



Livi Bank

Unaudited Regulatory Disclosure Statement

For the period ended 30 June 2021

LIVI BANK LIMITED

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Unaudited Regulatory Disclosure Statement

These Unaudited Regulatory Disclosure Statement should be read in conjunction with the 2021 Condensed Interim Financial Statements (“financial statements”). The financial statements and this Regulatory Disclosure Statement taken together comply with the Banking (Disclosure) Rules under section 60A of the Hong Kong Banking Ordinance.

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. The disclosures have been subject to independent review in accordance with the disclosure policy.

Prior period disclosures as required by the Banking (Disclosure) Rules are available on our website: www.livibank.com.

1 Basis of preparation and consolidation

The capital ratios were calculated in accordance with the Banking (Capital) Rules of the Hong Kong Banking Ordinance. In calculating the risk weighted amounts, the Bank adopted the Standardized (Credit Risk) Approach and the Standardized (Market Risk) Approach for credit risk and market risk respectively. For operational risk, the capital requirement is calculated using the alternative approach communicated to HKMA pursuant to section 340 of the BCR.

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

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2 Key prudential ratios, overview of RWA

a. Key prudential ratios (KM1)

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

	(a) At 30 June 2021 HK\$'000	(b) At 31 March 2021 HK\$'000	(c) At 31 December 2020 HK\$'000	(d) At 30 September 2020 HK\$'000	(e) At 30 June 2020 HK\$'000	
Regulatory capital (amount)						
1	Common Equity Tier 1 (CET1)	1,327,751	1,507,219	1,658,779	1,795,049	1,926,861
2	Tier 1	1,327,751	1,507,219	1,658,779	1,795,049	1,926,861
3	Total capital	1,328,532	1,507,219	1,658,779	1,795,049	1,926,861
RWA (amount)						
4	Total RWA ²	754,526	810,285	1,185,981	1,532,150	1,024,434
Risk-based regulatory capital ratios (as a percentage of RWA)						
5	CET1 ratio (%) ¹	176.0%	186.0%	139.9%	117.2%	188.1%
6	Tier 1 ratio (%) ¹	176.0%	186.0%	139.9%	117.2%	188.1%
7	Total capital ratio (%) ¹	176.1%	186.0%	139.9%	117.2%	188.1%
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 (%)	1.0%	1.0%	1.0%	1.0%	1.0%
10	Higher loss absorbency requirements (%) (applicable only to G-SIBs or D-SIBs)	0.0%	0.0%	0.0%	0.0%	0.0%
11	Total AI-specific CET1 buffer requirements (%)	3.5%	3.5%	3.5%	3.5%	3.5%
12	CET1 available after meeting the AI's minimum capital requirements (%)	168.0%	178.0%	131.9%	109.2%	180.1%
Basel III leverage ratio						
13	Total leverage ratio (LR) exposure measure	2,426,218	2,293,632	2,140,400	2,056,222	2,234,992
14	LR (%)	54.7%	65.7%	77.5%	87.3%	86.2%
Liquidity Coverage Ratio (LCR) / Liquidity Maintenance Ratio (LMR)						
Applicable to category 1 institution only:						
15	Total high quality liquid assets (HQLA)	NA	NA	NA	NA	NA
16	Total net cash outflows	NA	NA	NA	NA	NA
17	LCR (%)	NA	NA	NA	NA	NA
Applicable to category 2 institution only:						
17a	LMR (%) ^{3#}	210.4%	201.7%	464.3%	1,664.7%	1,890.2%
Net Stable Funding Ratio (NSFR) / Core Funding Ratio (CFR)						
Applicable to category 1 institution only:						
18	Total available stable funding	NA	NA	NA	NA	NA
19	Total required stable funding	NA	NA	NA	NA	NA
20	NSFR (%)	NA	NA	NA	NA	NA
Applicable to category 2A institution only:						
20a	CFR (%)	NA	NA	NA	NA	NA

¹ Decrease in CET1%, Tier 1% and Total Capital % as of 30 June 2021 was mainly due to decrease in capital base resulting from operating loss incurred in Q2 2021.

² Please refer to note 2b for the key drivers of total RWA changes.

