



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

REGULATORY DISCLOSURE STATEMENT
For the quarter ended 30 September 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 September 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 September 2021	At 30 June 2021	At 31 March 2021	At 31 December 2020	At 30 September 2020
In HK\$'000		(a)	(b)	(c)	(d)	(e)
	Regulatory capital (amount)					
1	Common Equity Tier 1 (CET1)	474,354	447,870	414,050	425,315	454,056
2	Tier 1	474,354	447,870	414,050	425,315	454,056
3	Total capital	478,142	448,867	414,325	425,315	454,056
	RWA (amount)					
4	Total RWA	477,402	327,331	293,608	326,663	258,577
	Risk-based regulatory capital ratios (as a percentage of RWA)					
5	CET1 ratio (%)	99.36%	136.82%	141.02%	130.20%	175.60%
6	Tier 1 ratio (%)	99.36%	136.82%	141.02%	130.20%	175.60%
7	Total capital ratio (%)	100.16%	137.13%	141.12%	130.20%	175.60%
	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 (%)	0.95%	0.90%	0.87%	0.87%	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 (%)	3.45%	3.40%	3.37%	3.37%	3.38%
12	CET1 available after meeting the AI's minimum capital requirements (%)	85.16%	122.13%	126.12%	115.20%	160.60%
	Basel III leverage ratio					
13	Total leverage ratio (LR) exposure measure	2,311,664	2,654,876	1,623,757	1,651,156	1,165,099
14	LR (%)	20.52%	16.87%	25.50%	25.76%	38.97%
	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 (%)*	203.62%	306.63%	254.66%	853.86%	3,268.70%
	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 loans and advances to customers was the major driver leading to the decrease in CET 1 ratio, Tier 1 ratio and total capital ratio as of the quarter ended 30 September 2021. The decrease in average LMR during Q3 2021 was led by the increase in deposits from customers.

* 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 risk-weighted assets

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

		At 30 September 2021	At 30 June 2021	At 30 September 2021
		(a)	(b)	(c)
In HK\$'000		RWA		Minimum capital requirements
1	Credit risk for non-securitization exposures	461,277	311,206	36,902
2	Of which STC approach	461,277	311,206	36,902
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 risk-weighted assets (continued)

In HK\$'000		At 30 September 2021	At 30 June 2021	At 30 September 2021
		(a)	(b)	(c)
		RWA		
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	16,125	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	477,402	327,331	38,192

Increase in credit risk for non-securitization exposures as at 30 September 2021 was mainly due to the increase in loans and advances to customers.

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3 Leverage Ratio

3.1 LR2: Leverage ratio

		At 30 September 2021	At 30 June 2021
In HK\$'000		(a)	(b)
On-balance sheet exposures			
1	On-balance sheet exposures (excluding those arising from derivative contracts and SFTs, but including collateral)	2,382,522	2,724,300
2	Less: Asset amounts deducted in determining Tier 1 capital	(67,066)	(68,427)
3	Total on-balance sheet exposures (excluding derivative contracts and SFTs)	2,315,456	2,655,873
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	474,354	447,870
20a	Total exposures before adjustments for specific and collective provisions	2,315,456	2,655,873
20b	Adjustments for specific and collective provisions	(3,792)	(997)
21	Total exposures after adjustments for specific and collective provisions	2,311,664	2,654,876
Leverage ratio			
22	Leverage ratio	20.52%	16.87%

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4 Abbreviations

Abbreviations	Brief Description
AI	Authorized Institution
BSC	Basic Approach
CCP	Central Counterparty
CCR	Counterparty Credit Risk
CEM	Current Exposure Method
CVA	Credit Valuation Adjustment
D-SIBs	Domestic Systematically Important Authorized Institution
FBA	Fall-Back Approach
G-SIBs	Global Systematically Important Authorized Institution
IAA	Internal Assessment Approach
IMM	Internal Models Approach
IMM(CCR)	Internal Models Approach (Counterparty Credit Risk)
IRB	Internal Ratings-Based Approach
LTA	Look Through Approach
MBA	Mandate-Based Approach
N/A	Not Applicable
PFE	Potential Future Exposure
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