Supplementary Notes to Financial Statements (unaudited)

For period ended 31 December 2022

Mox Bank Limited

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1. Supplementary Notes to Financial Statements (unaudited)

Introduction

These notes are supplementary to and should be read in conjunction with the 2022 Annual 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 April 2023.

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 basic indicator approach.

Basis of consolidation

As of 31 December 2022, the Bank does not have any subsidiaries for consolidation purpose.

2. Key prudential ratios and metrics

a. Key prudential ratios (KM1)

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

		(a)	(b)	(c)	(d)	(e)
		31 Dec 2022 HK$'000	30 Sep 2022 HK$'000	30 Jun 2022 HK$'000	31 Mar 2022 HK$'000	31 Dec 2021 HK$'000
	Regulatory capital (amount)					
1	Common Equity Tier 1 (CET1)	827,013	753,104	918,740	1,043,468	584,035
2	Tier 1	827,013	753,104	918,740	1,043,468	584,035
3	Total capital	881,504	795,406	953,424	1,064,799	600,778
	RWA (amount)					
4	Total RWA	4,640,427	3,593,328	2,884,953	1,736,781	1,351,588
	Risk-based regulatory capital ratios (as a percentage of RWA)					
5	CET1 ratio (%)	17.82	20.96	31.85	60.08	43.21
6	Tier 1 ratio (%)	17.82	20.96	31.85	60.08	43.21
7	Total capital ratio (%)	19.00	22.14	33.05	61.31	44.45
	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 (%)	11.00	14.14	25.05	53.31	36.45
	Basel III leverage ratio					
13	Total leverage ratio (LR) exposure measure	11,899,561	8,596,290	8,249,191	6,866,329	7,030,298
14	LR (%)	6.95	8.76	11.14	15.20	8.31
	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 (%)	44.19	40.06	50.69	73.90	70.46
	Net Stable Funding Ratio (NSFR) / Core Funding Ratio (CFR)					
	Applicable to category 1 institution only:					
18	Total available stable funding	N/A	N/A	N/A	N/A	N/A
19	Total required stable funding	N/A	N/A	N/A	N/A	N/A
20	NSFR (%)	N/A	N/A	N/A	N/A	N/A
	Applicable to category 2A institution only:					
20a	CFR (%)	N/A	N/A	N/A	N/A	N/A

The capital ratios and LMR remained significantly above the minimum regulatory requirements.
CET1, Tier 1, 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.

3. Overview of risk management and RWA

a. Overview of risk-weighted amount (OVA)

Note 26 on pages 39 to 60 of the 2022 consolidated financial statements sets out a description of risk management objectives and policies and how the Board of Directors and senior management assess and manage risks, enabling users to gain a clear understanding of risk tolerance and appetite in relation to the main activities and all significant risks.

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
		31 Dec 2022 HK$'000	30 Sep 2022 HK$'000	31 Dec 2022 HK$'000
1	Credit risk for non-securitization exposures	4,359,299	3,384,145	348,744
2	Of which STC approach	4,359,299	3,384,145	348,744
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	450	1,000	36
21	Of which STM approach	450	1,000	36
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	319,038	219,063	25,523
24a	Sovereign concentration risk	-	-	-
25	Amounts below the thresholds for deduction (subject to 250% RW)	-	-	-
26	Capital floor adjustment	-	-	-
26a	Deduction to RWA	38,360	10,880	3,069
26b	Of which portion of regulatory reserve for general banking risks and collective provisions which is not included in Tier 2 Capital	38,360	10,880	3,069
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	**4,640,427**	**3,593,328**	**371,234**

Increase in credit risk for non-securitization exposure is mainly due to increase in customer loan balances.

4. Linkage between financial statements and regulatory exposures

a. Differences between accounting and regulatory scopes of consolidation and mapping of financial statement categories with regulatory categories (LI1)

The following table sets out an information on assets and liabilities to enable users to identify the differences between the scope of accounting consolidation and the scope of regulatory consolidation, with a breakdown into regulatory risk categories of every item of the assets and liabilities reported in financial statements based on the scope of accounting consolidation.

			Carrying values of items:				
As of 31 Dec 2022	Carrying values as reported in published financial statements HK$'000	Carrying values under scope of regulatory consolidation HK$'000	subject to credit risk framework HK$'000	subject to counterparty credit risk framework HK$'000	subject to the securitization framework HK$'000	subject to market risk framework HK$'000	not subject to capital requirements or subject to deduction from capital HK$'000
Assets							
Balances with central bank	1,072,448	1,072,448	1,072,448	-	-	-	-
Investment securities	2,877,424	2,877,424	2,877,424	-	-	-	-
Advances to customers	4,957,342	4,957,342	4,957,342	-	-	-	-
Amount due from immediate holding company	795,856	795,856	795,856	-	-	-	-
Amount due from fellow subsidiary	178	178	178	-	-	-	-
Amount due from related companies	90,234	90,234	90,234	-	-	-	-
Intangible assets	477,381	477,381	-	-	-	-	477,381
Property and equipment	54,742	54,742	54,742	-	-	-	-
Prepayment and other assets	88,241	88,241	88,241	-	-	-	-
Total assets	**10,413,846**	**10,413,846**	**9,936,465**	-	-	-	**477,381**
Liabilities							
Deposits from customers	8,365,260	8,365,260	-	-	-	-	8,365,260
Amount due to immediate holding company	346,207	346,207	-	-	-	-	346,207
Amount due to fellow subsidiary	2,260	2,260	-	-	-	-	2,260
Amount due to related companies	15,103	15,103	-	-	-	-	15,103
Other payables	302,422	302,422	-	-	-	-	302,422
Total liabilities	**9,031,252**	**9,031,252**	-	-	-	-	**9,031,252**

