



WELAB BANK LIMITED
(Incorporated in Hong Kong with limited liability)

REGULATORY DISCLOSURE STATEMENT
For the six months ended 30 June 2021

(Unaudited)

WELAB BANK LIMITED

REGULATORY DISCLOSURE STATEMENT

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1 Introduction

1.1 Purpose

The information contained in this document is for Welab Bank Limited (“the Bank”) to comply with the Banking (Disclosure) Rules (“BDR”) made under section 60A of the Banking Ordinance. The statement is prepared in accordance with the BDR and disclosure templates issued by the Hong Kong Monetary Authority (“HKMA”).

These banking disclosures are governed by the Bank’s disclosure policy, which has been approved by the Board of Directors. The disclosure policy sets out the approach to determine the content, appropriateness and frequency of the disclosures, the approach to ensure the relevance and adequacy of the disclosures, and the internal control over the process for making the disclosures. While the statement is not required to be externally audited, it has been subject to independent review in accordance to the Bank’s disclosure policy.

1.2 Basis of preparation

The capital adequacy ratio (“CAR”) was compiled in accordance with the Banking (Capital) Rules (“BCR”). In calculating the risk-weighted assets (“RWA”), the Bank adopted the Standardized (Credit Risk) Approach for credit risk and the Standardized (Market Risk) Approach for market risk. For operational risk, the capital requirement is calculated using the alternative approach communicated to HKMA pursuant to section 340 of the BCR.

According to the BDR, disclosure of comparative information is not required unless otherwise specified in the standard disclosure templates.

Relevant information can be found in the Regulatory Disclosures section of our website, www.welab.bank.

1.3 Basis of consolidation

As of 30 June 2021, the Bank does not have any subsidiaries for consolidation purpose.

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2 Key prudential ratios and overview of RWA

2.1 KM1: Key prudential ratios

The following table provides an overview of the Bank's key prudential ratios.

		At 30 June 2021	At 31 March 2021	At 31 December 2020	At 30 September 2020	At 30 June 2020
In HK\$'000		(a)	(b)	(c)	(d)	(e)
	Regulatory capital (amount)					
1	Common Equity Tier 1 (CET1)	447,870	414,050	425,315	454,056	470,687
2	Tier 1	447,870	414,050	425,315	454,056	470,687
3	Total capital	448,867	414,325	425,315	454,056	470,687
	RWA (amount)					
4	Total RWA	327,331	293,608	326,663	258,577	239,104
	Risk-based regulatory capital ratios (as a percentage of RWA)					
5	CET1 ratio (%)	136.82%	141.02%	130.20%	175.60%	196.85%
6	Tier 1 ratio (%)	136.82%	141.02%	130.20%	175.60%	196.85%
7	Total capital ratio (%)	137.13%	141.12%	130.20%	175.60%	196.85%
	Additional CET1 buffer requirements (as a percentage of RWA)					
8	Capital conservation buffer requirement (%)	2.5%	2.5%	2.5%	2.5%	2.5%
9	Countercyclical capital buffer requirement (%)	0.90%	0.87%	0.87%	0.88%	0.88%
10	Higher loss absorbency requirements (%) (applicable only to G-SIBs or D-SIBs)	0%	0%	0%	0%	0%
11	Total AI-specific CET1 buffer requirements (%)	3.40%	3.37%	3.37%	3.38%	3.38%
12	CET1 available after meeting the AI's minimum capital requirements (%)	122.13%	126.12%	115.20%	160.60%	181.85%
	Basel III leverage ratio					
13	Total leverage ratio (LR) exposure measure	2,654,876	1,623,757	1,651,156	1,165,099	729,879
14	LR (%)	16.87%	25.50%	25.76%	38.97%	64.49%
	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 (%)*	306.63%	254.66%	853.86%	3,268.70%	4,441.74%
	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 increase in placements with banks and loans and advances to customers were the major driver leading to the decrease in CET1 ratio, tier 1 ratio, total capital ratio and leverage ratio as of the quarter ended 30 June 2021. Combined with the increase in balances with central bank and banks, the average LMR increased during Q2 2021.

* the LMR disclosed above represent the arithmetic mean of the average value of its LMR for each calendar month within the quarter.

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2 Key prudential ratios and overview of RWA (continued)

2.2 OV1: Overview of RWA

The following table sets out the Bank's RWA and the corresponding minimum capital requirements by risk types.

		At 30 June 2021	At 31 March 2021	At 30 June 2021
		(a)	(b)	(c)
In HK\$'000		RWA		Minimum capital requirements
1	Credit risk for non-securitization exposures	311,206	228,645	24,896
2	Of which STC approach	311,206	228,645	24,896
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	N/A	N/A	N/A
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	N/A	N/A	N/A
13	CIS exposures – MBA	N/A	N/A	N/A
14	CIS exposures – FBA	N/A	N/A	N/A
14a	CIS exposures – combination of approaches	N/A	N/A	N/A
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	–	–	–
21	Of which STM approach	–	–	–
22	Of which IMM approach	–	–	–

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2 Key prudential ratios and overview of RWA (continued)

2.2 OV1: Overview of RWA (continued)

		At 30 June 2021	At 31 March 2021	At 30 June 2021
		(a)	(b)	(c)
In HK\$'000		RWA		Minimum capital requirements
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	16,125	64,963	1,290
24a	Sovereign concentration risk	N/A	N/A	N/A
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	327,331	293,608	26,186

Increase in credit risk for non-securitization exposures as of 30 June 2021 was mainly due to the increase in placements with banks and loans and advances to customers.

