK\$'000 | | | |
| On-balance sheet exposures | | | |
| 1 | On-balance sheet exposures (excluding those arising from derivative contracts and SFTs, but including collateral) | 192,395,796 | 195,651,113 |
| 2 | Less: Asset amounts deducted in determining Tier 1 capital | (1,863,636) | (1,804,966) |
| 3 | Total on-balance sheet exposures (excluding derivative contracts and SFTs) | 190,532,160 | 193,846,147 |
| 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) | 1,048,664 | 762,183 |
| 5 | Add-on amounts for PFE associated with all derivative contracts | 3,552,932 | 3,515,812 |
| 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 | 4,601,596 | 4,277,995 |
| Exposures arising from SFTs | | | |
| 12 | Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions | 6,366,777 | 6,506,063 |
| 13 | Less: Netted amounts of cash payables and cash receivables of gross SFT assets | - | - |
| 14 | CCR exposure for SFT assets | 336,406 | 443,687 |
| 15 | Agent transaction exposures | - | - |
| 16 | Total exposures arising from SFTs | 6,703,183 | 6,949,750 |
| Other off-balance sheet exposures | | | |
| 17 | Off-balance sheet exposure at gross notional amount | 48,524,198 | 47,665,196 |
| 18 | Less: Adjustments for conversion to credit equivalent amounts | (39,135,353) | (38,884,919) |
| 19 | Off-balance sheet items | 9,388,845 | 8,780,277 |
| Capital and total exposures | | | |
| 20 | Tier 1 capital | 21,581,768 | 20,540,255 |
| 20a | Total exposures before adjustments for specific and collective provisions | 211,225,784 | 213,854,169 |
| 20b | Adjustments for specific and collective provisions | (617,933) | (638,490) |
| 21 | Total exposures after adjustments for specific and collective provisions | 210,607,851 | 213,215,679 |
| Leverage ratio | | | |
| 22 | Leverage ratio | 10.25% | 9.63% |