4. Linkage between financial statements and regulatory exposures (continued)

b. Main sources of differences between regulatory exposure amounts and carrying values in financial statements (LI2)

The following table sets out information on the main sources of differences between the carrying values in financial statements and the exposure amounts used for the calculation of regulatory capital in respect of the assets and liabilities based on the scope of regulatory consolidation.

	As of 31 Dec 2022	Total HK$'000	Items subject to: credit risk framework HK$'000	securitization framework HK$'000	counterparty credit risk framework HK$'000	market risk framework HK$'000
1	**Asset carrying value amount under scope of regulatory consolidation (as per template LI1)**	10,413,846	9,936,465	-	-	-
2	Liabilities carrying value amount under regulatory scope of consolidation (as per template LI1)	-	-	-	-	-
3	Total net amount under regulatory scope of consolidation	10,413,846	9,936,465	-	-	-
4	Off-balance sheet amounts	10,541	10,541	-	-	-
5	Differences due to allowances	76,488	76,488	-	-	-
				-	-	-
6	**Exposure amounts considered for regulatory purposes**	**10,500,875**	**10,023,494**	-	-	-

c. Explanations of differences between accounting and regulatory exposure amounts (LIA)

The key differences between regulatory exposure amounts and accounting carrying values under the regulatory scope of consolidation are:

(i) Off-balance sheet amounts: Off-balance sheet amounts include contingent liabilities and guarantees after application of credit conversion factors

(ii) Differences due to allowances: The carrying value of assets in the financial statements are net of allowances. However, regulatory exposures under standardized approach are net of specific allowances

4. Linkage between financial statements and regulatory exposures (continued)

d. Prudent valuation adjustments (PV1)

The following table sets out a detailed breakdown of the constituent elements of valuation adjustment.

	As of 31 Dec 2022	(a) Equity HK$'000	(b) Interest rates HK$'000	(c) FX HK$'000	(d) Credit HK$'000	(e) Commodities HK$'000	(f) Total HK$'000	(g) Of which: In the trading book HK$'000	(h) Of which: In the banking book HK$'000
1	Close-out uncertainty, of which:	-	-	-	-	-	-	-	-
2	*Mid-market value*	-	-	-	-	-	-	-	-
3	*Close-out costs*	-	-	-	-	-	-	-	-
4	*Concentration*	-	-	-	-	-	-	-	-
5	Early termination	-	-	-	-	-	-	-	-
6	Model risk	-	-	-	-	-	-	-	-
7	Operational risks	-	-	-	-	-	-	-	-
8	Investing and funding costs						-	-	-
9	Unearned credit spreads						-	-	-
10	Future administrative costs	-	-	-	-	-	-	-	-
11	Other adjustments	-	-	-	-	-	-	-	-
12	**Total adjustments**	-	-	-	-	-	-	-	-

5. Composition of regulatory capital

a. Composition of regulatory capital (CC1)

	As of 31 Dec 2022	(a) **Amount HK$'000**	(b) **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	3,440,800	(2)
2	Retained earnings	(2,133,655)	(3)
3	Disclosed reserves	(2,751)	(4)
4	*Directly issued capital subject to phase-out arrangements from CET1 (only applicable to non-joint stock companies)*	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**	**1,304,394**	
	CET1 capital: regulatory deductions		
7	Valuation adjustments	-	

5. Composition of regulatory capital

a. Composition of regulatory capital (CC1)

		(a)	(b)
As of 31 Dec 2022		**Amount HK$'000**	**Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation**
8	Goodwill (net of associated deferred tax liabilities)	-	-
9	Other intangible assets (net of associated deferred tax liabilities)	477,381	(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
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	-	

5. Composition of regulatory capital

a. Composition of regulatory capital (CC1)

		(a)	(b)
As of 31 Dec 2022		**Amount HK$'000**	**Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation**
28	**Total regulatory deductions to CET1 capital**	**477,381**	
29	**CET1 capital**	**827,013**	
	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	*Capital instruments subject to phase-out arrangements from AT1 capital*	-	
34	AT1 capital instruments issued by consolidated bank subsidiaries and held by third parties (amount allowed in AT1 capital of the consolidation group)	-	
35	*of which: AT1 capital instruments issued by subsidiaries subject to phase-out arrangements*	-	
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)**	**827,013**	
	Tier 2 capital: instruments and provisions		
46	Qualifying Tier 2 capital instruments plus any related share premium	-	
47	*Capital instruments subject to phase-out arrangements from Tier 2 capital*	-	
48	Tier 2 capital instruments issued by consolidated bank subsidiaries and held by third parties (amount allowed in Tier 2 capital of the consolidation group)	-	
49	*of which: capital instruments issued by subsidiaries subject to phase-out arrangements*	-	
50	Collective provisions and regulatory reserve for general banking risks eligible for inclusion in Tier 2 capital	54,491	

