



# **Livi Bank**

**Unaudited Regulatory  
Disclosure Statement**

**For the year ended  
31 December 2023**

# LIVI BANK LIMITED

## Table of Contents

	Page
1 Introduction .....	1
2 Key prudential ratios (KM1) .....	2
3 Overview of risk management and RWA .....	3
a. Overview of risk management (OVA) .....	3
b. Overview of risk-weighted amounts ("RWA") (OV1) .....	3
4 Linkages between financial statements and regulatory exposures .....	5
a. Differences between accounting and regulatory scopes of consolidation and mapping of financial statement categories with regulatory risk categories (LI1) .....	5
b. Main sources of differences between regulatory exposure amounts and carrying values in financial statements (LI2) .....	6
c. Explanations of differences between accounting and regulatory exposure amounts (LIA) .....	6
d. Prudential valuation adjustments (PV1) .....	6
5 Composition of regulatory capital .....	7
a. Composition of regulatory capital (CC1) .....	7
b. Reconciliation of regulatory capital to balance sheet (CC2) .....	15
c. Main features of regulatory capital instruments (CCA) .....	16
6 Macroprudential supervisory measures .....	20
Geographical distribution of credit exposures used in countercyclical capital buffer (CCyB1) .....	20
7 Leverage Ratio .....	21
a. Summary comparison of accounting assets against leverage ratio exposure measure (LR1) ...	21
b. Leverage ratio (LR2) .....	22
8 Liquidity Risk Management (LIQA) .....	23
9 Credit risk for non-securitization exposures .....	25
a. General information about credit risk (CRA) .....	25
b. Credit quality of exposures (CR1) .....	26

# LIVI BANK LIMITED

	Page
c. Changes in defaulted loans and debt securities (CR2) . . . . .	26
d. Additional disclosure related to credit quality of exposures (CRB) . . . . .	27
e. Qualitative disclosures related to credit risk mitigation (CRC) . . . . .	28
f. Overview of recognized credit risk mitigation (CR3) . . . . .	28
g. Qualitative disclosures on use of ECAI ratings under STC approach (CRD) . . . . .	29
h. Credit risk exposures and effects of recognized credit risk mitigation – for STC approach (CR4) . . . . .	29
i. Credit risk exposures by asset classes and by risk weights – for STC approach (CR5) . . . . .	30
10 Counterparty Credit Risk . . . . .	31
Qualitative disclosures related to counterparty credit risk (including those arising from clearing through CCPs) (CCRA) . . . . .	31
11 Market risk . . . . .	31
a. Qualitative disclosures related to market risk (MRA) . . . . .	31
b. Market risk under STM approach (MR1) . . . . .	32
12 Interest rate risk in banking book . . . . .	33
13 Securitization exposures – Qualitative disclosures related to securitization exposure (SECA) . . . . .	34
14 Remuneration (REMA/REM1/REM2/REM3) . . . . .	35
15 International claims . . . . .	40
16 Loans and advances to customers and banks . . . . .	42
17 Repossessed assets . . . . .	45
18 Mainland activities . . . . .	45
19 Off-balance sheet exposures – Contingent liabilities and commitments . . . . .	46
20 Foreign exchange risk . . . . .	47

# LIVI BANK LIMITED

## 1 Introduction

### Unaudited Quarterly Regulatory Disclosure Statement

These Unaudited Regulatory Disclosure Statement should be read in conjunction with the 2023 Audited Financial Statements (“financial statements”). The financial statements and this Regulatory Disclosure Statement taken together comply with the Banking (Disclosure) Rules under section 60A of the Hong Kong Banking Ordinance.

These banking disclosures are governed by the Bank’s disclosure policy, which has been approved by the Board of Directors. The disclosure policy sets out the approach to determine the content, appropriateness and frequency of the disclosures, the approach to ensure the relevance and adequacy of the disclosures, and the internal control over the process for making the disclosures. The disclosures have been subject to independent review in accordance with the disclosure policy.

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

### Basis of preparation and consolidation

The capital ratios were calculated in accordance with the Banking (Capital) Rules (“BCR”) of the Hong Kong Banking Ordinance. In calculating the risk weighted amounts, the Bank adopted the Standardized (Credit Risk) Approach and the Standardized (Market Risk) Approach for credit risk and market risk respectively. For operational risk, the capital requirement is calculated using the Basic Indicator Approach.

At 31 December 2023, the Bank does not have any subsidiaries.

# LIVI BANK LIMITED

## 2 Key prudential ratios (KM1)

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

	(a) At 31 December 2023 HK\$'000	(b) At 30 September 2023 HK\$'000	(c) At 30 June 2023 HK\$'000	(d) At 31 March 2023 HK\$'000	(e) At 31 December 2022 HK\$'000	
<b>Regulatory capital (amount)</b>						
1	Common Equity Tier 1 (CET1)	1,035,366	1,106,005	240,493	378,816	539,171
2	Tier 1	1,834,442	1,905,081	1,039,569	378,816	539,171
3	Total capital	1,854,410	1,923,223	1,059,690	396,323	554,646
<b>RWA (amount)</b>						
4	Total RWA <sup>2</sup>	1,734,549	1,509,362	1,661,452	1,436,802	1,277,649
<b>Risk-based regulatory capital ratios (as a percentage of RWA)</b>						
5	CET1 ratio (%) <sup>1</sup>	59.7%	73.3%	14.5%	26.4%	42.2%
6	Tier 1 ratio (%) <sup>1</sup>	105.8%	126.2%	62.6%	26.4%	42.2%
7	Total capital ratio (%) <sup>1</sup>	106.9%	127.4%	63.8%	27.6%	43.4%
<b>Additional CET1 buffer requirements (as a percentage of RWA)</b>						
8	Capital conservation buffer requirement (%)	2.5%	2.5%	2.5%	2.5%	2.5%
9	Countercyclical capital buffer requirement (%)	1.0%	1.0%	1.0%	1.0%	1.0%
10	Higher loss absorbency requirements (%) (applicable only to G-SIBs or D-SIBs)	0.0%	0.0%	0.0%	0.0%	0.0%
11	Total AI-specific CET1 buffer requirements (%)	3.5%	3.5%	3.5%	3.5%	3.5%
12	CET1 available after meeting the AI's minimum capital requirements (%)	51.7%	65.3%	6.5%	18.4%	34.2%
<b>Basel III leverage ratio</b>						
13	Total leverage ratio (LR) exposure measure	5,033,391	5,039,770	3,978,292	3,821,588	4,047,501
14	LR (%) <sup>3</sup>	36.4%	37.8%	26.1%	9.9%	13.3%
<b>Liquidity Coverage Ratio (LCR) / Liquidity Maintenance Ratio (LMR)</b>						
<b>Applicable to category 1 institution only:</b>						
15	Total high quality liquid assets (HQLA)	NA	NA	NA	NA	NA
16	Total net cash outflows	NA	NA	NA	NA	NA
17	LCR (%)	NA	NA	NA	NA	NA
<b>Applicable to category 2 institution only:</b>						
17a	LMR (%) <sup>4#</sup>	178.9%	124.8%	114.7%	130.8%	154.6%
<b>Net Stable Funding Ratio (NSFR) / Core Funding Ratio (CFR)</b>						
<b>Applicable to category 1 institution only:</b>						
18	Total available stable funding	NA	NA	NA	NA	NA
19	Total required stable funding	NA	NA	NA	NA	NA
20	NSFR (%)	NA	NA	NA	NA	NA
<b>Applicable to category 2A institution only:</b>						
20a	CFR (%)	NA	NA	NA	NA	NA

<sup>1</sup> Decrease in CET1%, Tier 1% and Total Capital % as of 31 December 2023 was mainly due to the increase in RWAs and operating loss for Q4 2023.

<sup>2</sup> Please refer to note 3b for the key drivers of total RWA changes.

