



Supplementary Notes to Interim Financial Statements (unaudited)

For the period ended 30 June 2021

Mox Bank Limited

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1. Supplementary Notes to Interim Financial Statements (unaudited)

These notes are supplementary to and should be read in conjunction with the 2021 Interim Financial Statements. The financial statements and this supplementary notes to financial statements (unaudited) taken together comply with the Banking (Disclosure) Rules (“Rules”) under section 60A of the 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 to the disclosure policy. Additional disclosures as required by the Banking (Disclosure) Rules will be available on our website: <https://mox.com/> on or before 30 September 2021.

According to the Rules, disclosure of comparative information is not required unless otherwise specified in the standard disclosure templates. Prior period disclosures can be found in the Regulatory Disclosure section of our website: <https://mox.com/>.

Basis of preparation

The capital adequacy ratio (“CAR”) was compiled in accordance with the Banking (Capital) Rules (“BCR”) issued by the HKMA. In calculating the risk weighted assets, the Bank adopted the Standardised (Credit Risk) Approach and the Standardised (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.

Basis of consolidation

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

2. Key prudential ratios, overview of risk management and RWA

a. Key prudential ratios (KM1)

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

		(a)	(b)	(c)	(d)	(e)
		30 Jun 2021 HK\$'000	31 Mar 2021 HK\$'000	31 Dec 2020 HK\$'000	30 Sep 2020 HK\$'000	30 Jun 2020 HK\$'000
Regulatory capital (amount)						
1	Common Equity Tier 1 (CET1)	944,647	1,127,603	841,403	535,279	693,320
2	Tier 1	944,647	1,127,603	841,403	535,279	693,320
3	Total capital	946,050	1,127,614	841,413	535,279	693,320
RWA (amount)						
4	Total RWA	2,148,309	1,659,088	1,424,640	628,694	687,502
Risk-based regulatory capital ratios (as a percentage of RWA)						
5	CET1 ratio (%)	43.97	67.97	59.06	85.14	100.85
6	Tier 1 ratio (%)	43.97	67.97	59.06	85.14	100.85
7	Total capital ratio (%)	44.04	67.97	59.06	85.14	100.85
Additional CET1 buffer requirements (as a percentage of RWA)						
8	Capital conservation buffer requirement (%)	2.50	2.50	2.50	2.50	2.50
9	Countercyclical capital buffer requirement (%)	1.00	1.00	1.00	1.00	1.00
10	Higher loss absorbency requirements (%) (applicable only to G-SIBs or D-SIBs)	N/A	N/A	N/A	N/A	N/A
11	Total AI-specific CET1 buffer requirements (%)	3.50	3.50	3.50	3.50	3.50
12	CET1 available after meeting the AI's minimum capital requirements (%)	36.04	59.97	51.06	77.14	92.85
Basel III leverage ratio						
13	Total leverage ratio (LR) exposure measure	6,857,450	6,779,893	6,344,595	2,239,548	1,376,366
14	LR (%)	13.78	16.63	13.26	23.90	50.37
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 (%)	51.05	58.31	81.64	215.69	145.56
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

Note:

The capital ratios and LMR remained well above the minimum regulatory requirements. CET1, T1 and total capital ratios dropped as the Bank has been launching its products and services resulting in higher RWA and consumption of capital for business operation costs. Leverage ratio dropped because the Bank has been launching its products and services resulting in higher exposure and consumption of capital for business operation costs.

2. Key prudential ratios, overview of risk management and RWA (continued)

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

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

		(a)	(b)	(c)
		RWA		Minimum capital requirements
		30 Jun 2021 HK\$'000	31 Mar 2021 HK\$'000	30 Jun 2021 HK\$'000
1	Credit risk for non-securitization exposures	2,147,846	1,658,625	171,828
2	Of which STC approach	2,147,846	1,658,625	171,828
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	-	-	-
21	Of which STM approach	-	-	-
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	463	463	37
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	2,148,309	1,659,088	171,865

Note:

Increase in credit risk for non-securitization exposures is mainly due to bank exposure with longer tenor and increase in customer loan balances.