5. Composition of regulatory capital

a. Composition of regulatory capital (CC1)

		(a)	(b)
As of 31 Dec 2022		**Amount HK$'000**	**Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation**
51	**Tier 2 capital before regulatory deductions**	**54,491**	
	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)**	54,491	
59	**Total regulatory capital (TC = T1 + T2)**	**881,504**	
60	**Total RWA**	**4,640,427**	
	Capital ratios (as a percentage of RWA)		
61	**CET1 capital ratio**	**17.82%**	
62	**Tier 1 capital ratio**	**17.82%**	
63	**Total capital ratio**	**19.00%**	
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	**11.00%**	

5. Composition of regulatory capital

a. Composition of regulatory capital (CC1)

		(a)	(b)
As of 31 Dec 2022		**Amount HK$'000**	**Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation**
	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	*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)*	-	

5. Composition of regulatory capital (continued)

a. Composition of regulatory capital (CC1)

Notes to the template

As of 31 Dec 2022

	Description	Hong Kong basis HKD'000	Basel III basis HKD'000
9	**Other intangible assets (net of associated deferred tax liabilities)**	**477,381**	**477,381**
	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)**	-	-
	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.		
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)**	-	-
	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.		
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)**	-	-

5. Composition of regulatory capital (continued)

a. Composition of regulatory capital (CC1)

Notes to the template

As of 31 Dec 2022

	Description	Hong Kong basis HKD'000	Basel III basis HKD'000
	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)**	-	-
	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.		
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.			

5. 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 31 Dec 2022) (HKD'000)	**Under regulatory scope of consolidation** (as at 31 Dec 2022) (HKD'000)	**Cross reference to note 5(a) of (CC1)**
Assets			
Balances with central bank	1,072,448	1,072,448	
Investment securities	2,877,424	2,877,424	
Advances to customers	4,957,342	4,957,342	
Amount due from immediate holding company	795,856	795,856	
Amount due from fellow subsidiary	178	178	
Amount due from related companies	90,234	90,234	
Property and equipment	54,742	54,742	
Intangible assets	477,381	477,381	(1)
Prepayments and other assets	88,241	88,241	
Total assets	10,413,846	10,413,846	
Liabilities			
Deposits from customers	8,365,260	8,365,260	
Amount due to immediate holding company	346,207	346,207	
Amount due to fellow subsidiary	2,260	2,260	
Amount due to related companies	15,103	15,103	
Other liabilities	302,422	302,422	
Total liabilities	9,031,252	9,031,252	
Shareholders' equity			
Share capital	3,519,000	3,519,000	
Of which: amount eligible for CET1	3,440,800	3,440,800	(2)
Reserves	(2,136,406)	(2,136,406)	
Of which: FVOCI reserves - debt	(2,751)	(2,751)	(4)
Of which: Retained earnings	(2,133,655)	(2,133,655)	(3)
Total shareholders' equity	1,382,594	1,382,594	

5. 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
	Regulatory treatment	
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$3,441 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 10 Mar 2022: 65,688,000 ordinary shares 25 Nov 2022: 31,280,000 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
	Coupons / dividends	
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

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

6. 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 31 Dec 2022:

	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	3,898,400		
2	Australia	1.00	2		
3	United Kingdom	1.00	369		
4	Sum[1]		3,898,771		
5	Total[2]		3,899,440	1.00	46,404

[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 4 represents the total RWAs for the private 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.

7. 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 31 Dec 2022

	Item	Value under the LR framework HKD'000
1	Total consolidated assets as per published financial statements	10,413,846
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)	1,979,459
6a	Adjustments for prudent valuation adjustments and specific and collective provisions that are allowed to be excluded from exposure measure	-
7	Other adjustments[1]	(493,744)
8	**Leverage ratio exposure measure**	11,899,561

[1] Any 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.

7. 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	
		31 Dec 2022	30 Sep 2022
On-balance sheet exposures			
1	On-balance sheet exposures (excluding those arising from derivative contracts and SFTs, but including collateral)	10,500,657	7,498,763
2	Less: Asset amounts deducted in determining Tier 1 capital	(477,381)	(476,384)
3	**Total on-balance sheet exposures (excluding derivative contracts and SFTs)**	10,023,276	7,022,379
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	19,699,723	16,208,706
18	Less: Adjustments for conversion to credit equivalent amounts	(17,720,264)	(14,575,731)
19	**Off-balance sheet items**	1,979,459	1,632,975
Capital and total exposures			
20	**Tier 1 capital**	827,013	753,104
20a	**Total exposures before adjustments for specific and collective provisions**	12,002,735	8,655,354
20b	**Adjustments for specific and collective provisions**	(103,174)	(59,064)
21	**Total exposures after adjustments for specific and collective provisions**	11,899,561	8,596,290
Leverage ratio			
22	**Leverage ratio**	6.95%	8.76%

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.

8. Liquidity

a. Liquidity Risk Management (LIQA)

The following Liquidity Risk Management related information provides the supplement to the Liquidity Risk Section from 2022 Mox Bank Limited Directors' Report and Financial Statements.