³ Increase in LMR was mainly due to more marketable securities in Q2 2021.

The LMR disclosed above represents the arithmetic mean of the average value of the LMR for each calendar month within the quarter.

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2 Key prudential ratios, overview of RWA (continued)

b. Overview of risk-weighted amount (“RWA”) (OV1)

The following table sets out an overview of capital requirements in terms of a detailed breakdowns of RWAs for various risks.

	(a) RWA		(c) Minimum capital requirements
	At 30 June 2021 HK\$'000	At 31 March 2021 HK\$'000	At 30 June 2021 HK\$'000
1 Credit risk for non-securitization exposures	708,976	752,672	56,718
2 Of which STC approach ¹	708,976	752,672	56,718
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 approach	–	–	–
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	7,950	20,013	636
21 Of which STM approach	7,950	20,013	636
22 Of which IMM approach	–	–	–
23 Capital charge for switch between exposures in trading book and banking book (not applicable before the revised market risk framework takes effect)	N/A	N/A	N/A
24 Operational risk	37,600	37,600	3,008
24a Sovereign concentration risk	–	–	–
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	754,526	810,285	60,362

¹ Decrease in credit risk for non-securitization exposures as of 30 June 2021 was mainly due to less bank exposures in longer tenor.

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3 Composition of regulatory capital

a. Composition of regulatory capital (CC1)

The following table sets out a breakdown of the constituent elements of Total regulatory capital.

At 30 June 2021		(a)	(b)
		HK\$'000	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation in note 3b (CC2)
CET1 capital: instruments and reserves			
1	Directly issued qualifying CET1 capital instruments plus any related share premium	2,500,000	(3)
2	Retained earnings	(947,716)	(4)
3	Disclosed reserves	143	(5)
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	1,552,427	
CET1 capital: regulatory deductions			
7	Valuation adjustments	–	
8	Goodwill (net of associated deferred tax liabilities)	–	(1)
9	Other intangible assets (net of associated deferred tax liabilities)	224,676	(2)
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)

a. Composition of regulatory capital (CC1) (continued)

	(a)	(b)
At 30 June 2021	HK\$'000	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation in note 3b (CC2)
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
21 Deferred tax assets arising from temporary differences (net of associated deferred tax liabilities)	–	Not applicable
22 Amount exceeding the 15% threshold	–	Not applicable
23 of which: significant investments in the ordinary share of financial sector entities	–	Not applicable
24 of which: mortgage servicing rights	–	Not applicable
25 of which: deferred tax assets arising from temporary differences	–	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	224,676	
29 CET1 capital	1,327,751	
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	–	
33 <i>Capital instruments subject to phase-out arrangements from AT1 capital</i>	–	
34 AT1 capital instruments issued by consolidated bank subsidiaries and held by third parties (amount allowed in AT1 capital of the consolidation group)	–	
35 of which: AT1 capital instruments issued by subsidiaries subject to phase-out arrangements	–	

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3 Composition of regulatory capital (continued)

a. Composition of regulatory capital (CC1) (continued)

At 30 June 2021	(a) HK\$'000	(b) Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation in note 3b (CC2)
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)	1,327,751	
Tier 2 capital: instruments and provisions		
46 Qualifying Tier 2 capital instruments plus any related share premium	–	
47 <i>Capital instruments subject to phase-out arrangements from Tier 2 capital</i>	–	
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	781	
51 Tier 2 capital before regulatory deductions	781	
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)	–	

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3 Composition of regulatory capital (continued)

a. Composition of regulatory capital (CC1) (continued)

	(a)	(b)
	HK\$'000	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation in note 3b (CC2)
At 30 June 2021		
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	–	
57 Total regulatory adjustments to Tier 2 capital	–	
58 Tier 2 capital (T2)	781	
59 Total regulatory capital (TC = T1 + T2)	1,328,532	
60 Total RWA	754,526	
Capital ratios (as a percentage of RWA)		
61 CET1 capital ratio	176.0%	
62 Tier 1 capital ratio	176.0%	
63 Total capital ratio	176.1%	
64 Institution-specific buffer requirement (capital conservation buffer plus countercyclical capital buffer plus higher loss absorbency requirements)	3.5%	
65 of which: capital conservation buffer requirement	2.5%	
66 of which: bank specific countercyclical capital buffer requirement	1.0%	
67 of which: G-SIB or D-SIB buffer requirement	0%	
68 CET1 (as a percentage of RWA) available after meeting minimum capital requirements	168.0%	
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