<sup>3</sup> Decrease in leverage ratio was driven by the decrease in customer deposits and operating loss in Q4 2023.

<sup>4</sup> Increase in average LMR was mainly due to more liquefiable assets deployed in Q4 2023.

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

# LIVI BANK LIMITED

## 3 Overview of risk management and RWA

### a. Overview of risk management (OVA)

Note 26 of the 2023 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 the risk appetite in relation to the main activities and all significant risks.

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

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

	(a)	(b)	(c)
	RWA		Minimum capital requirements
	At 31 December 2023 HK\$'000	At 30 September 2023 HK\$'000	At 31 December 2023 HK\$'000
1 <b>Credit risk for non-securitization exposures</b> <sup>1</sup>	1,597,461	1,451,374	127,797
2 Of which STC approach	1,597,461	1,451,374	127,797
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 <b>Counterparty default risk and default fund contributions</b>	–	–	–
7 Of which SA-CCR	–	–	–
7a Of which CEM	–	–	–
8 Of which IMM(CCR) approach	–	–	–
9 Of which others	–	–	–
10 <b>CVA risk</b>	–	–	–
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 <b>Settlement risk</b>	–	–	–
16 <b>Securitization exposures in banking book</b>	–	–	–
17 Of which SEC-IRBA	–	–	–
18 Of which SEC-ERBA (including IAA)	–	–	–
19 Of which SEC-SA	–	–	–
19a Of which SEC-FBA	–	–	–

# LIVI BANK LIMITED

## 3 Overview of risk management and RWA (continued)

### b. Overview of risk-weighted amounts (“RWA”) (OV1) (continued)

	(a)	(b)	(c)
	RWA		Minimum capital requirements
	At 31 December 2023 HK\$'000	At 30 September 2023 HK\$'000	At 31 December 2023 HK\$'000
20 <b>Market risk<sup>2</sup></b>	<b>3,175</b>	<b>375</b>	254
21 Of which STM approach	<b>3,175</b>	<b>375</b>	254
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 <b>Operational risk<sup>3</sup></b>	<b>133,913</b>	<b>57,613</b>	<b>10,713</b>
24a Sovereign concentration risk	–	–	–
25 <b>Amounts below the thresholds for deduction (subject to 250% RW)</b>	–	–	–
26 <b>Capital floor adjustment</b>	–	–	–
26a <b>Deduction to RWA</b>	–	–	–
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 <b>Total</b>	<b>1,734,549</b>	<b>1,509,362</b>	<b>138,764</b>

<sup>1</sup> Increase in credit risk for non-securitization exposures as of December 2023 was mainly due to the increase in SME loans portfolios.

<sup>2</sup> Increase in market risk exposures was mainly due to more exposures in RMB denominated instruments.

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

# LIVI BANK LIMITED

## 4 Linkages between financial statements and regulatory exposures

### a. Differences between accounting and regulatory scopes of consolidation and mapping of financial statement categories with regulatory risk categories (L11)

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.

At 31 December 2023	(a) & (b) <i>Carrying values as reported in published financial statements (a) &amp; carrying values under scope of regulatory consolidation (b) HK\$'000</i>	(c)  <i>subject to credit risk framework HK\$'000</i>	(d)  <i>subject to counterparty credit risk framework HK\$'000</i>	(e) & (f) <i>Carrying values of items:</i>		(g)  <i>not subject to capital requirements or subject to deduction from capital HK\$'000</i>
<b>Assets</b>				<i>subject to the securitization framework HK\$'000</i>	<i>subject to market risk framework HK\$'000</i>	
Cash and balances with banks	269,806	269,806	–	–	–	–
Placements with banks	359,809	359,809	–	–	–	–
Financial investments	2,430,153	2,430,153	–	–	–	–
Loans and advances to customers	1,573,706	1,573,706	–	–	–	–
Property, plant and equipment	41,750	41,750	–	–	–	–
Intangible assets	176,474	–	–	–	–	176,474
Prepayments and other assets	43,488	43,488	–	–	–	–
<b>Total assets</b>	<b>4,895,186</b>	<b>4,718,712</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>176,474</b>
<b>Liabilities</b>						
Customer deposits	2,191,192	–	–	–	–	2,191,192
Balances from banks	350,038	–	–	–	–	350,038
Repurchase agreement	200,000	–	–	–	–	200,000
Lease liabilities	25,431	–	–	–	–	25,431
Other liabilities and provisions	117,609	–	–	–	–	117,609
<b>Total Liabilities</b>	<b>2,884,270</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>2,884,270</b>



# LIVI BANK LIMITED

## 4 Linkages between financial statements and regulatory exposures (continued)

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

	(a)	(b)	(d)	(f)	(e)
	Total	Credit risk framework	Securitization framework	Counterparty credit risk framework	Market risk framework
<b>1 Asset carrying value amount under scope of regulatory consolidation (as per template LI1)</b>	4,718,712	4,718,712	–	–	–
2 Liabilities carrying value amount under regulatory scope of consolidation (as per template LI1)	–	–	–	–	–
3 Total net amount under regulatory scope of consolidation	4,718,712	4,718,712	–	–	–
4 Off-balance sheet amounts	3,146,788	3,146,788	–	–	–
5 Differences due to consideration of provisions	19,968	19,968	–	–	–
<b>6 Exposure amounts considered for regulatory purposes</b>	<b>7,885,468</b>	<b>7,885,468</b>	<b>–</b>	<b>–</b>	<b>–</b>

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

The main differences between accounting values and amounts considered for regulatory purpose are as follow:

- (i) Off-balance sheet items under regulatory purpose are converted into credit equivalent amount through the use of credit conversion factors (CCFs);
- (ii) Carrying amounts reported in financial statements are net of stage 1, 2 and 3 provisions, whereas exposure amount under regulatory purpose are net of stage 3 provision only;

### d. Prudent valuation adjustments (PV1)

There is no prudential valuation adjustment as of 31 December 2023.

# LIVI BANK LIMITED

## 5 Composition of regulatory capital

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

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

At 31 December 2023		(a)	(b)
		HK\$'000	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation in (note 5b) (CC2)
<b>CET1 capital: instruments and reserves</b>			
1	Directly issued qualifying CET1 capital instruments plus any related share premium	3,792,000	(3)
2	Retained earnings	(2,581,546)	(4)
3	Disclosed reserves	1,386	(5)
4	<i>Directly issued capital subject to phase-out arrangements from CET1 (only applicable to non-joint stock companies)</i>	N/A	N/A
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	<b>CET1 capital before regulatory deductions</b>	<b>1,211,840</b>	
<b>CET1 capital: regulatory deductions</b>			
7	Valuation adjustments	–	
8	Goodwill (net of associated deferred tax liabilities)	–	(1)
9	Other intangible assets (net of associated deferred tax liabilities)	176,474	(2)
10	Deferred tax assets (net of associated deferred tax liabilities)	–	
11	Cash flow hedge reserve	–	
12	Excess of total EL amount over total eligible provisions under the IRB approach	–	
13	Credit-enhancing interest-only strip, and any gain-on-sale and other increase in the CET1 capital arising from securitization transactions	–	
14	Gains and losses due to changes in own credit risk on fair valued liabilities	–	
15	Defined benefit pension fund net assets (net of associated deferred tax liabilities)	–	
16	Investments in own CET1 capital instruments (if not already netted off paid-in capital on reported balance sheet)	–	
17	Reciprocal cross-holdings in CET1 capital instruments	–	
18	Insignificant LAC investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	–	