As of 31 December 2022, the Bank maintains the LMR of 46.54%.

In addition, the following table is an extraction from Part 4 of Liquidity Monitoring Tools return, which sets out the details of the Bank's maturity profile covering on- and off-balance sheet items broken down by maturity buckets and the resultant liquidity gaps.

As at 31 December 2022 HK$'000	Total Amount	Within 1 month	1 - 3 months	3 months - 1 year	1 - 5 years	Over 5 years	Balancing Amount
On-balance sheet assets							
Due from MA for a/c of Exchange Fund	1,072,448	1,072,448	-	-	-	-	-
Due from banks	795,856	187,023	-	608,833	-	-	-
Debt securities, prescribed instructions and structured financial instruments (net of short positions)	2,877,424	2,877,424	-	-	-	-	-
Loans and advances to non-bank customers	5,044,154	56,058	2,221	6,205	12,731	-	4,966,939
Other assets (including provisions)	710,598	-	90,234	-	-	-	620,364
Total	**10,500,480**	**4,192,953**	**92,455**	**615,038**	**12,731**	**-**	**5,587,303**
On-balance sheet liabilities							
Deposits from non-bank customers							
(a) Pledged deposits	-	-	-	-	-	-	-
(b) Demand, savings and current account deposits	8,365,249	8,365,249	-	-	-	-	-
(c) Term, call and notice deposits	11	11	-	-	-	-	-
Due to Banks	201,743	-	201,743	-	-	-	-
Other Liabilities (including provisions)	550,883	337,307	41,522	9,169	37,097	-	125,788
Capital and reserves	1,382,594	-	-	-	-	-	1,382,594
Total	**10,500,480**	**8,702,567**	**243,265**	**9,169**	**37,097**		**1,508,382**
Off-balance sheet claims							
Other off-balance sheet claims	-	-	-	-	-	-	-
Off-balance sheet obligations							
Other off-balance sheet obligations	10,541	-	10,541	-	-	-	-
Total	**10,541**	**-**	**10,541**	**-**	**-**	**-**	**-**
Funding Gaps							
Contractual Maturity Mismatch		(4,509,614)	(161,351)	605,869	(24,366)	-	
Cumulative Contractual Maturity Mismatch		(4,509,614)	(4,670,965)	(4,065,096)	(4,089,462)	(4,089,462)	

9. Credit risk for non-securitization exposures

a. General information about credit risk (CRA)

Our approach to credit risk can be found in the Risk management approach section in Note 26 on pages 39 to 60 to the 2022 financial statements.

b. 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 31 Dec 2022	(a)	(b)	(c)	(d)	(e)	(f)	(g)
		Gross carrying amounts of		Allowances / impairments	Of which ECL accounting provisions for credit losses on STC approach exposures		Of which ECL accounting provisions for credit losses on IRB approach exposures	Net values (a+b-c)
		Defaulted Exposures	Non-defaulted exposures		Allocated in regulatory category of specific provisions	Allocated in regulatory category of collective provisions		
		HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
1	Loans	11,231	6,998,879	103,174	10,324	92,850	-	6,906,936
2	Debt securities	-	2,877,424	-	-	-	-	2,877,424
3	Off-balance sheet exposures	-	10,541	-	-	-	-	10,541
4	***Total***	11,231	9,886,844	103,174	10,324	92,850	-	9,794,901

The categorization of Expected Credit Loss ("ECL") accounting provisions into the regulatory categories of specific and collective provisions follows the treatment specified in the completion instruction of the HKMA Capital Adequacy Ratio – MA(BS)3 return. According to the completion instruction, 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.

Loans included balances with central banks and banks, loans and advances to customers, corporate exposures, and related accrued interest receivables.

Off-balance sheet exposures included direct credit substitutes and unconditionally cancellable commitments.

9. Credit risk for non-securitization exposures (continued)

c. 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.

		HKD$'000
1	**Defaulted loans and debt securities at end of the previous reporting period (30 June 2022)**	4,090
2	Loans and debt securities that have defaulted since the last reporting period	28,676
3	Returned to non-defaulted status	-
4	Amounts written off	(21,535)
5	Other changes	-
6	**Defaulted loans and debt securities at end of the current reporting period (31 Dec 2022)**	11,231

d. Additional disclosure related to credit quality of exposures (CRB)

The following table sets out an additional qualitative and quantitative information on the credit quality of exposures to supplement the quantitative information provided under templates CR1 and CR2. Please refer to note 2(d) of the consolidated financial statements for the approach for determining credit-impairment provisions and definition of "credit impaired".

I. Exposures by geographical location (CRB1)

As at 31 Dec 2022	Gross carrying amount HKD$'000
1 Hong Kong	9,896,748
2 Others	1,327
Total	9,898,075

Increase in exposures in HK was mainly driven by the growth in balance sheet.

II. Exposures by Industry (CRB2)

As at 31 Dec 2022	Gross carrying amount HKD$'000
1 Individuals	5,152,170
2 Financial concerns	4,745,905
Total	9,898,075

Increase in exposures across industries was mainly driven by the growth in balance sheet.