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3 Composition of regulatory capital (continued)

a. Composition of regulatory capital (CC1) (continued)

	(a)	(b)
At 30 June 2021	HK\$'000	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation in note 3b (CC2)
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)		
80		
Current cap on CET1 capital instruments subject to phase-out arrangements	Not applicable	Not applicable
81		
Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	Not applicable	Not applicable
82		
Current cap on AT1 capital instruments subject to phase-out arrangements	–	
83		
Amount excluded from AT1 capital due to cap (excess over cap after redemptions and maturities)	–	
84		
Current cap on Tier 2 capital instruments subject to phase-out arrangements	–	
85		
Amount excluded from Tier 2 capital due to cap (excess over cap after redemptions and maturities)	–	

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3 Composition of regulatory capital (continued)

a. Composition of regulatory capital (CC1) (continued)

Notes to the Template:

(on elements where a more conservative definition has been applied in the BCR relative to that set out in the Basel III capital standards.)

Description	At 30 June 2021	
	Hong Kong basis HK\$'000	Basel III basis HK\$'000
9 Other intangible assets (net of associated deferred tax liabilities)	224,676	224,676

Explanation

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.

10 Deferred tax assets (net of associated deferred tax liabilities)	–	–
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Explanation

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 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.

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3 Composition of regulatory capital (continued)

a. Composition of regulatory capital (CC1) (continued)

Description	At 30 June 2021	
	Hong Kong basis HK\$'000	Basel III basis HK\$'000
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)	–	–

Explanation

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.

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)	–	–
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Explanation

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.

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3 Composition of regulatory capital (continued)

a. Composition of regulatory capital (CC1) (continued)

Description	At 30 June 2021	
	Hong Kong basis HK\$'000	Basel III basis HK\$'000
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)	–	–

Explanation

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.

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)	–	–
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Explanation

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.

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3 Composition of regulatory capital (continued)

a. Composition of regulatory capital (CC1) (continued)

Remarks:

The amount of the 10% 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.

Abbreviations:

CET1: Common Equity Tier 1

AT1: Additional Tier 1

Note:

Cross-references 1 to 5 are referenced to Reconciliation of regulatory capital to balance sheet (CC2).

b. Reconciliation of regulatory capital to balance sheet (CC2)

	(a) Balance sheet as in published financial statements (At 30 June 2021) HK\$'000	(b) Under regulatory scope of consolidation (At 30 June 2021) HK\$'000	(c) Cross reference to note – 3a (CC1)
Cash and balances with banks	116,090	116,090	–
Placements with banks	704,262	704,262	–
Financial investment	1,442,820	1,442,820	–
Equipment, furniture and fixtures	59,508	59,508	–
Loans and advances to customers	6,470	6,470	–
Intangible assets	224,676	224,676	–
of which: goodwill	–	–	(1)
of which: other intangible assets	224,676	224,676	(2)
Right-of-use assets	62,183	62,183	–
Prepayments, accrued interest and other assets	27,134	27,134	–
Total assets	2,643,143	2,643,143	–

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3 Composition of regulatory capital (continued)

b. Reconciliation of regulatory capital to balance sheet (CC2) (continued)

	(a) Balance sheet as in published financial statements (At 30 June 2021) HK\$'000	(b) Under regulatory scope of consolidation (At 30 June 2021) HK\$'000	(c) Cross reference to note – 3a (CC1)
Liabilities			
Customers deposits	920,255	920,255	–
Lease liabilities	61,169	61,169	–
Other liabilities and provisions	109,292	109,292	
Total liabilities	1,090,716	1,090,716	
Equity			
Share capital	2,500,000	2,500,000	–
of which: amount eligible for CET1	2,500,000	2,500,000	(3)
Reserves	(947,573)	(947,573)	–
of which: Accumulated losses	(947,716)	(947,716)	(4)
of which: FVOCI reserve	143	143	(5)
Total equity	1,552,427	1,552,427	
Total liabilities and equity	2,643,143	2,643,143	

c. Main features of regulatory capital instruments (CCA)

The full terms and conditions of the Bank's capital instruments can be found in the Regulatory Disclosures section of our website, www.livibank.com.