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3 Composition of regulatory capital

3.1 CC1: Composition of regulatory capital

The table below provides a breakdown of the constituent elements of total regulatory capital.

		At 30 June 2021	
		(a)	(b)
		Amount HK\$'000	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
CET1 capital: instruments and reserves			
1	Directly issued qualifying CET1 capital instruments plus any related share premium	1,113,000	(2)
2	Retained earnings	(610,205)	(3)
3	Disclosed reserves	13,502	(4)
4	<i>Directly issued capital subject to phase-out arrangements from CET1 (only applicable to non-joint stock companies)</i>	Not applicable	Not applicable
5	Minority interests arising from CET1 capital instruments issued by consolidated bank subsidiaries and held by third parties (amount allowed in CET1 capital of the consolidation group)	–	
6	CET1 capital before regulatory deductions	516,297	
CET1 capital: regulatory deductions			
7	Valuation adjustments	–	
8	Goodwill (net of associated deferred tax liabilities)	–	
9	Other intangible assets (net of associated deferred tax liabilities)	68,427	(1)
10	Deferred tax assets (net of associated deferred tax liabilities)	–	
11	Cash flow hedge reserve	–	
12	Excess of total EL amount over total eligible provisions under the IRB approach	–	
13	Credit-enhancing interest-only strip, and any gain-on-sale and other increase in the CET1 capital arising from securitization transactions	–	
14	Gains and losses due to changes in own credit risk on fair valued liabilities	–	
15	Defined benefit pension fund net assets (net of associated deferred tax liabilities)	–	
16	Investments in own CET1 capital instruments (if not already netted off paid-in capital on reported balance sheet)	–	
17	Reciprocal cross-holdings in CET1 capital instruments	–	
18	Insignificant LAC investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	–	

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3 Composition of regulatory capital (continued)

3.1 CC1: Composition of regulatory capital (continued)

		At 30 June 2021	
		(a)	(b)
		Amount HK\$'000	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
19	Significant LAC investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	–	
20	Mortgage servicing rights (net of associated deferred tax liabilities)	Not applicable	Not applicable
21	Deferred tax assets arising from temporary differences (net of associated deferred tax liabilities)	Not applicable	Not applicable
22	Amount exceeding the 15% threshold	Not applicable	Not applicable
23	of which: significant investments in the ordinary share of financial sector entities	Not applicable	Not applicable
24	of which: mortgage servicing rights	Not applicable	Not applicable
25	of which: deferred tax assets arising from temporary differences	Not applicable	Not applicable
26	National specific regulatory adjustments applied to CET1 capital	–	
26a	Cumulative fair value gains arising from the revaluation of land and buildings (own-use and investment properties)	–	
26b	Regulatory reserve for general banking risks	–	
26c	Securitization exposures specified in a notice given by the MA	–	
26d	Cumulative losses below depreciated cost arising from the institution's holdings of land and buildings	–	
26e	Capital shortfall of regulated non-bank subsidiaries	–	
26f	Capital investment in a connected company which is a commercial entity (amount above 15% of the reporting institution's capital base)	–	
27	Regulatory deductions applied to CET1 capital due to insufficient AT1 capital and Tier 2 capital to cover deductions	–	
28	Total regulatory deductions to CET1 capital	68,427	
29	CET1 capital	447,870	
AT1 capital: instruments			
30	Qualifying AT1 capital instruments plus any related share premium	–	
31	of which: classified as equity under applicable accounting standards	–	
32	of which: classified as liabilities under applicable accounting standards	–	

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3 Composition of regulatory capital (continued)

3.1 CC1: Composition of regulatory capital (continued)

		At 30 June 2021	
		(a)	(b)
		Amount HK\$'000	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
33	Capital instruments subject to phase-out arrangements from AT1 capital	–	
34	AT1 capital instruments issued by consolidated bank subsidiaries and held by third parties (amount allowed in AT1 capital of the consolidation group)	–	
35	<i>of which: AT1 capital instruments issued by subsidiaries subject to phase-out arrangements</i>	–	
36	AT1 capital before regulatory deductions	–	
AT1 capital: regulatory deductions			
37	Investments in own AT1 capital instruments	–	
38	Reciprocal cross-holdings in AT1 capital instruments	–	
39	Insignificant LAC investments in AT1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	–	
40	Significant LAC investments in AT1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	–	
41	National specific regulatory adjustments applied to AT1 capital	–	
42	Regulatory deductions applied to AT1 capital due to insufficient Tier 2 capital to cover deductions	–	
43	Total regulatory deductions to AT1 capital	–	
44	AT1 capital	–	
45	Tier 1 capital (T1 = CET1 + AT1)	447,870	
Tier 2 capital: instruments and provisions			
46	Qualifying Tier 2 capital instruments plus any related share premium	–	
47	Capital instruments subject to phase-out arrangements from Tier 2 capital	–	
48	Tier 2 capital instruments issued by consolidated bank subsidiaries and held by third parties (amount allowed in Tier 2 capital of the consolidation group)	–	
49	<i>of which: capital instruments issued by subsidiaries subject to phase-out arrangements</i>	–	
50	Collective provisions and regulatory reserve for general banking risks eligible for inclusion in Tier 2 capital	997	
51	Tier 2 capital before regulatory deductions	997	