9. Credit risk for non-securitization exposures (continued)

d. Additional disclosure related to credit quality of exposures (CRB) (continued)

III. Exposures by residual maturity (CRB3)

As at 31 Dec 2022		Repayable on demand to 1 year HKD$'000	Due between 1 year to 5 years HKD$'000	Due after 5 years HKD$'000	Total HKD$'000
1	Loans	5,745,252	1,264,858	-	7,010,110
2	Debt securities	2,877,424	-	-	2,877,424
3	Off-balance sheet exposures	-	-	10,541	10,541
	Total	8,622,676	1,264,858	10,541	9,898,075

Increase in exposures across industries was mainly driven by the growth in balance sheet.

IV. Impaired exposures and related allowances and write-offs by geographical location (CRB4)

As at 31 Dec 2022		Gross impaired advances HKD$'000	Specific provisions HKD$'000	Advances written-off in a year HKD$'000
1	Hong Kong	11,231	10,324	27,032
	Total	11,231	10,324	27,032

V. Impaired exposures and related allowances and write-offs by Industry (CRB5)

As at 31 Dec 2022		Gross impaired advances HKD$'000	Specific provisions HKD$'000	Advances written-off in a year HKD$'000
1	Individuals	11,231	10,324	27,032
	Total	11,231	10,324	27,032

VI. Aging analysis of accounting past due exposures (CRB6)

Please refer to Note 26 of the 2022 financial statements for aging analysis of past due exposures.

VII. Breakdown of restructured exposures (CRB7)

As at 31 Dec 2022	HKD$'000
Impaired	46
Not impaired	89
Total	135

9. Credit risk for non-securitization exposures (continued)

e. Qualitative disclosures related to credit risk mitigation (CRC)

The Bank has established a Credit Risk Type framework that sets out policies and procedures covering the measurement and management of credit risk. Details can be found in the Risk management approach section in Note 26 on pages 39 to 60 of the 2022 financial statements.

f. Overview of recognized credit risk mitigation (CR3)

As of 31 Dec 2022

		(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	7,010,110	-	-	-	-
2	Debt securities	2,877,424	-	-	-	-
3	**Total**	9,887,534	-	-	-	-
4	Of which defaulted	11,231	-	-	-	-

g. Qualitative disclosures on use of ECAI ratings under STC approach (CRD)

External ratings where available are used to assign risk-weights for standardized approach (SA) exposures for various exposure classes.

These external ratings must come from External Credit Assessment Institutions (ECAI); which currently include Moody's, Standard & Poor's and Fitch. The bank uses the ECAI rating from these agencies in its day-to-day business, which are tracked and kept updated.

The bank determines ECAI issuer ratings or ECAI issue-specific ratings in a process consistent with Part 4 of BCR and the exposure classes are assigned risk weightings as prescribed in the BCR.

9. Credit risk for non-securitization exposures (continued)

h. 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 31 Dec 2022	(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	3,949,873	-	3,949,873	-	-	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	796,033	-	796,033	-	341,857	43%
5	Securities firm exposures	-	-	-	-	-	0%
6	Corporate exposures	97,474	-	97,474	-	95,360	98%
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	5,033,227	19,689,182	5,033,227	-	3,774,920	75%
11	Residential mortgage loans	-	-	-	-	-	0%
12	Other exposures which are not past due exposures	135,742	10,541	135,742	10,541	146,283	100%
13	Past due exposures	586	-	586	-	878	150%
14	Significant exposures to commercial entities	-	-	-	-	-	-
15	**Total**	10,012,935	19,699,723	10,012,935	10,541	4,359,298	44%

Note:

Increase in credit risk exposures under STC approach during the period is mainly due to increase in regulatory retail exposures.

9. Credit risk for non-securitization exposures (continued)

i. 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 31 Dec 2022	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(ha)	(i)	(j)
	Risk Weight / Exposure class	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	3,949,873	-	-	-	-	-	-	-	-	-	3,949,873
2	PSE exposures	-	-	-	-	-	-	-	-	-	-	-
2a	Of which: domestic PSEs	-	-	-	-	-	-	-	-	-	-	-
2b	Of which: foreign PSEs	-	-	-	-	-	-	-	-	-	-	-
3	Multilateral development bank exposures	-	-	-	-	-	-	-	-	-	-	-
4	Bank exposures	-	-	187,200	-	608,833	-	-	-	-	-	796,033
5	Securities firm exposures	-	-	-	-	-	-	-	-	-	-	-
6	Corporate exposures	-	-	-	-	4,229	-	93,245	-	-	-	97,474
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	-	-	-	-	-	5,033,227	-	-	-	-	5,033,227
11	Residential mortgage loans	-	-	-	-	-	-	-	-	-	-	-
12	Other exposures which are not past due exposures	-	-	-	-	-	-	146,283	-	-	-	146,283
13	Past due exposures	-	-	-	-	-	-	-	586	-	-	586
14	Significant exposures to commercial entities	-	-	-	-	-	-	-	-	-	-	-
15	Total	3,949,873	-	187,200	-	613,062	5,033,227	239,528	586	-	-	10,023,476

Note:

Increase in credit risk exposures under STC approach during the period is mainly due to increase in regulatory retail exposures.