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3 Composition of regulatory capital (continued)

c. Main features of regulatory capital instruments (CCA) (continued)

Ordinary Shares

1	Issuer	Livi Bank Limited
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	N/A
3	Governing law(s) of the instrument	Hong Kong Law
	<i>Regulatory treatment</i>	
4	Transitional Basel III rules ¹	N/A
5	Post-transitional Basel III rules ²	Common Equity Tier 1
6	Eligible at solo/group/group & solo	Solo
7	Instrument type (types to be specified by each jurisdiction)	Ordinary Shares
8	Amount recognised in regulatory capital (Currency in million, as of most recent reporting date)	HKD2,500 Million
9	Par value of instrument	N/A
10	Accounting classification	Shareholders' equity
11	Original date of issuance	21 March 2019 (300,000,000) 24 May 2019 (2,200,000,000)
12	Perpetual or dated	Perpetual
13	Original maturity date	Undated
14	Issuer call subject to prior supervisory approval	No
15	Optional call date, contingent call dates and redemption amount	N/A
16	Subsequent call dates, if applicable	N/A
	<i>Coupons / dividends</i>	
17	Fixed or floating dividend/coupon	Floating
18	Coupon rate and any related index	N/A
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	Noncumulative or cumulative	Non-cumulative
23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion trigger (s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, specify instrument type convertible into	N/A
29	If convertible, specify issuer of instrument it converts into	N/A
30	Write-down feature	No
31	If write-down, write-down trigger(s)	N/A
32	If write-down, full or partial	N/A
33	If write-down, permanent or temporary	N/A
34	If temporary write-down, description of write-up mechanism	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	N/A
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	N/A

Footnote:

¹ Regulatory treatment of capital instruments subject to transitional arrangements provided for in Schedule 4H of the Banking (Capital) Rules

² Regulatory treatment of capital instruments not subject to transitional arrangements provided for in Schedule 4H of the Banking (Capital) Rules

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4 Macprudential supervisory measures

Geographical distribution of credit exposures used in countercyclical capital buffer (CCyB1)

The following table sets out an overview of the geographical distribution of private sector credit exposures relevant for the calculation of the Bank's CCyB ratio.

At 30 June 2021

	(a)	(c)	(d)	(e)
Jurisdiction (J)	Applicable JCCyB ratio in effect	Total RWA used in computation of CCyB ratio of AI	CCyB ratio of AI	CCyB amount of AI HK\$'000
1 Hong Kong	1.0%	148,790		
2 Sum ¹		148,790		
3 Total ²		148,790	1.0%	1,488

¹ This represents the sum of RWAs for the private sector credit exposures in jurisdictions with a non-zero countercyclical buffer rate.

² The total RWAs used in the computation of the CCyB ratio in row (3) represents the total RWAs for the private sector credit exposures in all jurisdictions to which the bank is exposed, including jurisdictions with no countercyclical buffer rate or with a countercyclical buffer rate set at zero.

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5 Leverage Ratio

a. Summary comparison of accounting assets against leverage ratio exposure measure (LR1)

The following table reconciles the total assets in the published financial statements to the LR exposure measure.

At 30 June 2021	(a) Value under the LR framework HK\$'000
1 Total assets as per published financial statements	2,643,143
2 Adjustment for investments in banking, financial, insurance or commercial entities that are 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)	7,751
6a Adjustment for specific and collective provisions that are allowed to be excluded from exposure measure	(781)
7 Other adjustments	(223,895)
8 Leverage ratio exposure measure	2,426,218

Other adjustments mainly represent the intangible assets deducted in determining Tier 1 capital. These are excluded for deriving the leverage ratio exposure in accordance with the ‘Leverage Ratio Framework’ issued by the HKMA.