# LIVI BANK LIMITED

## 5 Composition of regulatory capital (continued)

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

	(a)	(b)
		Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation in (note) 5b (CC2)
At 31 December 2023	HK\$'000	
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)	N/A	N/A
21 Deferred tax assets arising from temporary differences (net of associated deferred tax liabilities)	N/A	N/A
22 Amount exceeding the 15% threshold	N/A	N/A
23 of which: significant investments in the ordinary share of financial sector entities	N/A	N/A
24 of which: mortgage servicing rights	N/A	N/A
25 of which: deferred tax assets arising from temporary differences	N/A	N/A
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 <b>Total regulatory deductions to CET1 capital</b>	<b>176,474</b>	
29 <b>CET1 capital</b>	<b>1,035,366</b>	
<b>AT1 capital: instruments</b>		
30 Qualifying AT1 capital instruments plus any related share premium	799,076	
31 of which: classified as equity under applicable accounting standards	799,076	
32 of which: classified as liabilities under applicable accounting standards	–	
33 <i>Capital instruments subject to phase-out arrangements from AT1 capital</i>	–	
34 AT1 capital instruments issued by consolidated bank subsidiaries and held by third parties (amount allowed in AT1 capital of the consolidation group)	–	
35 of which: AT1 capital instruments issued by subsidiaries subject to phase-out arrangements	–	

# LIVI BANK LIMITED

## 5 Composition of regulatory capital (continued)

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

	(a)	(b)
		Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation in (note) 5b (CC2)
At 31 December 2023	HK\$'000	
36 <b>AT1 capital before regulatory deductions</b>	<b>799,076</b>	
<b>AT1 capital: regulatory deductions</b>		
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 <b>Total regulatory deductions to AT1 capital</b>	<b>–</b>	
44 <b>AT1 capital</b>	<b>799,076</b>	
45 <b>Tier 1 capital (T1 = CET1 + AT1)</b>	<b>1,834,442</b>	
<b>Tier 2 capital: instruments and provisions</b>		
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	19,968	
51 <b>Tier 2 capital before regulatory deductions</b>	<b>19,968</b>	
<b>Tier 2 capital: regulatory deductions</b>		
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)	–	

# LIVI BANK LIMITED

## 5 Composition of regulatory capital (continued)

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

	(a)	(b)
	HK\$'000	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation in (note) 5b (CC2)
At 31 December 2023		
54a Insignificant LAC investments in non-capital LAC liabilities of financial sector entities that are outside the scope of regulatory consolidation (amount formerly designated for the 5% threshold but no longer meets the conditions) (for institutions defined as "section 2 institution" under §2(1) of Schedule 4F to BCR only)	–	
55 Significant LAC investments in Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (net of eligible short positions)	–	
55a Significant LAC investments in non-capital LAC liabilities of financial sector entities that are outside the scope of regulatory consolidation (net of eligible short positions)	–	
56 National specific regulatory adjustments applied to Tier 2 capital	–	
56a Add back of cumulative fair value gains arising from the revaluation of land and buildings (own-use and investment properties) eligible for inclusion in Tier 2 capital	–	
57 <b>Total regulatory adjustments to Tier 2 capital</b>	<b>–</b>	
58 <b>Tier 2 capital (T2)</b>	<b>19,968</b>	
59 <b>Total regulatory capital (TC = T1 + T2)</b>	<b>1,854,410</b>	
60 <b>Total RWA</b>	<b>1,734,549</b>	
<b>Capital ratios (as a percentage of RWA)</b>		
61 <b>CET1 capital ratio</b>	<b>59.7%</b>	
62 <b>Tier 1 capital ratio</b>	<b>105.8%</b>	
63 <b>Total capital ratio</b>	<b>106.9%</b>	
64 <b>Institution-specific buffer requirement (capital conservation buffer plus countercyclical capital buffer plus higher loss absorbency requirements)</b>	<b>3.5%</b>	
65 of which: capital conservation buffer requirement	2.5%	
66 of which: bank specific countercyclical capital buffer requirement	1.0%	
67 of which: higher loss absorbency requirement	0.0%	
68 <b>CET1 (as a percentage of RWA) available after meeting minimum capital requirements</b>	<b>51.7%</b>	
<b>National minima (if different from Basel 3 minimum)</b>		
69 National CET1 minimum ratio	N/A	N/A
70 National Tier 1 minimum ratio	N/A	N/A
71 National Total capital minimum ratio	N/A	N/A

# LIVI BANK LIMITED

## 5 Composition of regulatory capital (continued)

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

	(a)	(b)
		Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation in (note) 5b (CC2)
At 31 December 2023	HK\$'000	
<b>Amounts below the thresholds for deduction (before risk weighting)</b>		
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)	N/A
75	Deferred tax assets arising from temporary differences (net of associated deferred tax liabilities)	N/A
<b>Applicable caps on the inclusion of provisions in Tier 2 capital</b>		
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	–
<b>Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2018 and 1 Jan 2022)</b>		
80	<i>Current cap on CET1 capital instruments subject to phase-out arrangements</i>	N/A
81	<i>Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)</i>	N/A
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>	–

Total regulatory capital increased in 2023, mainly due to capital injection in Q3 2023, partially offset by the operating loss for 2023.

# LIVI BANK LIMITED

## 5 Composition of regulatory capital (continued)

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

#### (Notes) to the Template:

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

Description	At 31 December 2023	
	Hong Kong basis HK\$'000	Basel III basis HK\$'000
<b>9 Other intangible assets (net of associated deferred tax liabilities)</b>	176,474	176,474

#### 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.

<b>10 Deferred tax assets (net of associated deferred tax liabilities)</b>	–	–
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#### Explanation

As set out in paragraphs 69 and 87 of the Basel III text issued by the Basel Committee (December 2010), DTAs of the bank to be realized are to be deducted, whereas DTAs which relate to temporary differences may be given limited recognition in CET1 capital (and hence be excluded from deduction from CET1 capital up to the specified threshold). In Hong Kong, an AI is required to deduct all DTAs in full, irrespective of their origin, from CET1 capital. Therefore, the amount to be deducted as reported in row 10 may be greater than that required under Basel III. The amount reported under the column “Basel III basis” in this box represents the amount reported in row 10 (i.e. the amount reported under the “Hong Kong basis”) adjusted by reducing the amount of DTAs to be deducted which relate to temporary differences to the extent not in excess of the 10% threshold set for DTAs arising from temporary differences and the aggregate 15% threshold set for MSRs, DTAs arising from temporary differences and significant investments in CET1 capital instruments issued by financial sector entities (excluding those that are loans, facilities or other credit exposures to connected companies) under Basel III.

# LIVI BANK LIMITED

## 5 Composition of regulatory capital (continued)

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

Description	At 31 December 2023	
	Hong Kong basis HK\$'000	Basel III basis HK\$'000
<b>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)</b>	–	–

#### 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.

<b>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)</b>	–	–
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#### Explanation

For the purpose of determining the total amount of significant LAC investments in CET1 capital instruments issued by financial sector entities, an AI is required to aggregate any amount of loans, facilities or other credit exposures provided by it to any of its connected companies, where the connected company is a financial sector entity, as if such loans, facilities or other credit exposures were direct holdings, indirect holdings or synthetic holdings of the AI in the capital instruments of the financial sector entity, except where the AI demonstrates to the satisfaction of the MA that any such loan was made, any such facility was granted, or any such other credit exposure was incurred, in the ordinary course of the AI's business. Therefore, the amount to be deducted as reported in row 19 may be greater than that required under Basel III. The amount reported under the column "Basel III basis" in this box represents the amount reported in row 19 (i.e. the amount reported under the "Hong Kong basis") adjusted by excluding the aggregate amount of loans, facilities or other credit exposures to the AI's connected companies which were subject to deduction under the Hong Kong approach.