10. Counterparty Credit risk

As at 31 Dec 2022, the Bank does not have any counterparty default risk exposures.

11. Securitization exposures

As at 31 Dec 2022, the Bank does not have any Securitization exposures.

12. Market risk

a. Qualitative disclosures related to market risk (MRA)

The Bank uses the standardized (market risk) approach for its exposures.

Further information relating to market risk governance and management is set out in note notes 26 on pages 39 to 60 to the 2022 financial statements.

b. Market risk under STM approach (MR1)

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

		RWA
	As of 31 December 2022	HKD'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	450
4	Commodity exposures	-
	Option exposures	
5	Simplified approach	-
6	Delta-plus approach	-
7	Other approach	-
8	Securitization exposures	-
9	**Total**	**450**

Increase in market risk RWA under STM approach was mainly due to increase in net open position in non-USD exposures.

13. Interest rate Risk

a. Interest rate risk in banking book – risk management objectives and policies (IRRBBA)

Overview

The Bank defines Interest Rate Risk in the Banking Book ("IRRBB") as the potential for a reduction in future earnings or economic value due to changes in interest rates. This risk arises from differences in the re-pricing profile, interest rate basis, and optionality of banking book assets, liabilities, an off-balance sheet items. IRRBB represents an economic and commercial risk to the Bank and its capital adequacy. The Bank monitors IRRBB against Board-approved Risk Appetite.

IRRBB is managed by the ALCO and is independently monitored by Treasury Risk. IRRBB is also subject to Internal Audit review and model governance. IRRBB models, if any, will be independently validated a designated model validation party and approved by the Executive Risk Committee.

Measurement of IRRBB

The Bank uses two key metric types for measuring IRRBB: Net Interest Income ("NII") Sensitivity, an income measure which quantifies the potential change in projected net interest income over a one-year horizon from defined movements in interest rates; and Economic Value of Equity ("EVE"), a value measure which estimates the potential change in the present value of the Bank's Banking Book assets and liabilities from defined movements in interest rates. Both NII and EVE are monitored monthly against defined Risk Appetite limits.

Methodology

NII and EVE are calculated under various interest rate scenarios, including parallel and non-parallel shifts and a range of internally designed scenarios that assess vulnerabilities in the Bank's business model and key assumptions under interest rate shocks and stresses. Risk Appetite limits are monitored with respect to six interest rate scenarios prescribed by the HKMA.

The model assumptions used internally do not differ from the ones set by the HKMA.

The EVE is calculated based on the assumption that expired interest rate sensitive positions are not replaced. The cash flows include commercial spread components and financial investments consider credit dependent spread components, if applicable. Cash flows including commercial margins and other spread components are discounted with a risk-free rate curve per currency (based on IBOR and Swap market rates).

The NII is computed based on the assumption of a constant balance sheet excluding non-rate-sensitive items. All the positions captured are assumed to run to maturity and slotted into the appropriate time bands according to the earliest interest repricing date (as per MA(BS)12A) including for non-maturing deposits ("NMD").

As at 31 December 2022, the Bank's average and longest repricing maturing assigned to NMD is 1 day.

Retail fixed rate loans follow contractual maturity for interest rate risk monitoring with no repayment assumption under IRRBB for conservative approach.

Adverse currency impacts on EVE are aggregated for significant currencies following HKMA's standardized framework.

13. Interest rate risk (continued)

a. Interest rate risk in banking book – risk management objectives and policies (IRRBBA) (continued)

Management of IRRBB

Risk limits and management action triggers (“MAT”) are established for on-going monitoring of impact to economic value of equity (“EVE”) and net interest income (“NII”) resulting under IRRBB scenarios being independently monitor by Treasury Risk and subject to monthly review by ALCO.

b. Quantitative information on interest rate risk in banking book (“IRRBB1”)

The interest rate risk sensitivity figures presented in the IRRBB1 table represent the effect of six interest rate scenarios defined by HKMA on the expected present value of the banking book as well as the impact of the two parallel shock scenarios on the net interest income of the banking book.

		(a)	*(b)*	*(c)*	*(d)*
HK$'M		***Δ EVE*[1] *Change in economic value of equity***		***Δ NII*[1] *Change in net interest income***	
	Period	***As 31 December 2022***	***As 31 December 2021***	***At 31 December 2022***	***As 31 December 2021***
1	Parallel up	84	39	30	20
2	Parallel down	-	-	(30)	(20)
3	Steepener	-	-		
4	Flattener	46	33		
5	Short rate up	66	42		
6	Short rate down	-	-		
7	**Maximum**	84	42	30	20
	Period	***As 31 December 2022***		***As 31 December 2021***	
8	**Tier 1 capital**	827		584	

[1] Positive values of Δ EVE and Δ NII indicate losses under the respective scenarios, in accordance with HKMA's disclosure requirement.

As of 31 December 2022, the most adverse of the six HKMA interest rate scenarios with regard to EVE was the “Parallel up” scenario, resulting in an adverse change of economic value of equity of HK$84 million, representing an effect equal to 10.2% of Tier 1 Capital.

The more adverse of the two parallel interest rate scenarios with regard to NII over the next 12 months was the “Parallel up” scenario, resulting in a potential loss of HK$ 30 million.