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3 Composition of regulatory capital (continued)

3.1 CC1: Composition of regulatory capital (continued)

		At 30 June 2021	
		(a)	(b)
		Amount HK\$'000	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
Tier 2 capital: regulatory deductions			
52	Investments in own Tier 2 capital instruments	–	
53	Reciprocal cross-holdings in Tier 2 capital instruments and non-capital LAC liabilities	–	
54	Insignificant LAC investments in Tier 2 capital instruments issued by, and non-capital LAC liabilities of, financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold and, where applicable, 5% threshold)	–	
54a	Insignificant LAC investments in non-capital LAC liabilities of financial sector entities that are outside the scope of regulatory consolidation (amount formerly designated for the 5% threshold but no longer meets the conditions) (for institutions defined as “section 2 institution” under §2(1) of Schedule 4F to BCR only)	–	
55	Significant LAC investments in Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (net of eligible short positions)	–	
55a	Significant LAC investments in non-capital LAC liabilities of financial sector entities that are outside the scope of regulatory consolidation (net of eligible short positions)	–	
56	National specific regulatory adjustments applied to Tier 2 capital	–	
56a	Add back of cumulative fair value gains arising from the revaluation of land and buildings (own-use and investment properties) eligible for inclusion in Tier 2 capital	–	
56b	Regulatory deductions applied to Tier 2 capital to cover the required deductions falling within §48(1)(g) of BCR	–	
57	Total regulatory adjustments to Tier 2 capital	–	
58	Tier 2 capital (T2)	997	
59	Total regulatory capital (TC = T1 + T2)	448,867	
60	Total RWA	327,331	
Capital ratios (as a percentage of RWA)			
61	CET1 capital ratio	136.82%	
62	Tier 1 capital ratio	136.82%	
63	Total capital ratio	137.13%	
64	Institution-specific buffer requirement (capital conservation buffer plus countercyclical capital buffer plus higher loss absorbency requirements)	3.40%	

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3 Composition of regulatory capital (continued)

3.1 CC1: Composition of regulatory capital (continued)

		At 30 June 2021	
		(a)	(b)
		Amount HK\$'000	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
65	of which: capital conservation buffer requirement	2.5%	
66	of which: bank specific countercyclical capital buffer requirement	0.90%	
67	of which: higher loss absorbency requirement	–	
68	CET1 (as a percentage of RWA) available after meeting minimum capital requirements	122.13%	
National minima (if different from Basel 3 minimum)			
69	National CET1 minimum ratio	Not applicable	Not applicable
70	National Tier 1 minimum ratio	Not applicable	Not applicable
71	National Total capital minimum ratio	Not applicable	Not applicable
Amounts below the thresholds for deduction (before risk weighting)			
72	Insignificant LAC investments in CET1, AT1 and Tier 2 capital instruments issued by, and non-capital LAC liabilities of, financial sector entities that are outside the scope of regulatory consolidation	–	
73	Significant LAC investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	–	
74	Mortgage servicing rights (net of associated deferred tax liabilities)	Not applicable	Not applicable
75	Deferred tax assets arising from temporary differences (net of associated deferred tax liabilities)	Not applicable	Not applicable
Applicable caps on the inclusion of provisions in Tier 2 capital			
76	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to the BSC approach, or the STC approach and SEC-ERBA, SEC-SA and SEC-FBA (prior to application of cap)	–	
77	Cap on inclusion of provisions in Tier 2 under the BSC approach, or the STC approach, and SEC-ERBA, SEC-SA and SEC-FBA	–	
78	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to the IRB approach and SEC-IRBA (prior to application of cap)	–	
79	Cap for inclusion of provisions in Tier 2 under the IRB approach and SEC-IRBA	–	
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2018 and 1 Jan 2022)			

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3 Composition of regulatory capital (continued)

3.1 CC1: Composition of regulatory capital (continued)

		At 30 June 2021	
		(a)	(b)
		Amount HK\$'000	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
80	<i>Current cap on CET1 capital instruments subject to phase-out arrangements</i>	Not applicable	Not applicable
81	<i>Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)</i>	Not applicable	Not applicable
82	<i>Current cap on AT1 capital instruments subject to phase-out arrangements</i>	–	
83	<i>Amount excluded from AT1 capital due to cap (excess over cap after redemptions and maturities)</i>	–	
84	<i>Current cap on Tier 2 capital instruments subject to phase-out arrangements</i>	–	
85	<i>Amount excluded from Tier 2 capital due to cap (excess over cap after redemptions and maturities)</i>	–	