# LIVI BANK LIMITED

## 5 Composition of regulatory capital (continued)

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

Description	At 31 December 2023	
	Hong Kong basis HK\$'000	Basel III basis HK\$'000
<b>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)</b>	–	–

#### 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.

<b>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)</b>	–	–
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#### Explanation

The effect of treating loans, facilities or other credit exposures to connected companies which are financial sector entities as CET1 capital instruments for the purpose of considering deductions to be made in calculating the capital base (see (note re row 18) to the template above) will mean the headroom within the threshold available for the exemption from capital deduction of other insignificant LAC investments in Tier 2 capital instruments and non-capital LAC liabilities may be smaller. Therefore, the amount to be deducted as reported in row 54 may be greater than that required under Basel III. The amount reported under the column “Basel III basis” in this box represents the amount reported in row 54 (i.e. the amount reported under the “Hong Kong basis”) adjusted by excluding the aggregate amount of loans, facilities or other credit exposures to the AI’s connected companies which were subject to deduction under the Hong Kong approach.

# LIVI BANK LIMITED

## 5 Composition of regulatory capital (continued)

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

Remarks:

The amount of the 10% threshold mentioned above is calculated based on the amount of CET1 capital determined in accordance with the deduction methods set out in BCR Schedule 4F. The 15% threshold is referring to paragraph 88 of the Basel III text issued by the Basel Committee (December 2010) and has no effect to the Hong Kong regime.

#### **Abbreviations:**

CET1: Common Equity Tier 1

AT1: Additional Tier 1

(Note:)

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

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

	(a) Balance sheet as in published financial statements (At 31 December 2023) HK\$'000	(b) Under regulatory scope of consolidation (At 31 December 2023) HK\$'000	(c) Cross reference to (note 5a) (CC1)
<b>Assets</b>			
Cash and balances with banks	269,806	269,806	–
Placements with banks	359,809	359,809	–
Financial investments	2,430,153	2,430,153	–
Loans and advances to customers	1,573,706	1,573,706	–
Property, plant and equipment	41,750	41,750	–
Intangible assets	176,474	176,474	–
<i>of which: goodwill</i>	–	–	(1)
<i>of which: other intangible assets</i>	176,474	176,474	(2)
Prepayments and other assets	43,488	43,488	–
<b>Total assets</b>	<b>4,895,186</b>	<b>4,895,186</b>	<b>–</b>

# LIVI BANK LIMITED

## 5 Composition of regulatory capital (continued)

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

	(a) Balance sheet as in published financial statements (At 31 December 2023) HK\$'000	(b) Under regulatory scope of consolidation (At 31 December 2023) HK\$'000	(c) Cross reference to (note – 5a) (CC1)
<b>Liabilities</b>			
Customer deposits	2,191,192	2,191,192	–
Balances from banks	350,038	350,038	
Repurchase agreement	200,000	200,000	
Lease liabilities	25,431	25,431	–
Other liabilities and provisions	117,609	117,609	
<b>Total liabilities</b>	<b>2,884,270</b>	<b>2,884,270</b>	
<b>Equity</b>			
Share capital	3,792,000	3,792,000	–
<i>of which: amount eligible for CET1</i>	3,792,000	3,792,000	(3)
Other equity instruments – AT1 Loan	799,076	799,076	
<i>of which: amount eligible for Tier 1</i>	799,076	799,076	
Reserves	(2,580,160)	(2,580,160)	–
<i>of which: Accumulated losses</i>	(2,581,546)	(2,581,546)	(4)
<i>of which: FVOCI reserve</i>	1,386	1,386	(5)
<b>Total equity</b>	<b>2,010,916</b>	<b>2,010,916</b>	
<b>Total liabilities and equity</b>	<b>4,895,186</b>	<b>4,895,186</b>	

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

The full terms and conditions of the Bank's capital instruments can be found in the Regulatory Disclosures section of our website, [www.livibank.com](http://www.livibank.com).

# LIVI BANK LIMITED

## 5 Composition of regulatory capital (continued)

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

#### (i) Ordinary Shares

1	Issuer	Livi Bank Limited
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	N/A
3	Governing law(s) of the instrument	Hong Kong Law
	<i>Regulatory treatment</i>	
4	Transitional Basel III rules <sup>1</sup>	N/A
5	Post-transitional Basel III rules <sup>2</sup>	Common Equity Tier 1
6	Eligible at solo/group/group & solo	Solo
7	Instrument type (types to be specified by each jurisdiction)	Ordinary Shares
8	Amount recognised in regulatory capital (Currency in million, as of most recent reporting date)	HKD3,792 Million
9	Par value of instrument	N/A
10	Accounting classification	Shareholders' equity
11	Original date of issuance	21 March 2019 (300,000,000) 24 May 2019 (2,200,000,000) 29 April 2022 (300,000,000) 21 September 2023 (992,000,000)
12	Perpetual or dated	Perpetual
13	Original maturity date	Undated
14	Issuer call subject to prior supervisory approval	No
15	Optional call date, contingent call dates and redemption amount	N/A
16	Subsequent call dates, if applicable	N/A
	<i>Coupons / dividends</i>	
17	Fixed or floating dividend/coupon	Floating
18	Coupon rate and any related index	N/A
19	Existence of a dividend stopper	No
20	Fully discretionary, partially discretionary or mandatory	Fully discretionary
21	Existence of step up or other incentive to redeem	No
22	Noncumulative or cumulative	Non-cumulative
23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion trigger (s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, specify instrument type convertible into	N/A
29	If convertible, specify issuer of instrument it converts into	N/A
30	Write-down feature	No
31	If write-down, write-down trigger(s)	N/A
32	If write-down, full or partial	N/A
33	If write-down, permanent or temporary	N/A
34	If temporary write-down, description of write-up mechanism	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Subordinated capital securities in (ii) of the main features table
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	N/A

#### Footnote:

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

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

# LIVI BANK LIMITED

## 5 Composition of regulatory capital (continued)

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

#### (ii) Perpetual non-cumulative capital securities

1	Issuer	Livi Bank Limited
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	N/A
3	Governing law(s) of the instrument	Hong Kong Law
4	Transitional Basel III rules <sup>1</sup>	N/A
5	Post-transitional Basel III rules <sup>2</sup>	Additional Tier 1
6	Eligible at solo/group/group & solo	Solo
7	Instrument type (types to be specified by each jurisdiction)	Subordinated Additional Tier 1 loan (the "AT1 loan")
8	Amount recognised in regulatory capital (currency in million, as of most recent reporting date)	HKD799 Million
9	Par value of instrument	HKD800 Million
10	Accounting classification	Shareholders' equity
11	Original date of issuance	5 May 2023
12	Perpetual or dated	Perpetual
13	Original maturity date	Undated
14	Issuer call subject to prior supervisory approval	Yes
15	Optional call date, contingent call dates and redemption amount	Optional Early Repayment Date: 5 May 2028
16	Subsequent call dates, if applicable	Any Interest Payment Date thereafter
	<i>Coupons / dividends</i>	
17	Fixed or floating dividend/coupon	Fixed
18	Coupon rate and any related index	9.8 per cent per annum payable in arrears five years after the Drawdown Date and every five years thereafter
19	Existence of a dividend stopper	No
20	Fully discretionary, partially discretionary or mandatory	Fully discretionary
21	Existence of step up or other incentive to redeem	No
22	Noncumulative or cumulative	Non-cumulative
23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, specify instrument type convertible into	N/A
29	If convertible, specify issuer of instrument it converts into	N/A
30	Write-down feature	Yes
31	If write-down, write-down trigger(s)	Contractual write-down at point of non-viability of borrower.
		Contractual recognition of HKMA statutory powers under FIRO
32	If write-down, full or partial	Full or partial
33	If write-down, permanent or temporary	Permanent
34	If temporary write-down, description of write-up mechanism	N/A