14. Remuneration

a. Remuneration policy (REMA)

As an Authorised Institution majority owned by Standard Chartered PLC (the “Group”), Mox Bank Limited (“the Bank”) is governed by both the Hong Kong and the UK remuneration regulations where the Group is headquartered, as set out by the Hong Kong Monetary Authority (“HKMA”), the Prudential Regulation Authority and the Financial Conduct Authority.

The Board of Directors of the Bank have delegated authority to approve remuneration matters to its Remuneration Committee, which is responsible for ensuring the Bank’s remuneration framework and policy are in line with needs of the business and in compliance with applicable Hong Kong laws and regulations. The Remuneration Committee comprises of 5 non-executive directors, of which 3 are independent non-executive directors. The Committee oversees the remuneration of all colleagues and has direct oversight of individual performance and pay recommendations for members of the Executive Committee, who are identified as Senior Management under the HKMA supervisory framework. The Bank has not classified any individuals as Key Personnel under the HKMA framework given employees below the Executive Committee level are not authorised to take material risk on behalf of the Bank.

14. Remuneration (continued)

a. Remuneration policy (REMA) (continued)

The Group's remuneration framework which applies globally across all Group subsidiaries and branches is applicable to the Bank, with certain policies and programmes tailored to align with the Bank's business or local regulatory needs. The Bank's remuneration approach is applicable to all employees, and is designed to reward colleagues for the progress made in the execution of Bank strategy and to promote sound risk management. In addition, the Group's Fair Pay Charter sets out the principles used to guide reward and performance decision-making globally and supports the Group's commitment to deliver fair and competitive remuneration to all colleagues.

The Bank's remuneration components are salary, benefits and variable compensation. Variable compensation is designed to support embedding a performance-oriented culture and the principle that colleagues should share in the success of the Bank and is determined based on a review of business and individual performance. At the Bank and business unit level, balanced scorecards include financial and strategic measures and have a significant risk, control and conduct performance weighting. In reviewing the scorecard outcome, the Remuneration Committee carefully considers the balance between rewarding colleagues for strong performance and delivering growth for shareholders, and takes into account underlying business performance, the Bank's risk appetite, as well as the broader macroeconomic environment. At an individual level, all employees' performance is assessed by what is achieved and how it is achieved in line with the Bank's valued behaviours.

In addition to the Remuneration Committee's consideration of risk management performance in variable compensation funding, to ensure a strong alignment between conduct, risk management and reward, the control functions provide input to risk adjustment processes such as the assessment of malus and clawback of variable compensation. Individual level control breaches and conduct cases are linked to performance ratings and corresponding variable compensation reductions. Independence of the control functions is supported through the use of balanced scorecards for variable remuneration such that employees in the audit, risk and compliance functions are not incentivised to drive financial performance of the business unit they oversee.

Variable compensation is typically delivered in cash. For Senior Managers identified under the HKMA framework who have a direct impact on the Bank's strategic direction, at least 40% of the variable compensation is deferred in phantom options in the Bank's shares to comply with HKMA guidelines and to align with the Bank's long-term interest. The phantom options become exercisable in tranches over three years and are subject to malus and clawback provisions in line with other forms of variable compensation. As approved by the Remuneration Committee, the Bank has engaged an independent advisor in the share valuation for the Bank's phantom option awards.

The remuneration approach is reviewed and adopted by the Remuneration Committee annually and the Bank engaged an external provider to conduct a one-off review on the Bank's remuneration system in 2022. No material changes were made to the remuneration approach following the review that took place during December 2022.

Further details of the Group, Standard Chartered PLC, remuneration approach can be found in the most recent Directors' Remuneration Report in the Annual Report of Standard Chartered PLC.

14. Remuneration (continued)

b. Remuneration awarded during financial year (REM1)

Remuneration amount and quantitative information			2022 Senior management and Key personnel HK$'000	2021 Senior management and Key personnel HK$'000
1	Fixed remuneration	Number of employees	16	19
2		Total fixed remuneration	35,498	34,847
3		Of which: cash-based	33,423	32,815
4		Of which: deferred	-	-
5		Of which: shares or other share-linked instruments	-	-
6		Of which: deferred	-	-
7		Of which: other forms	2,075	2,032
8		Of which: deferred	-	-
9	Variable remuneration	Number of employees	12	12
10		Total variable remuneration	17,083	13,098
11		Of which: cash-based	10,325	7,859
12		Of which: deferred	965	-
13		Of which: shares or other share-linked instruments	6,758	5,239
14		Of which: deferred	5,793	5,239
15		Of which: other forms	-	-
16		Of which: deferred	-	-
17	**Total remuneration**		**52,581**	**45,829**

c. Special payments (REM2)

As of 31 Dec 2022

Special payments	Guaranteed bonuses		Sign-on awards		Severance payments	
	Number of employees	Total amount	Number of employees	Total amount	Number of employees	Total amount
		HKD'000		HKD'000		HKD'000
Senior management and Key personnel	-	-	-	-	-	-

As of 31 Dec 2021

Special payments	Guaranteed bonuses		Sign-on awards		Severance payments	
	Number of employees	Total amount	Number of employees	Total amount	Number of employees	Total amount
		HKD'000		HKD'000		HKD'000
Senior management and Key personnel	-	-	-	-	1	3,000