3. Composition of regulatory capital

a. Composition of regulatory capital (CC1)

As of 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	2,549,320	(2)
2	Retained earnings	(1,146,131)	(3)
3	Disclosed reserves	24	(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	1,403,213	
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)	458,566	(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)	-	
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

3. Composition of regulatory capital

a. Composition of regulatory capital (CC1)

As of 30 June 2021		(a)	(b)
		Amount HK\$'000	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
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	458,566	
29	CET1 capital	944,647	
	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	<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)	944,647	

3. Composition of regulatory capital

a. Composition of regulatory capital (CC1)

As of 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: 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	1,403	
51	Tier 2 capital before regulatory deductions	1,403	
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)	1,403	
59	Total regulatory capital (TC = T1 + T2)	946,050	
60	Total RWA	2,148,309	
Capital ratios (as a percentage of RWA)			
61	CET1 capital ratio	43.97%	

3. Composition of regulatory capital

a. Composition of regulatory capital (CC1)

		(a)	(b)
As of 30 June 2021		Amount HK\$'000	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
62	Tier 1 capital ratio	43.97%	
63	Total capital ratio	44.04%	
64	Institution-specific buffer requirement (capital conservation buffer plus countercyclical capital buffer plus higher loss absorbency requirements)	3.50%	
65	of which: capital conservation buffer requirement	2.50%	
66	of which: bank specific countercyclical capital buffer requirement	1.00%	
67	of which: higher loss absorbency requirement	0.00%	
68	CET1 (as a percentage of RWA) available after meeting minimum capital requirements	36.04%	
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)			
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

3. Composition of regulatory capital

a. Composition of regulatory capital (CC1)

		(a)	(b)
As of 30 June 2021		Amount HK\$'000	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
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>	-	

3. Composition of regulatory capital (continued)

a. Composition of regulatory capital (CC1)

Notes to the template
As of 30 Jun 2021

	Description	Hong Kong basis HKD'000	Basel III basis HKD'000
9	Other intangible assets (net of associated deferred tax liabilities)	458,566	458,566
	<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.		
10	Deferred tax assets (net of associated deferred tax liabilities)	-	-
	<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 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.		
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)	-	-
	<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.		
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)	-	-
	<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.		

3. Composition of regulatory capital (continued)

a. Composition of regulatory capital (CC1)

Notes to the template
As of 30 Jun 2021

	Description	Hong Kong basis HKD'000	Basel III basis HKD'000
39	<p>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> <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>	-	-
54	<p>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> <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: 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>			

3. Composition of regulatory capital (continued)

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

	(a)	(b)	(c)
	Balance sheet as in published financial statements (as at 30 Jun 2021) (HKD'000)	Under regulatory scope of consolidation (as at 30 Jun 2021) (HKD'000)	Cross reference to note 5(a) of (CC1)
Assets			
Balances with central bank	861,443	861,443	
Investment securities	585,947	585,947	
Advances to customers	80,878	80,878	
Amount due from immediate holding company	5,049,348	5,049,348	
Amount due from a fellow subsidiary	10	10	
Property and equipment	34,439	34,439	
Intangible assets	458,566	458,566	(1)
Prepayment and other assets	22,596	22,596	
Total assets	7,093,227	7,093,227	
Liabilities			
Deposits from customers	5,394,276	5,394,276	
Amounts due to immediate holding company	118,629	118,629	
Amount due to a fellow subsidiary	399	399	
Amount due to a related company	7,270	7,270	
Other liabilities	169,440	169,440	
Total liabilities	5,690,014	5,690,014	
Shareholders' equity			
Share capital	2,549,320	2,549,320	
Of which: amount eligible for CET1	2,549,320	2,549,320	(2)
Reserves	(1,146,107)	(1,146,107)	
Of which: FVOCI reserves - debt	24	24	(4)
Of which: Retained earnings	(1,146,131)	(1,146,131)	(3)
Total shareholders' equity	1,403,213	1,403,213	

3. Composition of regulatory capital (continued)

c. Main features of regulatory capital instruments (CCA)

The following is a summary of the bank's common equity tier 1 ("CET1") capital, additional tier 1 ("AT1") capital and tier 2 capital instruments.