Notes to the Template

	Description	Hong Kong basis HK\$'000	Basel III basis HK\$'000
9	Other intangible assets (net of associated deferred tax liabilities)	68,427	68,427
	<p><u>Explanation</u> As set out in paragraph 87 of the Basel III text issued by the Basel Committee (December 2010), mortgage servicing rights (“MSRs”) may be given limited recognition in CET1 capital (and hence be excluded from deduction from CET1 capital up to the specified threshold). In Hong Kong, an AI is required to follow the accounting treatment of including MSRs as part of intangible assets reported in the AI’s financial statements and to deduct MSRs in full from CET1 capital. Therefore, the amount to be deducted as reported in row 9 may be greater than that required under Basel III. The amount reported under the column “Basel III basis” in this box represents the amount reported in row 9 (i.e. the amount reported under the “Hong Kong basis”) adjusted by reducing the amount of MSRs to be deducted to the extent not in excess of the 10% threshold set for MSRs and the aggregate 15% threshold set for MSRs, DTAs arising from temporary differences and significant investments in CET1 capital instruments issued by financial sector entities (excluding those that are loans, facilities or other credit exposures to connected companies) under Basel III.</p>		

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3 Composition of regulatory capital (continued)

3.1 CC1: Composition of regulatory capital (continued)

Notes to the Template (continued)

	Description	Hong Kong basis HK\$'000	Basel III basis HK\$'000
10	Deferred tax assets (net of associated deferred tax liabilities)	–	–
	<p><u>Explanation</u> As set out in paragraphs 69 and 87 of the Basel III text issued by the Basel Committee (December 2010), DTAs of the bank to be realized are to be deducted, whereas DTAs which relate to temporary differences may be given limited recognition in CET1 capital (and hence be excluded from deduction from CET1 capital up to the specified threshold). In Hong Kong, an AI is required to deduct all DTAs in full, irrespective of their origin, from CET1 capital. Therefore, the amount to be deducted as reported in row 10 may be greater than that required under Basel III. The amount reported under the column “Basel III basis” in this box represents the amount reported in row 10 (i.e. the amount reported under the “Hong Kong basis”) adjusted by reducing the amount of DTAs to be deducted which relate to temporary differences to the extent not in excess of the 10% threshold set for DTAs arising from temporary differences and the aggregate 15% threshold set for MSR, DTAs arising from temporary differences and significant investments in CET1 capital instruments issued by financial sector entities (excluding those that are loans, facilities or other credit exposures to connected companies) under Basel III.</p>		
18	Insignificant LAC investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	–	–
	<p><u>Explanation</u> For the purpose of determining the total amount of insignificant LAC investments in CET1 capital instruments issued by financial sector entities, an AI is required to aggregate any amount of loans, facilities or other credit exposures provided by it to any of its connected companies, where the connected company is a financial sector entity, as if such loans, facilities or other credit exposures were direct holdings, indirect holdings or synthetic holdings of the AI in the capital instruments of the financial sector entity, except where the AI demonstrates to the satisfaction of the MA that any such loan was made, any such facility was granted, or any such other credit exposure was incurred, in the ordinary course of the AI’s business. Therefore, the amount to be deducted as reported in row 18 may be greater than that required under Basel III. The amount reported under the column “Basel III basis” in this box represents the amount reported in row 18 (i.e. the amount reported under the “Hong Kong basis”) adjusted by excluding the aggregate amount of loans, facilities or other credit exposures to the AI’s connected companies which were subject to deduction under the Hong Kong approach.</p>		

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3 Composition of regulatory capital (continued)

3.1 CC1: Composition of regulatory capital (continued)

Notes to the Template (continued)

	Description	Hong Kong basis HK\$'000	Basel III basis HK\$'000
19	Significant LAC investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	–	–
	<p><u>Explanation</u> For the purpose of determining the total amount of significant LAC investments in CET1 capital instruments issued by financial sector entities, an AI is required to aggregate any amount of loans, facilities or other credit exposures provided by it to any of its connected companies, where the connected company is a financial sector entity, as if such loans, facilities or other credit exposures were direct holdings, indirect holdings or synthetic holdings of the AI in the capital instruments of the financial sector entity, except where the AI demonstrates to the satisfaction of the MA that any such loan was made, any such facility was granted, or any such other credit exposure was incurred, in the ordinary course of the AI's business. Therefore, the amount to be deducted as reported in row 19 may be greater than that required under Basel III. The amount reported under the column "Basel III basis" in this box represents the amount reported in row 19 (i.e. the amount reported under the "Hong Kong basis") adjusted by excluding the aggregate amount of loans, facilities or other credit exposures to the AI's connected companies which were subject to deduction under the Hong Kong approach.</p>		
39	Insignificant LAC investments in AT1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	–	–
	<p><u>Explanation</u> The effect of treating loans, facilities or other credit exposures to connected companies which are financial sector entities as CET1 capital instruments for the purpose of considering deductions to be made in calculating the capital base (see note re row 18 to the template above) will mean the headroom within the threshold available for the exemption from capital deduction of other insignificant LAC investments in AT1 capital instruments may be smaller. Therefore, the amount to be deducted as reported in row 39 may be greater than that required under Basel III. The amount reported under the column "Basel III basis" in this box represents the amount reported in row 39 (i.e. the amount reported under the "Hong Kong basis") adjusted by excluding the aggregate amount of loans, facilities or other credit exposures to the AI's connected companies which were subject to deduction under the Hong Kong approach.</p>		