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5 Leverage Ratio (continued)

b. Leverage ratio (LR2)

The following table sets out a detailed breakdown of the components of the LR denominator.

	(a)	(b)	
	At 30 June 2021 HK\$'000	At 31 March 2021 HK\$'000	
On-balance sheet exposures			
1	On-balance sheet exposures (excluding those arising from derivative contracts and SFTs, but including collateral) ¹	2,643,143	2,509,578
2	Less: Asset amounts deducted in determining Tier 1 capital	(223,895)	(215,748)
3	Total on-balance sheet exposures (excluding derivative contracts and SFTs)	2,419,248	2,293,830
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 collateral provided in respect of derivative contracts where deducted from the balance sheet assets pursuant to the applicable accounting framework	–	–
7	Less: Deductions of receivables assets for cash variation margin provided under derivative contracts	–	–
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-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	77,509	714
18	Less: Adjustments for conversion to credit equivalent amounts	(69,758)	(643)
19	Off-balance sheet items	7,751	71
Capital and total exposures			
20	Tier 1 capital²	1,327,751	1,507,219
20a	Total exposures before adjustments for specific and collective provisions	2,426,999	2,293,901
20b	Adjustments for specific and collective provisions	(781)	(269)
21	Total exposures after adjustments for specific and collective provisions	2,426,218	2,293,632
Leverage ratio			
22	Leverage ratio	54.7%	65.7%

¹ Increase in on-balance sheet exposures (excluding derivative and SFTs) was in line with the growth in customer deposits.

² Decrease in Tier 1 capital was mainly due to operating loss incurred during the reporting period.

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6 Credit risk for non-securitization exposures

a. Credit quality of exposures (CR1)

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

	(a)	(b)	(c)	(d)	(e)	(f)	(g)
	Gross carrying amounts of			Of which ECL accounting provisions for credit losses on STC approach exposures	Of which ECL accounting provisions for credit losses on IRB approach exposures		
	Defaulted Exposures	Non-defaulted Exposures	Allowances/ Impairments	Allocated in regulatory category of specific provisions	Allocated in regulatory category of collective provisions		Net values (a+b-c)
At 30 June 2021	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
1 Loans	–	6,794	324	–	324	–	6,470
2 Debt securities	–	1,442,930	249	–	249	–	1,442,681
3 Off-balance sheet exposures	–	77,509	199	–	199	–	77,310
4 Total	–	1,527,233	772	–	772	–	1,526,461

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6 Credit risk for non-securitization exposures (continued)

b. Changes in defaulted loans and debt securities (CR2)

The following table sets out 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.

	(a) HK\$'000
1 Defaulted loans and debt securities at end of the previous reporting period (31 December 2020)	–
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 (30 June 2021)	–

c. Overview of recognized credit risk mitigation (CR3)

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

	(a)	(b1)	(b)	(d)	(f) Exposures secured by recognized credit derivative contracts HK\$'000
At 30 June 2021	Exposures unsecured: carrying amount HK\$'000	Exposures to be secured HK\$'000	Exposures secured by recognized collateral HK\$'000	Exposures secured by recognized guarantees HK\$'000	
1 Loans	6,470	–	–	–	–
2 Debt securities	1,442,681	–	–	–	–
3 Total	1,449,151	–	–	–	–
4 – Of which defaulted	–	–	–	–	–

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6 Credit risk for non-securitization exposures (continued)

d. Credit risk exposures and effects of recognized credit risk mitigation – for STC approach (CR4)

The following table sets out the effect of any recognized CRM (including recognized collateral under both comprehensive and simple approaches) on the calculation of capital requirements. RWA density provides a synthetic metric on riskiness of each portfolio.