		HKD Ordinary Shares
1	Issuer	Mox Bank Limited
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	N/A
3	Governing law(s) of the instrument	Hong Kong
	<i>Regulatory treatment</i>	
4	Transitional Basel III rules ¹	N/A
5	Post-transitional Basel III rules ²	CET1
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\$2,549 Million
9	Par value of instrument	N/A
10	Accounting classification	Equity
11	Original date of issuance	10 Aug 2018: 20,000 ordinary shares 25 Feb 2019: 29,980,000 ordinary shares 3 Apr 2019: 131,092,000 ordinary shares 19 Nov 2020: 46,920,000 ordinary shares 26 Feb 2021: 46,920,000 ordinary shares
12	Perpetual or dated	Perpetual
13	Original maturity date	N/A
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	Non-cumulative 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 in the insolvency creditor hierarchy of the legal entity concerned).	N/A
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	N/A

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

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

4. Macroprudential supervisory measures

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

The following table shows the geographical breakdown of risk-weighted amount (“RWA”) in relation to private sector credit exposures as of 30 June 2021:

		(a)	(c)	(d)	(e)
	Geographical breakdown by Jurisdiction (J)	Applicable JCCyB ratio in effect (%)	RWA used in computation of CCyB ratio HKD'000	AI-specific CCyB ratio (%)	CCyB amount (HKD'000)
1	Hong Kong SAR	1.00	121,012		
2	Sum ¹		121,012		
3	Total ²		121,013	1.00	21,483

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

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

5. Leverage ratio

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

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

As of 30 Jun 2021		Value under the LR framework
	Item	HKD'000
1	Total consolidated assets as per published financial statements	7,093,227
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)	222,790
6a	Adjustments for prudent valuation adjustments and specific and collective provisions that are allowed to be excluded from exposure measure	-
7	Other adjustments ¹	(458,566)
8	Leverage ratio exposure measure	6,857,450

¹Any other adjustments that are necessary for the reconciliation but not included in rows 1 to 6a above. These may include adjustments in relation to any items that are deducted from Tier 1 capital under the risk-based capital framework in accordance with BCR §38(2), §43 and §47, but are not already excluded from the calculation of the LR exposure measure.

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)
		HKD'000	
		30 Jun 2021	31 Mar 2021
On-balance sheet exposures			
1	On-balance sheet exposures (excluding those arising from derivative contracts and SFTs, but including collateral)	7,094,629	7,214,761
2	Less: Asset amounts deducted in determining Tier 1 capital	(458,566)	(446,504)
3	Total on-balance sheet exposures (excluding derivative contracts and SFTs)	6,636,064	6,768,257
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 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	2,106,458	18,800
18	Less: Adjustments for conversion to credit equivalent amounts	(1,883,668)	(7,153)
19	Off-balance sheet items	222,790	11,647
Capital and total exposures			
20	Tier 1 capital	944,647	1,127,603
20a	Total exposures before adjustments for specific and collective provisions	6,858,854	6,779,904
20b	Adjustments for specific and collective provisions	(1,403)	(11)
21	Total exposures after adjustments for specific and collective provisions	6,857,450	6,779,893
Leverage ratio			
22	Leverage ratio	13.78%	16.63%

Note:

Leverage ratio dropped because the Bank has been launching its products and services resulting in higher exposure and consumption of capital for business operation costs.

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.

As of 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 ¹		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		
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
1	Loans	-	5,993,135	1,403	-	1,403	-	5,991,732
2	Debt securities	-	585,947	-	-	-	-	585,947
3	Off-balance sheet exposures	-	13,493	-	-	-	-	13,493
4	Total	-	6,592,576	1,403	-	1,403	-	6,591,173

Note:

¹The categorization of Expected Credit Loss ('ECL') accounting provisions into the regulatory categories of specific and collective provisions follows the treatment specified in the completion instructions of the HKMA Capital Adequacy Ratio – MA(BS)3 return. According to the completion instructions, the ECL accounting provisions classified into Stage 1 and Stage 2 are treated as collective provisions, while those classified under Stage 3 are treated as specific provisions.