14. Remuneration (continued)

d. Deferred remuneration (REM3)

The table below shows the deferred and retained remuneration for Senior Management and Key Personnel (note 1)

Analysis of total amount of outstanding deferred remuneration	2022 Senior Management and Key Personnel	2021 Senior Management and Key Personnel
Total amount of outstanding deferred and retained remuneration	HKD'000	HKD'000
Cash (Note 2)	-	-
Shares or other share-linked instruments (Note 3)	6,473	4,456
Others	-	-
Total	**6,473**	**4,456**
Total amount of outstanding deferred and retained remuneration exposed to ex post explicit and/or implicit adjustment (Note 4)		
Cash (Note 2)	-	-
Shares or other share-linked instruments (Note 3)	6,473	4,456
Others	-	-
Total	**6,473**	**4,456**

Analysis of adjustments of deferred remuneration	2022 Senior Management and Key Personnel	2021 Senior Management and Key Personnel
Total amount of amendment during the year due to ex post explicit adjustments	HKD'000	HKD'000
Cash (Note 2)	-	-
Shares or other share-linked instruments (Note 3)	-	-
Others	-	-
Total	-	-
Total amount of amendment during the year due to ex post implicit adjustment		
Cash (Note 2)	-	-
Shares or other share-linked instruments (Note 3)	(434)	471
Others	-	-
Total	**(434)**	**471**
Total amount of deferred remuneration paid out in the financial year		
Cash (Note 2)	-	-
Shares or other share-linked instruments (Note 3)	2,094	1,846
Others	-	-
Total	**2,094**	**1,846**

14. Remuneration (continued)

d. Deferred remuneration (REM3) (continued)

Note:

(1) The Bank has classified members of the Bank's Executive Committee as Senior Management under HKMA's CG-5 supervisory framework, and has not identified individuals as Key Personnel as employees below the Executive Committee level are not authorised to take material risk on behalf of the Bank.

(2) Deferred remuneration in cash reflects deferred cash granted by the Bank to Senior Management that remain outstanding during the year.

(3) Deferred remuneration in shares and share-linked instruments reflects deferred equity awards granted by the Bank to Senior Management that remain outstanding and include Mox phantom share awards and equity awards made in Standard Chartered Bank PLC shares as applicable.

(4) Ex post adjustments refers to adjustments made after the awards are granted.

Acronyms

AI	Authorized institutions
AIRB	Advanced internal ratings-based approach
ALCO	Asset and Liability Committee
ASA	Alternative standardized approach
ASF	Available stable funding
AT1	Additional Tier 1
Bank	Mox Bank Limited
BCBS	Basel Committee on Banking Supervision
BCR	Banking (Capital) Rules
BDR	Banking (Disclosure) Rules
BIA	Basic indicator approach
BSC	Basic approach
CCF	Credit conversion factor
CCP	Central counterparty
CCR	Counterparty credit risk
CCyB	Countercyclical capital buffer
CEM	Current exposure method
CET1	Common equity tier 1
CF	Commodities finance
CIS	Collective investment scheme
CRC	Comprehensive risk charge
CRM	Credit risk mitigation
CVA	Credit valuation adjustment
D-SIB	Domestic systematically important authorized institution
DTAs	Deferred tax assets
EAD	Exposure at default
EL	Expected loss
EPE	Expected positive exposures
FBA	Fall-back approach
G-SIB	Global systematically important bank
HKMA	Hong Kong Monetary Authority
HVCRE	High-volatility commercial real estate
HQLA	High quality liquid assets
IMM	Internal models approach
IMM (CCR)	Internal models approach (counterparty credit risk) approach
ICAAP	Internal Capital Adequacy Assessment Process
IPRE	Income-producing real estate
IRB	Internal ratings-based approach
JCCyB	Jurisdictional countercyclical capital buffer
JVs	Joint ventures
LAC	Loss-absorbing capacity
LCR	Liquidity coverage ratio
LGD	Loss given default
LMR	Liquidity Maintenance Ratio
LR	Leverage Ratio
LTA	Look through approach
MBA	Mandate-based approach
MSRs	Mortgage servicing rights
N/A	Not applicable
NSFR	Net stable funding ratio
OF	Object finance
OTC	Over-the-counter
PD	Probability of default
PF	Project finance
PFE	Potential future exposure
PRC	People’s Republic of China
PVA	Prudential Valuation Adjustments
PSE	Public sector entity
QRRE	Qualifying revolving retail exposures
RC	Replacement cost
RSF	Required stable funding
RW	Risk-weight
RWA	Risk-weighted asset/risk-weighted amount
S&P	Standard & Poor’s
SA-CCR	Standardized approach for counterparty credit risk
SEC-ERBA	Securitization external ratings-based approach
SEC-FBA	Securitization fall back approach
SEC-IRBA	Securitization internal ratings-based approach
SEC-SA	Securitization standardized approach
SFT	Securities financing transaction
SME	Small and Medium Enterprises
SRW	Supervisory risk-weighs
STC	Standardized (credit risk) approach
STM	Standardized (market risk) approach
STO	Standardized (operational risk) approach
VaR	Value at risk