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3 Composition of regulatory capital (continued)

3.1 CC1: Composition of regulatory capital (continued)

Notes to the Template (continued)

	Description	Hong Kong basis HK\$'000	Basel III basis HK\$'000
54	Insignificant LAC investments in Tier 2 capital instruments issued by, and non-capital LAC liabilities of, financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold and, where applicable, 5% threshold)	–	–
	<p><u>Explanation</u> The effect of treating loans, facilities or other credit exposures to connected companies which are financial sector entities as CET1 capital instruments for the purpose of considering deductions to be made in calculating the capital base (see note re row 18 to the template above) will mean the headroom within the threshold available for the exemption from capital deduction of other insignificant LAC investments in Tier 2 capital instruments and non-capital LAC liabilities may be smaller. Therefore, the amount to be deducted as reported in row 54 may be greater than that required under Basel III. The amount reported under the column “Basel III basis” in this box represents the amount reported in row 54 (i.e. the amount reported under the “Hong Kong basis”) adjusted by excluding the aggregate amount of loans, facilities or other credit exposures to the AI’s connected companies which were subject to deduction under the Hong Kong approach.</p>		
<p>Remarks:</p> <p>The amount of the 10% threshold and 5% threshold mentioned above is calculated based on the amount of CET1 capital determined in accordance with the deduction methods set out in BCR Schedule 4F. The 15% threshold is referring to paragraph 88 of the Basel III text issued by the Basel Committee (December 2010) and has no effect to the Hong Kong regime.</p>			

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REGULATORY DISCLOSURE STATEMENT

3 Composition of regulatory capital (continued)

3.2 CC2: Reconciliation of regulatory capital to balance sheet

In HK\$'000	At 30 June 2021		
	(a)	(b)	(c)
	Balance sheet as in published financial statements	Under regulatory scope of consolidation	Reference
Assets			
Balances with central bank and banks	1,716,715	1,716,715	
Placements with banks	399,972	399,972	
Financial assets at amortized cost	331,670	331,670	
Loans and advances to customers	52,578	52,578	
Due from ultimate holding company	17,990	–	
Property and equipment	18,897	18,897	
Right-of-use assets	43,449	43,449	
Intangible assets	68,427	68,427	(1)
Other assets	73,605	73,080	
Total assets	2,723,303	2,704,788	
Liabilities			
Deposits from customers	2,070,674	2,070,674	
Lease liabilities	49,603	49,603	
Other liabilities	51,635	51,635	
Due to fellow subsidiaries	16,579	16,579	
Total liabilities	2,188,491	2,188,491	
Equity			
Share capital	1,131,000	1,113,000	
Of which: amount eligible for CET1		1,113,000	(2)
Of which: amount eligible for AT1		–	
Reserves	(596,188)	(596,703)	
Of which: Retained earnings		(610,205)	(3)
Of which: Reserves		13,502	(4)
Total equity	534,812	516,297	
Total liabilities and equity	2,723,303	2,704,788	

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3 Composition of regulatory capital (continued)

3.3 CCA: Main features of regulatory capital instruments

		(a)
		CET 1 Capital Ordinary shares
1	Issuer	Welab Bank Limited
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	Not applicable
3	Governing law(s) of the instrument	Hong Kong law
	<i>Regulatory treatment</i>	
4	Transitional Basel III rules ¹	Not applicable
5	Post-transitional Basel III rules ²	Common Equity Tier 1
6	Eligible at solo / group / solo and group	Solo
7	Instrument type (types to be specified by each jurisdiction)	Ordinary Shares
8	Amount recognised in regulatory capital (currency in millions, as of most recent reporting date)	HK\$1,113 million (as at 30 June 2021)
9	Par value of instrument	Not applicable
10	Accounting classification	Shareholders' Equity
11	Original date of issuance	Various
12	Perpetual or dated	Perpetual
13	Original maturity date	No maturity date
14	Issuer call subject to prior supervisory approval	Not applicable
15	Optional call date, contingent call dates and redemption amount	Not applicable
16	Subsequent call dates, if applicable	Not applicable
	<i>Coupons / dividends</i>	
17	Fixed or floating dividend / coupon	Floating
18	Coupon rate and any related index	Not applicable
19	Existence of a dividend stopper	No
20	Fully discretionary, partially discretionary or mandatory	Fully Discretionary
21	Existence of step-up or other incentive to redeem	No
22	Non-cumulative or cumulative	Non-cumulative
23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	Not applicable
25	If convertible, fully or partially	Not applicable
26	If convertible, conversion rate	Not applicable
27	If convertible, mandatory or optional conversion	Not applicable
28	If convertible, specify instrument type convertible into	Not applicable
29	If convertible, specify issuer of instrument it converts into	Not applicable

¹ Regulatory treatment of capital instruments subject to transitional arrangements provided for in Schedule 4H of the BCR.