Increase in debt securities is in line with the balance sheet growth during the period.

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)
		HKD\$'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 Jun 2021)	-

c. Overview of recognized credit risk mitigation (CR3)

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

As of 30 June 2021		(a)	(b1)	(b)	(d)	(f)
		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
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
1	Loans	5,993,135	-	-	-	-
2	Debt securities	585,947	-	-	-	-
3	Total	6,579,083	-	-	-	-
4	Of which defaulted	-	-	-	-	-

Note:

Increase in debt securities is in line with the balance sheet growth during the period.

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.

As of 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
		HKD'000	HKD'000	HKD'000	HKD'000	HKD'000	%
1	Sovereign exposures	1,447,390	-	1,447,390	-	-	0%
2	PSE exposures	-	-	-	-	-	0%
2a	Of which: domestic PSEs	-	-	-	-	-	0%
2b	Of which: foreign PSEs	-	-	-	-	-	0%
3	Multilateral development bank exposures	-	-	-	-	-	0%
4	Bank exposures	5,049,358	-	5,049,358	-	2,015,620	40%
5	Securities firm exposures	-	-	-	-	-	0%
6	Corporate exposures	-	-	-	-	-	0%
7	CIS exposures	-	-	-	-	-	0%
8	Cash items	-	-	-	-	-	0%
9	Exposures in respect of failed delivery on transactions entered into on a basis other than a delivery-versus-payment basis	-	-	-	-	-	0%
10	Regulatory retail exposures	82,335	2,092,965	82,335	-	61,751	75%
11	Residential mortgage loans	-	-	-	-	-	0%
12	Other exposures which are not past due exposures	56,981	13,493	56,981	13,493	70,475	100%
13	Past due exposures	-	-	-	-	-	-
14	Significant exposures to commercial entities	-	-	-	-	-	-
15	Total	6,636,064	2,106,458	6,636,064	13,493	2,147,846	32%

Note:

Increase in credit risk exposures (RWA) under STC approach during the period is mainly due to higher RWA density for bank deposits placed with longer tenor.

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).

As of 30 June 2021		(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(ha)	(i)	(j)
Exposure class	Risk Weight	0%	10%	20%	35%	50%	75%	100%	150%	250%	Others	Total credit risk exposures amount (post CCF and post CRM)
		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	1,447,390	-	-	-	-	-	-	-	-	-	1,447,390
2	PSE exposures	-	-	-	-	-	-	-	-	-	-	-
2a	Of which: domestic PSEs	-	-	-	-	-	-	-	-	-	-	-
2b	Of which: foreign PSEs	-	-	-	-	-	-	-	-	-	-	-
3	Multilateral development bank exposures	-	-	-	-	-	-	-	-	-	-	-
4	Bank exposures	-	-	1,696,863	-	3,352,495	-	-	-	-	-	5,049,358
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	-	-	-	-	-	82,335	-	-	-	-	82,335
11	Residential mortgage loans	-	-	-	-	-	-	-	-	-	-	-
12	Other exposures which are not past due exposures	-	-	-	-	-	-	70,475	-	-	-	70,475
13	Past due exposures	-	-	-	-	-	-	-	-	-	-	-
14	Significant exposures to commercial entities	-	-	-	-	-	-	-	-	-	-	-
15	Total	1,447,390	-	1,696,863	-	3,352,495	82,335	70,475	-	-	-	6,649,557

Note:

Increase in credit risk exposures (RWA) under STC approach during the period is mainly due to higher RWA density for bank deposits placed with longer tenor.

7. Counterparty Credit risk

As at 30 June 2021, the Bank does not have any counterparty default risk exposures.

8. Securitization exposures

As at 30 June 2021, the Bank does not have any Securitization exposures.

9. Market risk

a. Market risk under STM approach (MR1)

As of 30 June 2021, the Bank only has USD currency exposure and the exposure is considered to be immaterial. For details, please refer to the note 24 for Currency Risk of the Interim Financial Statement.