At 30 June 2021	(a) Exposures pre-CCF and pre-CRM		(b) Exposures post-CCF and post-CRM		(c) (d) (e) (f) RWA and RWA density	
	On-balance sheet amount HK\$'000	Off-balance sheet amount HK\$'000	On-balance sheet amount HK\$'000	Off-balance sheet amount HK\$'000	RWA HK\$'000	RWA density %
Exposure classes						
1 Sovereign exposures	1,032,622	–	1,032,622	–	–	–
2 PSE exposures	3,200	–	3,200	–	640	20
2a – Of which: domestic PSEs	3,200	–	3,200	–	640	20
2b – Of which: foreign PSEs	–	–	–	–	–	–
3 Multilateral development bank exposures	–	–	–	–	–	–
4 Bank exposures	1,227,650	–	1,227,650	–	554,457	45%
5 Securities firm exposures	–	–	–	–	–	–
6 Corporate exposures	–	–	–	–	–	–
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	6,794	77,509	6,794	–	5,096	75%
11 Residential mortgage loans	–	–	–	–	–	–
12 Other exposures which are not past due exposures	148,783	–	148,783	–	148,783	100%
13 Past due exposures	–	–	–	–	–	–
14 Significant exposures to commercial entities	–	–	–	–	–	–
15 Total	2,419,049	77,509	2,419,049	–	708,976	29%

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6 Credit risk for non-securitization exposures (continued)

e. Credit risk exposures by asset classes and by risk weights – for STC approach (CR5)

The following table sets out a breakdown of credit risk exposures by asset classes and by risk weights (corresponding to the classification of exposures according to the approaches used).

	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(ha)	(i)	(j)
At 30 June 2021											Total credit risk exposures amount (post CCF and post CRM)
Risk Weight	0%	10%	20%	35%	50%	75%	100%	150%	250%	Others	HK\$'000
Exposure class	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
1 Sovereign exposures	1,032,622	–	–	–	–	–	–	–	–	–	1,032,622
2 PSE exposures	–	–	3,200	–	–	–	–	–	–	–	3,200
2a – Of which: domestic PSEs	–	–	3,200	–	–	–	–	–	–	–	3,200
2b – Of which: foreign PSEs	–	–	–	–	–	–	–	–	–	–	–
3 Multilateral development bank exposures	–	–	–	–	–	–	–	–	–	–	–
4 Bank exposures	–	–	197,895	–	1,029,755	–	–	–	–	–	1,227,650
5 Securities firm exposures	–	–	–	–	–	–	–	–	–	–	–
6 Corporate exposures	–	–	–	–	–	–	–	–	–	–	–
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	–	–	–	–	–	6,794	–	–	–	–	6,794
11 Residential mortgage loans	–	–	–	–	–	–	–	–	–	–	–
12 Other exposures which are not past due exposures	–	–	–	–	–	–	148,783	–	–	–	148,783
13 Past due exposures	–	–	–	–	–	–	–	–	–	–	–
14 Significant exposures to commercial entities	–	–	–	–	–	–	–	–	–	–	–
15 Total	1,032,622	–	201,095	–	1,029,755	6,794	148,783	–	–	–	2,419,049

7 Counterparty Credit Risk

As of 30 June 2021, the Bank does not have counterparty default risk exposure and credit-related derivative contracts.

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8 Market risk

Market risk under STM approach (MR1)

The following table sets out the components of the market risk capital requirements calculated using the standardized (market risk) approach (STM approach).

At 30 June 2021		(a) RWA HK\$'000
Outright product exposures		
1	Interest rate exposures (general and specific risk)	–
2	Equity exposures (general and specific risk)	–
3	Foreign exchange (including gold) exposures	7,950
4	Commodity exposures	–
Option exposures		
5	Simplified approach	–
6	Delta-plus approach	–
7	Other approach	–
8	Securitization exposures	–
9	Total	7,950

The change in foreign exchange exposures was mainly due to the decrease in CNY position for settlement of accrued expenses.

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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:

	Banks	Official Sector	Non-Bank Financial Institution	Non- financial private sector	Total
At 30 Jun 2021	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Developed countries					
– of which Australia (includes Christmas Islands, Cocos Islands, Norfolk Islands, Heard and McDonald Islands, Territory of Ashmore and Cartier Islands and Territory of Coral Sea Islands)	150,000	–	–	–	150,000
Developing Asia and Pacific					
– of which China	738,152	–	–	–	738,152

10 Loans and advances to customers and banks

	Outstanding balance	Balance covered by collateral/ other security	Charged to income statement during the year and collective provision balance
At 30 Jun 2021	HK\$'000	HK\$'000	HK\$'000
Gross loans and advances for use in Hong Kong			
Professional & private individuals			
– Other private purposes	6,794	–	523

There was no specific provision/written off and no rescheduled loans and advances to customers and banks as of 30 Jun 2021.