# LIVI BANK LIMITED

## 5 Composition of regulatory capital (continued)

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

#### (ii) Perpetual non-cumulative capital securities (continued)

35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument in the insolvency creditor hierarchy of the legal entity concerned).	In the case of a winding-up of the Borrower, claims against the Borrower in respect of the AT1 Loan shall be subordinated to the claims of all Relevant Creditors. Accordingly, in the case of a winding-up of the Borrower, claims in respect of the AT1 Loan will only be satisfied after the claims of Relevant Creditors.  "Relevant Creditors" means any depositors, general creditors of the Borrower and any subordinated creditors of the Borrower (including any creditors in respect of Tier 2 capital instruments) other than those whose claims are expressed to rank pari passu or junior to the claims of Bank of China (Hong Kong) Limited under the AT1 Loan.
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	N/A

#### Footnote:

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

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

# LIVI BANK LIMITED

## 6 Macprudential supervisory measures

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

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

At 31 December 2023

	(a)	(c)	(d)	(e)
Jurisdiction (J)	Applicable JCCyB ratio in effect	Total RWA used in computation of CCyB ratio of AI	CCyB ratio of AI	CCyB amount of AI HK\$'000
1 Hong Kong	1%	1,696,888		
2 Mainland China		1,990		
3 United States		5,316		
4 Sum <sup>1</sup>		1,704,194		
5 <b>Total<sup>2</sup></b>		<b>1,704,194</b>	<b>0.996%</b>	<b>16,969</b>

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

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

# LIVI BANK LIMITED

## 7 Leverage ratio

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

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

At 31 December 2023		(a) Value under the LR framework HK\$'000
1	Total consolidated assets as per published financial statements	4,895,186
2	Adjustment for investments in banking, financial, insurance or commercial entities that are for accounting purposes but outside the scope of regulatory consolidation	–
2a	Adjustment for securitised exposures that meet the operational requirements for the recognition of risk transference	–
3	Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting standard but excluded from the LR exposure measure	–
3a	Adjustments for eligible cash pooling transactions	–
4	Adjustments for derivative contracts	–
5	Adjustment for SFTs (i.e. repos and similar secured lending)	–
6	Adjustment for off-balance sheet (“OBS”) items (i.e. conversion to credit equivalent amounts of OBS exposures)	314,679
6a	Adjustment for prudent valuation adjustments and specific and collective provisions that are allowed to be excluded from exposure measure	(19,968)
7	Other adjustments	(156,506)
<b>8</b>	<b>Leverage ratio exposure measure</b>	<b>5,033,391</b>

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



# LIVI BANK LIMITED

## 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)	
	At 31 December 2023 HK\$'000	At 30 September 2023 HK\$'000	
<b>On-balance sheet exposures</b>			
1	On-balance sheet exposures (excluding those arising from derivative contracts and SFTs, but including collateral)	4,895,186	4,947,278
2	Less: Asset amounts deducted in determining Tier 1 capital	(156,506)	(190,868)
3	<b>Total on-balance sheet exposures (excluding derivative and SFTs)<sup>1</sup></b>	<b>4,738,680</b>	<b>4,756,410</b>
<b>Exposures arising from derivative contracts</b>			
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-related derivative contracts	–	–
10	Less: Adjusted effective notional offsets and add-on deductions for written credit-related derivative contracts	–	–
11	<b>Total exposures arising from derivative contracts</b>	–	–
<b>Exposures arising from SFTs</b>			
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	<b>Total exposures arising from SFTs</b>	–	–
<b>Other off-balance sheet exposures</b>			
17	Off-balance sheet exposure at gross notional amount <sup>2</sup>	3,146,788	3,015,020
18	Less: Adjustments for conversion to credit equivalent amounts	(2,832,109)	(2,713,518)
19	<b>Off-balance sheet items</b>	<b>314,679</b>	<b>301,502</b>
<b>Capital and total exposures</b>			
20	<b>Tier 1 capital<sup>3</sup></b>	<b>1,834,442</b>	<b>1,905,081</b>
20a	<b>Total exposures before adjustments for specific and collective provisions</b>	<b>5,053,359</b>	<b>5,057,912</b>
20b	<b>Adjustments for specific and collective provisions</b>	<b>(19,968)</b>	<b>(18,142)</b>
21	<b>Total exposures after adjustments for specific and collective provisions</b>	<b>5,033,391</b>	<b>5,039,770</b>
<b>Leverage ratio</b>			
22	<b>Leverage ratio</b>	<b>36.4%</b>	<b>37.8%</b>

<sup>1</sup> Decrease in on-balance sheet exposures (excluding derivative and SFTs) was in line with the trend of bank and customer deposits.

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

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

## 8 Liquidity risk management (LIQA)

Liquidity risk is defined as the risk that the Bank does not have available sufficient financial resources, in the short, medium or long term, to meet its obligations, or can only access those resources at excessive cost.

The Bank's liquidity risk management framework is governed by the Board-approved policies and its liquidity risk management objective is to effectively manage the liquidity of on- and off-balance sheet items with reasonable cost based on the liquidity risk appetite to achieve sound operation and sustainable profitability. The Bank builds and maintains deposits, and obtains funding from the interbank market when needed to diversify the funding source. Whenever necessary, the Bank could improve the liquidity position by taking mitigation actions including, but not limited to, obtaining funding through repurchase agreements. The Bank has also formulated a contingency funding plan, which includes the triggers and activation arrangement, that is tested regularly.

In accordance with the Bank's corporate governance principles, the Board and the Board Risk Committee, senior management and functional departments or units perform their duties and responsibilities to manage the Bank's liquidity risk. The Board, with the assistance from the Board Risk Committee, assumes the ultimate responsibility of liquidity risk management. The Asset & Liability Committee is a dedicated senior management sub-committee for discussing liquidity risk-related issues. Risk Management Department is the main responsible unit in managing liquidity risk, assisting senior management in performing their day-to-day duties, as well as independently monitoring the liquidity risk profile and compliance of internal policies and limits. Regular risk reports are submitted to the senior management, the Board Risk Committee and the Board.

The Bank sets up indicators and limits to identify, measure, monitor and control liquidity risk. These limits are subject to appropriate internal approval and are monitored regularly.

The Bank also conducts regular liquidity stress-testing under different stress scenarios. Stress test is part of liquidity risk management framework to ensure sufficient liquidity to cover projected cash outflows in stress situations.

# LIVI BANK LIMITED

## 8 Liquidity risk management (LIQA) (continued)

The following table provides the details of Livi's maturity Profile covering on-and off-balance sheet items, broken down into maturity buckets and the resultant liquidity gap.