² Regulatory treatment of capital instruments not subject to transitional arrangements provided for in Schedule 4H of the BCR.

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3 Composition of regulatory capital (continued)

3.3 CCA: Main features of regulatory capital instruments (continued)

		(a)
		CET 1 Capital Ordinary shares
30	Write-down feature	No
31	If write-down, write-down trigger(s)	Not applicable
32	If write-down, full or partial	Not applicable
33	If write-down, permanent or temporary	Not applicable
34	If temporary write-down, description of write-up mechanism	Not applicable
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument in the insolvency creditor hierarchy of the legal entity concerned).	Not applicable
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	Not applicable

4 Macroprudential supervisory measures

4.1 CCyB1: Geographical distribution of credit exposures used in countercyclical capital buffer ("CCyB")

At 30 June 2021				
	(a)	(c)	(d)	(e)
Geographical breakdown by Jurisdiction (J)	Applicable JCCyB ratio in effect	RWA used in computation of CCyB ratio	AI-specific CCyB ratio	CCyB amount
	%	HK\$'000	%	HK\$'000
1	Hong Kong SAR	1.00%	157,163	
2	Sum		157,163	
3	Total		0.90%	2,946

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5 Leverage Ratio

5.1 LR1: Summary comparison of accounting assets against leverage ratio (“LR”) exposure measure

In HK\$'000		At 30 June 2021
		(a)
		Value under the LR framework
1	Total consolidated assets as per published financial statements	2,723,303
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	–
2a	Adjustment for securitised exposures that meet the operational requirements for the recognition of risk transference	–
3	Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting standard but excluded from the LR exposure measure	–
3a	Adjustments for eligible cash pooling transactions	–
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	Adjustments for prudent valuation adjustments and specific and collective provisions that are allowed to be excluded from exposure measure	–
7	Other adjustments	(68,427)
8	Leverage ratio exposure measure	2,654,876

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5 Leverage Ratio (continued)

5.2 LR2: Leverage ratio

In HK\$'000		At 30 June 2021	At 31 March 2021
		(a)	(b)
On-balance sheet exposures			
1	On-balance sheet exposures (excluding those arising from derivative contracts and SFTs, but including collateral)	2,724,300	1,690,841
2	Less: Asset amounts deducted in determining Tier 1 capital	(68,427)	(66,809)
3	Total on-balance sheet exposures (excluding derivative contracts and SFTs)	2,655,873	1,624,032
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-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	–	–
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	447,870	414,050
20a	Total exposures before adjustments for specific and collective provisions	2,655,873	1,624,032
20b	Adjustments for specific and collective provisions	(997)	(275)
21	Total exposures after adjustments for specific and collective provisions	2,654,876	1,623,757
Leverage ratio			
22	Leverage ratio	16.87%	25.50%

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6 Credit Risk for non-securitization exposures

6.1 CR1: Credit quality of exposures

The following table sets out an overview of the credit quality of on- and off-balance sheet exposures.

In HK\$'000		At 30 June 2021						
		(a)	(b)	(c)	(d)	(e)	(f)	(g)
		Gross carrying amounts of		Allowances/ impairments	Of which ECL accounting provisions for credit losses on STC approach exposures		Of which ECL accounting provisions for credit losses on IRB approach exposures	Net values (a+b-c)
Defaulted exposures	Non- defaulted exposures	Allocated in regulatory category of specific provisions	Allocated in regulatory category of collective provisions					
1	Loans	–	2,188,289	969	–	969	–	2,187,320
2	Debt securities	–	332,018	28	–	28	–	331,990
3	Off-balance sheet exposures	–	–	–	–	–	–	–
4	Total	–	2,520,307	997	–	997	–	2,519,310

6.2 CR2: Changes in defaulted loans and debt securities

The following table provides information on the changes in defaulted loans and debt securities, including any changes in the amount of defaulted exposures, movements between non-defaulted and defaulted exposures, and reductions in the defaulted exposures due to write-offs as of 30 June 2021.

There were no defaulted debt securities and does not have exposures in loans and advances to customers as at 30 June 2021.

In HK\$'000		(a)
1	Defaulted loans and debt securities at end of the previous reporting period	–
2	Loans and debt securities that have defaulted since the last reporting period	–
3	Returned to non-defaulted status	–
4	Amounts written off	–
5	Other changes	–
6	Defaulted loans and debt securities at end of the current reporting period	–

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6 Credit Risk for non-securitization exposures (continued)

6.3 CR3: Overview of recognized credit risk mitigation

The following table sets out the extent of credit risk exposures covered by different types of recognised credit risk mitigation.

