



Livi Bank

Unaudited Regulatory Disclosure Statement

For the period ended 30 September 2022

LIVI BANK LIMITED

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1 Introduction

Unaudited Regulatory Disclosure Statement

This unaudited quarterly regulatory disclosure statement complies with the Banking (Disclosure) Rules (“Rules”) under section 60A of the Banking Ordinance and the 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. 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.

Basis of preparation and consolidation

The capital ratios were calculated in accordance with the Banking (Capital) Rules (“BCR”) 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.

At 30 September 2022, the Bank does not have any subsidiaries.

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2 Key prudential ratios (KM1)

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

	(a) At 30 September 2022 HK\$'000	(b) At 30 June 2022 HK\$'000	(c) At 31 March 2022 HK\$'000	(d) At 31 December 2021 HK\$'000	(e) At 30 September 2021 HK\$'000	
Regulatory capital (amount)						
1	Common Equity Tier 1 (CET1)	696,183	890,911	781,540	957,621	1,142,433
2	Tier 1	696,183	890,911	781,540	957,621	1,142,433
3	Total capital	708,607	898,619	787,079	962,046	1,145,134
RWA (amount)						
4	Total RWA ²	1,006,233	623,142	457,660	715,253	1,070,732
Risk-based regulatory capital ratios (as a percentage of RWA)						
5	CET1 ratio (%) ¹	69.2%	143.0%	170.8%	133.9%	106.7%
6	Tier 1 ratio (%) ¹	69.2%	143.0%	170.8%	133.9%	106.7%
7	Total capital ratio (%) ¹	70.4%	144.2%	172.0%	134.5%	106.9%
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 (%)	61.2%	135.0%	162.8%	125.9%	98.7%
Basel III leverage ratio						
13	Total leverage ratio (LR) exposure measure	3,100,039	2,926,284	3,201,930	4,183,863	2,577,645
14	LR (%) ³	22.5%	30.4%	24.4%	22.9%	44.3%
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 (%) ^{#4}	98.1%	114.5%	114.4%	98.8%	121.7%
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 September 2022 was mainly due to the increase in RWAs and operating loss for Q3 2022.

² Please refer to note 3 for the key drivers of total RWA.

³ Decrease in Leverage ratio was mainly due to the decrease in Tier 1 capital base and increase in customer deposits.

⁴ Decrease in average LMR% in Q3 2022 was mainly due to the increase in customer deposits outflow.

[#] 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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3 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)	(b)	(c)
	RWA		Minimum capital requirements
	At 30 September 2022	At 30 June 2022	At 30 September 2022
	HK\$'000	HK\$'000	HK\$'000
1 Credit risk for non-securitization exposures	993,958	616,629	79,517
2 Of which STC approach ¹	993,958	616,629	79,517
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 ²	3,000	300	240
21 Of which STM approach	3,000	300	240
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 ³	9,275	6,213	742
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	1,006,233	623,142	80,499

¹ Increase in credit risk for non-securitization exposures as of 30 September 2022 was mainly due to the increase in retail loan exposures.

² Increase in market risk exposures was mainly due to more exposures in CNH-denominated customer deposits.

³ Increase in operational risk exposure was due to more gross income than last quarter.

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4 Leverage ratio (LR2)

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

	(a)	(b)	
	At 30 September 2022 HK\$'000	At 30 June 2022 HK\$'000	
On-balance sheet exposures			
1	On-balance sheet exposures (excluding those arising from derivative contracts and SFTs, but including collateral) ¹	3,190,334	3,043,497
2	Less: Asset amounts deducted in determining Tier 1 capital	(233,536)	(231,515)
3	Total on-balance sheet exposures (excluding derivative contracts and SFTs)	2,956,798	2,811,982
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 ²	1,556,653	1,220,096
18	Less: Adjustments for conversion to credit equivalent amounts	(1,400,988)	(1,098,086)
19	Off-balance sheet items	155,665	122,010
Capital and total exposures			
20	Tier 1 capital ³	696,183	890,911
20a	Total exposures before adjustments for specific and collective provisions	3,112,463	2,933,992
20b	Adjustments for specific and collective provisions	(12,424)	(7,708)
21	Total exposures after adjustments for specific and collective provisions	3,100,039	2,926,284
Leverage ratio			
22	Leverage ratio	22.5%	30.4%

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

² Increase in off-balance sheet exposure at gross notional amount was mainly due to the increase in retail loan exposures.

³ Decrease in Tier 1 capital was mainly due to the operating loss incurred during the reporting period.

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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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