(Balance in HKD '000)	2023					Balancing amount	Total
	Within 1 month	1 - 3 months	3 months - 1 year	1 - 5 years	Over 5 years		
<b>On-balance sheet assets</b>							
Due from MA for a/c of Exchange Fund	227,905	–	–	–	–	–	227,905
Balances and placements with banks	301,950	–	100,857	–	–	–	402,807
Financial Investments	2,429,907	–	–	–	–	–	2,429,907
Loans and advances to customers	106,190	168,017	410,981	552,119	7,521	390,234	1,635,062
Other assets	3,964	9,190	7,913	11,715	–	218,943	251,725
<b>Total on-balance sheet assets</b>	<b>3,069,916</b>	<b>177,207</b>	<b>519,751</b>	<b>563,834</b>	<b>7,521</b>	<b>609,177</b>	<b>4,947,406</b>
<b>On-balance sheet liabilities</b>							
Customer deposits	948,368	482,714	760,735	17,058	–	–	2,208,875
Balances from banks	350,336	–	–	–	–	–	350,336
Repurchase agreement	200,000	–	–	–	–	–	200,000
Other liabilities and provisions	58,069	31,185	12,150	12,352	–	64,056	177,812
Capital & reserves	–	–	–	–	–	2,010,696	2,010,696
<b>Total on-balance sheet liabilities</b>	<b>1,556,773</b>	<b>513,899</b>	<b>772,885</b>	<b>29,410</b>	<b>–</b>	<b>2,074,752</b>	<b>4,947,719</b>
<b>Off-balance sheet claims</b>							
Other off-balance sheet claims	–	–	–	–	–	500,000	500,000
<b>Off-balance sheet obligations</b>							
Other off-balance sheet obligations	–	–	–	–	–	–	–
<b>Total off-balance sheet claims and obligations</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>500,000</b>	<b>500,000</b>
<b>Funding Gaps</b>							
Contractual Maturity Mismatch	<b>1,513,143</b>	<b>(336,692)</b>	<b>(253,134)</b>	<b>534,424</b>	<b>7,521</b>		
Cumulative Contractual Maturity Mismatch	<b>1,513,143</b>	<b>1,176,451</b>	<b>923,317</b>	<b>1,457,741</b>	<b>1,465,262</b>		
<b>2022</b>							
(Balance in HKD '000)	Within 1 month	1 - 3 months	3 months - 1 year	1 - 5 years	Over 5 years	Balancing amount	Total
<b>On-balance sheet assets</b>							
Due from MA for a/c of Exchange Fund	280,288	–	–	–	–	–	280,288
Balances and placements with banks	165,492	–	–	–	–	–	165,492
Financial Investments	2,002,952	–	–	–	–	–	2,002,952
Loans and advances to non-bank customers	94,033	186,436	631,794	401,378	50	8,974	1,322,665
Other assets	844	1,274	2,012	4,645	–	331,280	340,055
<b>Total on-balance sheet assets</b>	<b>2,543,609</b>	<b>187,710</b>	<b>633,806</b>	<b>406,023</b>	<b>50</b>	<b>340,254</b>	<b>4,111,452</b>
<b>On-balance sheet liabilities</b>							
Customer deposits	1,358,576	454,081	1,275,423	23,649	–	–	3,111,729
Other liabilities and provisions	105,741	12,394	49,100	26,620	–	26,808	220,663
Capital & reserves	–	–	–	–	–	780,390	780,390
<b>Total on-balance sheet liabilities</b>	<b>1,464,317</b>	<b>466,475</b>	<b>1,324,523</b>	<b>50,269</b>	<b>–</b>	<b>807,198</b>	<b>4,112,782</b>
<b>Total off-balance sheet claims and obligations</b>							
	–	–	–	–	–	–	–
<b>Funding Gaps</b>							
Contractual Maturity Mismatch	<b>1,079,292</b>	<b>(278,765)</b>	<b>(690,717)</b>	<b>355,754</b>	<b>50</b>		
Cumulative Contractual Maturity Mismatch	<b>1,079,292</b>	<b>800,527</b>	<b>109,810</b>	<b>465,564</b>	<b>465,614</b>		

# LIVI BANK LIMITED

## 9 Credit risk for non-securitization exposures

### a. General information about credit risk (CRA)

Credit risk management aims to maximise the Bank's risk-adjusted rate of return by properly controlling the Bank's credit risk exposure. Credit risk is the potential for loss due to the failure of a counterparty to meet its obligations to pay the Bank in accordance with agreed terms. Credit exposures arise from both the banking and trading books of the Bank, and exist throughout the lending, trading and investment activities, including both on- and off-balance sheet transactions.

The Bank's credit risk management structure comprises of the Board of Directors (the "Board") and its standing Board Risk Committee ("BRC"), Risk Management and Internal Control Committee ("RMC"), Credit Committee, senior management (including the Chief Executive, Alternate Chief Executive and Chief Risk Officer ("CRO")), credit risk related front, middle and back offices as well as internal audit.

The Board is the highest decision-making authority responsible for the Bank's overall risk management. The Board delegates its supervisory responsibility to the BRC for overseeing the Bank's credit risk management. On the other hand, the RMC, led by CRO, supervises and directs the management of credit risk. Credit Committee is responsible for evaluating, reviewing and making decisions on credit submissions. Senior management ensures that credit risk management complies with supervisory requirements. Under this framework, the Bank formulates policies and procedures to identify, measure, assess, monitor, control, and report on credit risk. The development of above is based on significant level of review of business activities and strategies of the Bank and covers identified material risks, both financial and non-financial and in line with the requirements from regulatory guidelines and statutory standards. The risk management policies and guidelines are reviewed and enhanced regularly in response to market changes, statutory requirements and effectiveness of risk management processes.

The Bank segregates duties of credit risk management among different risk functions and units in compliance with the principle of three lines of defence. The Bank's front office acts as the first line of defence of risk management, and is responsible for credit initiation along established risk management policies and procedures. Credit Risk Management Department, acting as the second line of defence, is responsible for implementing credit risk strategies approved by the BRC, and developing appropriate policies and procedures for the Bank's credit activities. The second line of defence works closely with other units, for example, the Legal and Compliance Department to ensure the Bank's compliance with applicable laws and regulations; and internal audit acts as the third line of defence and strives to conduct independent reviews on the comprehensiveness, effectiveness and compliance of credit risk management framework.

The credit risk management function reports regularly to management committees and senior management on the Bank's credit risk profile, credit portfolio performance and credit quality, risk concentration and large exposures monitoring, credit risk appetite, impairment allowance assessment and estimation for provisioning and credit risk stress testing results.

# LIVI BANK LIMITED

## 9 Credit risk for non-securitization exposures

### b. Credit quality of exposures (CR1)

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

	(a)	(b)	(c)	(d)	(e)	(f)	(g)
	Gross carrying amounts of			Of which ECL accounting provisions for credit losses on STC approach exposures	Of which ECL accounting provisions for credit losses on IRB approach exposures		Net values (a+b-c)
	Defaulted Exposures HK\$'000	Non-defaulted Exposures HK\$'000	Allowances/ Impairments HK\$'000	Allocated in regulatory category of specific provisions HK\$'000	Allocated in regulatory category of collective provisions HK\$'000		
At 31 December 2023							
1 Loans	21,233	1,613,988	52,344	19,759	32,585	–	1,582,877
2 Debt securities	–	2,436,339	287	–	287	–	2,436,052
3 Off-balance sheet exposures	–	3,146,788	4,169	–	4,169	–	3,142,619
<b>4 Total</b>	<b>21,233</b>	<b>7,197,115</b>	<b>56,800</b>	<b>19,759</b>	<b>37,041</b>	<b>–</b>	<b>7,161,548</b>

### 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.

	(a) HK\$'000
<b>1 Defaulted loans and debt securities at end of the previous reporting period (30 June 2023)</b>	<b>8,712</b>
2 Loans and debt securities that have defaulted since the last reporting period	66,530
3 Returned to non-defaulted status	(71)
4 Amounts written off	(51,120)
5 Other changes	(2,818)
<b>6 Defaulted loans and debt securities at end of the current reporting period (31 December 2023)</b>	<b>21,233</b>

The defaulted loans increased during the second half of 2023 was mainly from retail loan portfolios.

# LIVI BANK LIMITED

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

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

The Bank currently has credit exposures to individuals in retail lending business, commercials in small and medium enterprise as well as exposures to sovereigns, banks and FIs, NBFIs and corporate in its investment portfolio. The Bank has in place relevant policies that cover the classification, measurement, control and monitoring of credit quality of exposures.

The Bank defines “past due” as payment that has not been made by its due date, and “impaired asset” as asset classified as stage 2 and stage 3 under the expected credit loss (“ECL”) accounting model.

“Restructured exposure” is defined by the Bank as loans, owing to the deterioration of financial position of the customer or the inability of the borrower to meet the original repayment schedule, subject to re-negotiation of repayment terms and adjustment of the clauses of loan agreement after thorough evaluation to control and mitigate the credit risks.

The Bank makes timely credit loss provision in accordance with the IFRS9 standards. Details for determining accounting provisions for credit expected losses can be referred to notes 2.2(f) of the 2023 financial statements.

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.