		At 30 June 2021				
		(a)	(b1)	(b)	(d)	(f)
In HK\$'000		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
1	Loans	2,187,320	–	–	–	–
2	Debt securities	331,990	–	–	–	–
3	Total	2,519,310	–	–	–	–
4	Of which defaulted	–	–	–	–	–

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6 Credit Risk for non-securitization exposures (continued)

6.4 CR4: Credit risk exposures and effects of recognized credit risk mitigation – for STC approach

The table below shows the effect of any recognized credit risk mitigation (“CRM”) on the calculation of credit risk capital requirements under STC approach with additional information of RWA density showing a synthetic metric on riskiness of each exposure class.

In HK\$'000		At 30 June 2021					
		(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	1,948,095	–	1,948,095	–	–	0%
2	PSE exposures	–	–	–	–	–	–
2a	Of which: domestic PSEs	–	–	–	–	–	–
2b	Of which: foreign PSEs	–	–	–	–	–	–
3	Multilateral development bank exposures	–	–	–	–	–	–
4	Bank exposures	500,917	–	500,917	–	136,183	27%
5	Securities firm exposures	–	–	–	–	–	–
6	Corporate exposures	26,464	–	26,464	–	26,464	100%
7	CIS exposures	–	–	–	–	–	–
8	Cash items	–	–	–	–	–	–
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	53,295	–	53,295	–	39,971	75%
11	Residential mortgage loans	–	–	–	–	–	–
12	Other exposures which are not past due exposures	108,588	–	108,588	–	108,588	100%
13	Past due exposures	–	–	–	–	–	–
14	Significant exposures to commercial entities	–	–	–	–	–	–
15	Total	2,637,359	–	2,637,359	–	311,206	12%

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6 Credit Risk for non-securitization exposures (continued)

6.5 CR5: Credit risk exposures by asset classes and by risk weights – for STC approach

The table below provides the breakdown of credit risk exposures by asset classes and by risk weights under STC approach.

In HK\$'000		At 30 June 2021										Total credit risk exposures amount (post CCF and post CRM)
		(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(ha)	(i)	
Exposure class	Risk Weight	0%	10%	20%	35%	50%	75%	100%	150%	250%	Others	
1	Sovereign exposures	1,948,095	-	-	-	-	-	-	-	-	-	1,948,095
2	PSE exposures	-	-	-	-	-	-	-	-	-	-	-
2a	Of which: domestic PSEs	-	-	-	-	-	-	-	-	-	-	-
2b	Of which: foreign PSEs	-	-	-	-	-	-	-	-	-	-	-
3	Multilateral development bank exposures	-	-	-	-	-	-	-	-	-	-	-
4	Bank exposures	-	-	380,917	-	120,000	-	-	-	-	-	500,917
5	Securities firm exposures	-	-	-	-	-	-	-	-	-	-	-
6	Corporate exposures	-	-	-	-	-	-	26,464	-	-	-	26,464
7	CIS exposures	-	-	-	-	-	-	-	-	-	-	-
8	Cash items	-	-	-	-	-	-	-	-	-	-	-
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	-	-	-	-	-	53,295	-	-	-	-	53,295
11	Residential mortgage loans	-	-	-	-	-	-	-	-	-	-	-
12	Other exposures which are not past due exposures	-	-	-	-	-	-	108,588	-	-	-	108,588
13	Past due exposures	-	-	-	-	-	-	-	-	-	-	-
14	Significant exposures to commercial entities	-	-	-	-	-	-	-	-	-	-	-
15	Total	1,948,095	-	380,917	-	120,000	53,295	135,052	-	-	-	2,637,359

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7 Counterparty Credit Risk

The bank does not have counterparty default risk exposures and credit-related derivative contracts as of 30 June 2021.

8 Market Risk under standardized approach

8.1 MR1: Market risk under STM approach

The table below provides information on market risk RWA.

In HK\$'000		At 30 June 2021
		(a)
		RWA
	Outright product exposures	
1	Interest rate exposures (general and specific risk)	–
2	Equity exposures (general and specific risk)	–
3	Foreign exchange (including gold) exposures	–
4	Commodity exposures	–
	Option exposures	
5	Simplified approach	–
6	Delta-plus approach	–
7	Other approach	–
8	Securitization exposures	–
9	Total	–

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9 International claims

International claims are on-balance sheet exposures of counterparties based on the location of those counterparties after taking into account the transfer of risk. Recognized risk transfer refers to the reduction of exposure to a particular country by an effective transfer of credit risk to a different country. For a claim on the branch of a bank or other financial institution, the risk will be transferred to the country where its head office is situated.