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11 Repossessed assets

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

12 Mainland activities

	On-balance sheet exposure HK\$'000	Off-balance sheet exposure HK\$'000	Total HK\$'000
At 30 June 2021			
(i) Central government, central government-owned entities and their subsidiaries and joint ventures ("JVs")	–	–	–
(ii) Local governments, local government-owned entities and their subsidiaries and JVs	–	–	–
(iii) PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	–	–	–
(iv) Other entities of central government not reported in item (i) above	–	–	–
(v) Other entities of local governments not reported in item (ii) above	–	–	–
(vi) PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	–	–	–
(vii) Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	–	–	–
Total	–	–	–
Total assets after provision	2,643,143		
On-balance sheet exposures as percentage of total assets	0.0%		

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13 Off-balance sheet exposures

Contingent liabilities and commitments

	At 30 June 2021 HK\$'000
<u>Contractual or notional amounts</u>	
Direct credit substitutes	–
Transaction-related contingencies	–
Trade-related contingencies	–
Forward asset purchases	–
Forward forward deposits placed	–
Other commitments:	
which are not unconditionally cancellable:	
with original maturity of not more than one year	–
with original maturity of more than one year	–
which are unconditionally cancellable	77,509
	<u>77,509</u>
Credit risk weighted amount	<u>–</u>

14 Asset under security

The Bank does not have any secured liabilities and assets used as security as of 30 June 2021.

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15 Foreign exchange risk

The currency risk arising from the Bank's operations for those individual currencies which each constitute more than 10% of the total net positions in all foreign currencies are as follows:

	US Dollars HK\$'000	Chinese Renminbi HK\$'000
At 30 Jun 2021		
Spot assets	6,520	25,249
Spot liabilities	(2)	(17,299)
Forward purchases	–	–
Forward sales	–	–
	<hr/>	<hr/>
Net long non-structural position	<u>6,518</u>	<u>7,950</u>

The Bank does not have structural FX position as of 30 June 2021.

LIVI BANK LIMITED

Acronyms

AI	Authorised institution	SA-CCR	Standardised approach for counterparty credit risk
ALCO	Asset and Liability Committee	SEC-ERBA	Securitization external ratings-based approach
AT1	Additional tier 1	SEC-FBA	Securitization full back approach
Bank	Livi Bank Limited	SEC-IRBA	Securitization internal ratings-based approach
BCR	Banking (Capital) Rules	SEC-SA	Securitization standardised approach
BSC	Basic approach	SFT	Securities financing transaction
CCF	Credit conversion factor	STC	Standardised (credit risk) approach
CCP	Central counterparty	STM	Standardised (market risk) approach
CCR	Counterparty credit risk		
CCyB	Countercyclical capital buffer		
CEM	Current exposure method		
CET1	Common equity tier 1		
CIS	Collective investment scheme		
CRM	Credit risk mitigation		
CVA	Credit valuation adjustment		
D-SIB	Domestic systematically important authorised institution		
DTAs	Deferred tax assets		
EL	Expected loss		
FBA	Fall-back approach		
G-SIB	Global systematically important authorised institution		
HKMA	Hong Kong Monetary Authority		
IMM	Internal models approach		
IMM (CCR)	Internal models (counterparty credit risk) approach		
IRB	Internal ratings-based approach		
JCCyB	Jurisdictional countercyclical capital buffer		
LAC	Loss-absorbing Capacity		
LCR	Liquidity Coverage Ratio		
LMR	Liquidity Maintenance Ratio		
LR	Leverage Ratio		
LTA	Look through approach		
MBA	Mandate-based approach		
MSRs	Mortgage servicing rights		
N/A	Not applicable		
PFE	Potential future exposure		
PRC	People's Republic of China		
PSE	Public sector entity		
RW	Risk-weight		
RWA	Risk-weighted asset/risk-weighted amount		
S	Securitization		

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