#### I. Exposures by geographical location (CRB1)

At 31 December 2023	<i>Gross carrying amount HK\$'000</i>
1 Hong Kong	6,850,455
2 China	367,893
	<u>7,218,348</u>

#### II. Exposures by Industry (CRB2)

At 31 December 2023	<i>Gross carrying amount HK\$'000</i>
1 Financial concerns	2,436,339
2 Individuals	4,264,679
3 Industrial, commercial and financial	517,330
	<u>7,218,348</u>

#### III. Exposures by residual maturity (CRB3)

At 31 December 2023	<i>Repayable on demand to 1 year HK\$'000</i>	<i>Due between 1 year to 5 years HK\$'000</i>	<i>Due after 5 years HK\$'000</i>	<i>Total HK\$'000</i>
1 Loans	348,777	1,231,321	55,123	1,635,221
2 Debt securities	2,283,655	152,684	–	2,436,339
3 Off-balance sheet exposures	3,146,788	–	–	3,146,788
<b>4 Total</b>	<u>5,779,220</u>	<u>1,384,005</u>	<u>55,123</u>	<u>7,218,348</u>

# LIVI BANK LIMITED

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

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

#### IV. Aging analysis of accounting past due exposures (CRB4)

	<i>Gross Carrying amount</i> <i>HK\$'000</i>
(a) 1 - 3 months	18,802
(b) 3 - 6 months	15,096
(c) 6 months - 1 year	–
(d) Over 1 year	–

#### V. Impaired exposures and related allowances and write-offs by geographical areas and industries (CRB5)

Please refer to note 16 for impaired exposure for details.

#### VI. Breakdown of restructured exposures (CRB6)

	<i>HK\$'000</i>
Impaired	1,643
Non impaired	–
	<u>1,643</u>

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

The Bank has in place policies and procedures with respect to potential counterparty default risk. The Bank adopts the netting approach which is consistent with the Banking (Capital) Rules and recognised netting is only to be applied pursuant to a valid bilateral netting agreement.

The Bank does not have credit risk mitigation including recognized collaterals or guarantees in use as of 31 December 2023.

### f. Overview of recognized credit risk mitigation (CR3)

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

	(a)	(b1)	(b)	(d)	(f)
At 31 December 2023	Exposures unsecured: carrying amount HK\$'000	Exposures to be secured HK\$'000	Exposures secured by recognized collateral HK\$'000	Exposures secured by recognized guarantees HK\$'000	Exposures secured by recognized credit derivative contracts HK\$'000
1 Loans	1,582,877	–	–	–	–
2 Debt securities	2,436,052	–	–	–	–
3 <b>Total</b>	<u>4,018,929</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
4 – Of which defaulted	<u>21,233</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>

Increase in debt securities was mainly due to the capital injection in Sep 2023.

# LIVI BANK LIMITED

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

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

The Bank uses the external credit assessment institutions (“ECAI”) ratings from Moody’s Investors Service and Fitch Ratings for its credit risk management under STC approach. The Bank makes use of the ECAI ratings for credit assessment of counterparties, limit approval, limit setting and monitoring.

The Bank performs the ECAI issuer ratings mapping to determine the risk weights for its sovereign, bank and FI, NBF1 and corporate exposures in the banking book in accordance with the Banking (Capital) Rules.

### 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.

At 31 December 2023	(a) Exposures pre-CCF and pre-CRM		(c) Exposures post-CCF and post-CRM		(e) RWA and RWA density	
	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	%
<i>Exposure classes</i>						
1 Sovereign exposures	2,311,884	–	2,311,884	–	13,278	0.6%
2 PSE exposures	91,274	–	91,274	–	18,255	20%
2a – Of which: domestic PSEs	91,274	–	91,274	–	18,255	20%
2b – Of which: foreign PSEs	–	–	–	–	–	–
3 Multilateral development bank exposures	–	–	–	–	–	–
4 Bank exposures	612,857	–	612,857	–	215,143	35%
5 Securities firm exposures	–	–	–	–	–	–
6 Corporate exposures	229,469	–	229,469	–	203,604	89%
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	1,437,567	3,146,788	1,437,567	3,146,788	1,078,175	75%
11 Residential mortgage loans	–	–	–	–	–	–
12 Other exposures which are not past due exposures	69,006	–	69,006	–	69,006	100%
13 Past due exposures	–	–	–	–	–	–
14 Significant exposures to commercial entities	–	–	–	–	–	–
15 <b>Total</b>	<b>4,752,057</b>	<b>3,146,788</b>	<b>4,752,057</b>	<b>3,146,788</b>	<b>1,597,461</b>	<b>34%</b>

Credit risk exposures increased as of 31 December 2023 mainly due to the increase in SME exposures driven from loans and advances to customers.



# LIVI BANK LIMITED

## 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).

	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(ha)	(i)	(j)
											Total credit risk exposures amount (post CCF and post CRM)
At 31 December 2023											
Risk Weight	0%	10%	20%	35%	50%	75%	100%	150%	250%	Others	
Exposure class	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
1 Sovereign exposures	2,245,495	–	66,389	–	–	–	–	–	–	–	2,311,884
2 PSE exposures	–	–	91,274	–	–	–	–	–	–	–	91,274
2a – Of which: domestic PSEs	–	–	91,274	–	–	–	–	–	–	–	91,274
2b – Of which: foreign PSEs	–	–	–	–	–	–	–	–	–	–	–
3 Multilateral development bank exposures	–	–	–	–	–	–	–	–	–	–	–
4 Bank exposures	–	–	304,236	–	308,571	–	–	–	–	–	612,857
5 Securities firm exposures	–	–	–	–	–	–	–	–	–	–	–
6 Corporate exposures	–	–	–	–	51,730	–	177,739	–	–	–	229,469
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	–	–	–	–	–	1,437,567	–	–	–	–	1,437,567
11 Residential mortgage loans	–	–	–	–	–	–	–	–	–	–	–
12 Other exposures which are not past due exposures	–	–	–	–	–	–	69,006	–	–	–	69,006
13 Past due exposures	–	–	–	–	–	–	–	–	–	–	–
14 Significant exposures to commercial entities	–	–	–	–	–	–	–	–	–	–	–
<b>15 Total</b>	<b>2,245,495</b>	<b>–</b>	<b>461,949</b>	<b>–</b>	<b>360,301</b>	<b>1,437,567</b>	<b>246,745</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>4,752,057</b>

Credit risk exposures increased as of 31 December 2023 mainly due to the increase in SME exposures driven from loans and advances to customers.

# LIVI BANK LIMITED

## 10 Counterparty credit risk

As of 31 December 2023, the Bank does not have counterparty default risk exposure and credit-related derivative contracts.

### **Qualitative disclosures related to counterparty credit risk (including those arising from clearing through CCPs) (CCRA)**

The Bank's objective to counterparty credit risk management is to ensure credit risk is properly managed and controlled within the general credit risk management framework. The Bank has in place relevant policy that covers the identification, measurement, control and monitoring of counterparty credit risk.

The Bank establishes credit limit through credit approval procedures to control the pre-settlement credit risk arising from derivative transactions and settlement risk arising from settlement transactions. The Bank monitors counterparty credit risk exposure by using the current exposure and the potential exposure value of the transactions.

The Bank has no CRM concerning counterparty credit risk as of 31 December 2023.

The Bank generally avoid entering transactions involving general/specific wrong-way risk.

## 11 Market risk

### **a. Qualitative disclosures related to market risk (MRA)**

Market risk is the risk of loss in the Bank's on- and off- balance sheet positions resulting from adverse movements in market prices and rates. The Bank manages market risk according to the Bank's risk appetite and pre-defined strategy, supported by a well-established risk management regime and related measures. The Bank does not have trading book business as of 31 December 2023.