International claims on individual countries or segments, after risk transfer, amounting to 10% or more of the aggregated international claims are shown as below:

In HK\$'Million	Banks	At 30 June 2021 Non-bank private sector		Total
		Non-bank financial institutions	Non-financial private sector	
Developed countries, of which	145	18	–	163
– Spain	80	–	–	80
– United States	65	18	–	83
Offshore centres	18	–	18	36
Developing Asia and Pacific, of which	100	–	–	100
– China	80	–	–	80

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10 Loans and advances to customers

10.1 Loans and advances to customers by geographical area

The analysis of the Bank's gross advances to customers by geographical area is based on the location of the counterparty after taking into account the transfer of risk. In general, transfer of risk applies if the claim is guaranteed by a party in a country which is different from that of the counterparty.

In HK\$'000	At 30 June 2021				
	(a)	(b)	(c)	(d)	(e)
	Gross loans and advances to customers	Impaired loans and advances to customers	Overdue loans and advances to customers	Specific provisions	Collective provisions
Hong Kong	71,253	–	–	–	684
Total	71,253	–	–	–	684

10.2 Loans and advances to customers by loan usage

The analysis of the Bank's gross loans and advances to customers by loan usage and the corresponding balances covered by collateral are as follows:

In HK\$'000	At 30 June 2021	
	Outstanding balance	% of gross advances covered by collateral
Loans and advances for use in Hong Kong		
Financial Concerns		
Investment companies	18,000	–
Individuals		
Other private purposes	53,253	–
Gross loans and advances to customers	71,253	–

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11 Overdue and rescheduled assets

There were no impaired, overdue nor rescheduled assets as of 30 June 2021.

12 Repossessed assets

The Bank does not hold any repossessed assets as of 30 June 2021.

13 Off-balance sheet exposures

The Bank does not have off-balance sheet exposure as of 30 June 2021.

14 Mainland activities

The following illustrates the disclosure the Bank is required to make under the prevailing Return of Mainland Activities MA(BS)20 in respect of its Non-bank Mainland China exposures.

In HK\$'000		At 30 June 2021		
		(a)	(b)	(c)
		On-balance sheet exposure	Off-balance sheet exposure	Total
1	Central government, central government-owned entities and their subsidiaries and joint ventures	–	–	–
2	Local governments, local government-owned entities and their subsidiaries and joint ventures	–	–	–
3	PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	–	–	–
4	Other entities of central government not reported in part 1 above	–	–	–
5	Other entities of local governments not reported in part 2 above	–	–	–
6	PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	–	–	–
7	Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	–	–	–
8	Total	–	–	–
9	Total assets after provision	2,723,303		
10	On-balance sheet exposures as percentage of total assets	0%		

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15 Currency risk

The Bank is exposed to foreign currency exposures arising from non-trading and non-structural position which constitute 10% or more of the total net position in all foreign currencies are as follows, primarily United States dollar ("USD").

In HK\$'000	At 30 June 2021
	(a)
US dollars exposures	
Spot assets	35,872
Spot liabilities	–
Forward purchases	–
Forward sales	–
Net long non-structural position	35,872

There was no foreign currency structural positions and option positions as of 30 June 2021.

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REGULATORY DISCLOSURE STATEMENT

16 Abbreviations

Abbreviations	Brief Description
AI	Authorized Institution
AT1	Additional Tier 1
BCR	Banking (Capital) Rules
BSC	Basic Approach
CCF	Credit Conversion Factor
CCP	Central Counterparty
CCR	Counterparty Credit Risk
CCyB	Countercyclical Capital Buffer
CEM	Current Exposure Method
CET1	Common Equity Tier 1
CFR	Core Funding Ratio
CIS	Collective Investment Scheme
CRM	Credit Risk Mitigation
CVA	Credit Valuation Adjustment
DTAs	Deferred Tax Assets
D-SIBs	Domestic Systematically Important Authorized Institution
ECL	Expected Credit Loss
EL	Expected Loss
FBA	Fall-Back Approach
G-SIBs	Global Systematically Important Authorized Institution
HQLA	High Quality Liquid Assets
IAA	Internal Assessment Approach
IMM	Internal Models Approach
IRB	Internal Ratings-Based Approach
J	Jurisdiction
JCCyB	Jurisdiction Countercyclical Capital Buffer
JVs	Joint Ventures
LAC	Loss-Absorbing Capacity
LCR	Liquidity Coverage Ratio
LMR	Liquidity Maintenance Ratio
LTA	Look Through Approach
LR	Leverage Ratio
MA	Monetary Authority
MBA	Mandate-Based Approach
MSRs	Mortgage Servicing Rights
N/A	Not Applicable
NSFR	Net Stable Funding Ratio
OBS	Off-Balance Sheet
PFE	Potential Future Exposure
PSE	Public Sector Entity

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16 Abbreviations (continued)

Abbreviations	Brief Description
RW	Risk-Weight
RWA	Risk-Weighted Asset/Risk-Weighted Amount
SA-CCR	Standardized Approach (Counterparty Credit Risk)
SEC-ERBA	Securitization External Ratings-Based Approach
SEC-FBA	Securitization Fall-Back Approach
SEC-IRBA	Securitization Internal Ratings-Based Approach
SEC-SA	Securitization Standardized Approach
SFT	Securities Financing Transaction
STC	Standardized (Credit Risk) Approach
STM	Standardized (Market Risk) Approach