In accordance with the Bank's corporate governance principles, the Board and the Board Risk Committee, senior management and functional units perform their duties and responsibilities to manage the Bank's market risk. The Board, with the assistance from the Board Risk Committee, assumes the ultimate responsibility of market risk management. The Asset & Liability Committee is a dedicated senior management sub-committee for discussing market risk-related issues. Risk Management Department is the main responsible unit in managing market risk, assisting senior management in performing their day-to-day duties, as well as independently monitoring the market risk profile and compliance of internal policies and limits. Regular risk reports are submitted to the senior management, the Board Risk Committee and the Board.

The Bank sets up indicators and limits to identify, measure, monitor and control market risk. These limits are subject to appropriate internal approval and are monitored regularly. The Bank uses the standardized (market risk) approach to calculate the market risk capital charge for all exposures.

# LIVI BANK LIMITED

## 11 Market risk (continued)

### b. Market risk under STM approach (MR1)

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

At 31 December 2023		(a) RWA HK\$'000
Outright product exposures		
1	Interest rate exposures (general and specific risk)	–
2	Equity exposures (general and specific risk)	–
3	Foreign exchange (including gold) exposures <sup>1</sup>	3,175
4	Commodity exposures	–
Option exposures		
5	Simplified approach	–
6	Delta-plus approach	–
7	Other approach	–
8	Securitization exposures	–
9	<b>Total</b>	<b>3,175</b>

<sup>1</sup> The change in foreign exchange exposures was mainly due to the increase in RMB net open position.

# LIVI BANK LIMITED

## 12. Interest rate risk in banking book

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

Interest rate risk in the banking book (“IRRBB”) means the risk to a bank’s earnings and economic value arising from movements in interest rate and term structures of the bank’s asset and liability position. The major types of interest rate risk exposed to the Bank are:

- Gap risk: changes in the interest rates on instruments of different maturities;
- Basis risk: imperfect correlation between changes in the rates earned and paid on different instruments with otherwise similar repricing characteristics; and
- Option risk: exercise of interest rate option derivatives or optional elements embedded in assets, liabilities and/or off-balance sheet instruments which could alter the level and timing of corresponding cash flows.

In accordance with the Bank’s corporate governance principles, the Board and the Board Risk Committee, senior management and functional units perform their duties and responsibilities to manage the Bank’s interest rate risk. The Board, with the assistance from the Board Risk Committee, assumes the ultimate responsibility of interest rate risk management. The Asset & Liability Committee is a dedicated senior management sub-committee for discussing interest rate risk-related issues and market conditions. Risk Management Department is the main responsible unit in managing interest rate risk, assisting senior management in performing their day-to-day duties, as well as independently monitoring the interest rate risk profile and compliance of internal policies and limits. Internal Audit, as the third line of defence, independently assesses the effectiveness of internal controls over IRRBB management.

The Bank sets up indicators and limits to identify, measure, monitor and control interest rate risk. These limits, including but not limited to sensitivity limits, are subject to appropriate internal approval and are monitored at least on a monthly basis. The Bank’s IRRBB exposures are managed mainly through asset-liability structure adjustment. Change in Net Interest Income (“ $\Delta$ NII”) and Economic Value of Equity (“ $\Delta$ EVE”) assess the impact of interest rate movement on the Bank’s net interest income and Tier 1 capital respectively. The calculation of  $\Delta$ NII and  $\Delta$ EVE follows the requirements as stipulated in the HKMA’s SPM IR-1, including the application of the standardised interest rate shock scenarios: two scenarios for  $\Delta$ NII and six scenarios for  $\Delta$ EVE.

Key modelling and parametric assumptions used in the calculation of  $\Delta$ NII and  $\Delta$ EVE in *Template IRRBB1: Quantitative information on interest rate risk in banking book* include:

- (i) For  $\Delta$ EVE, the Bank includes commercial margins and other spread components in the cash flows and discounts them at risk-free rates;
- (ii) The average and longest repricing maturity of non-maturity deposits is 1 day;
- (iii) Prepayment rates of customer loans are determined based on both market data and the Bank’s own historical data;
- (iv) The calculation includes HKD, USD and any other foreign currency that accounts for 5% or more of the Bank’s total on-balance sheet interest rate-sensitive position in all currencies, but  $\Delta$ EVE does not allow offsetting across different currencies.

## LIVI BANK LIMITED

### 12 Interest rate risk in banking book (continued)

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

The following table sets out an information on the changes in economic value of equity and net interest income under each of the prescribed interest rate shock scenarios in respect of its interest rate exposures arising from banking book positions. For ease of reference, positive values indicate losses under the respective scenarios.

(in HK\$'000)	Period	(a)	(b)	(c)	(d)
		ΔEVE		ΔNII	
		At 31 December 2023	At 31 December 2022	At 31 December 2023	At 31 December 2022
1	Parallel up	51,825	15,176	(10,219)	(2,126)
2	Parallel down	–	–	10,419	2,276
3	Steeper	–	–		
4	Flattener	23,193	6,742		
5	Short rate up	40,068	12,080		
6	Short rate down	–	–		
7	<b>Maximum</b>	51,825	15,702	10,419	2,276
	<b>Period</b>	<b>At 31 December 2023</b>		<b>At 31 December 2022</b>	
8	<b>Tier 1 capital</b>	1,834,442		539,171	

As at 31 December 2023, the maximum change in the economic value of equity is HK\$52 million under the “parallel up” scenario. The change is significantly below 15% of the Bank’s Tier 1 capital. The maximum change in projected net interest income is HK\$10 million under the “parallel down” scenario.

### 13 Securitization exposures – Qualitative disclosures related to securitization exposure (SECA)

The Bank does not have any secured liabilities and assets used as security as of 31 December 2023.

# LIVI BANK LIMITED

## 14 Remuneration

### a. Remuneration policy (REMA)

#### **Nomination & Remuneration Committee**

The Bank has established its Nomination & Remuneration Committee with written terms of reference in compliance with the requirements of the Supervisory Policy Manual Module CG-5 on “Guideline on a Sound Remuneration System” (the “Guideline”) issued by the Hong Kong Monetary Authority (the “HKMA”). The members of the Committee shall be appointed by the Board of Directors. There are five members in the Remuneration Committee and three of them are Independent Non-executive Directors and two are Directors.

The Nomination & Remuneration Committee oversees & maneuvers the Bank’s reward system, reviews and makes recommendations to the Board of Directors (the “Board”) of the Bank on the overall remuneration policy, specific remuneration packages and compensation arrangement relating to the appointment and termination of the Directors, Chief Executive, senior management and key personnel<sup>1</sup>, and for the formulation of the remuneration policy applicable to all employees of the Bank.

#### **Design and structure of the remuneration process**

The Board has delegated responsibility to the Nomination & Remuneration to oversee the formulation, maintenance and implementation of the Remuneration Policy.

The Nomination and Remuneration Committee reviews and recommends the remuneration packages of key senior management personnel of the Bank in accordance with the authorities and responsibilities as stipulated in its terms of reference to the Board of the Bank for approval.

Remuneration review is submitted to the Board of the Bank by the Nomination & Remuneration Committee for approval each year.

The Nomination & Remuneration Committee of the Bank also works closely with the Audit Committee, Board Risk Committee and other dedicated committees and departments to (i) review if there are any material non-compliance issues in relation to internal policy and statutory requirements and make adjustments to payments of remuneration whenever necessary, and (ii) decide upon the appraisal system which fairly measures the performance of each key personnel, and make changes to the system when necessary to meet the changing needs of the Bank.

Regular compliance monitoring is imposed to review the management and operation of the remuneration system.

<sup>1</sup> As defined in the CG-5 Guideline on a Sound Remuneration System issued by the HKMA, senior management are those who are responsible for oversight of either the Bank’s company-wide strategy or activities or those of the Bank’s material business lines. Key Personnel are individual employees whose duties or activities in the course of their employment involve the assumption of material risk or the taking on of material exposures on behalf of the Bank.

# LIVI BANK LIMITED

## 14 Remuneration (continued)

### a. Remuneration policy (REMA) (continued)

#### **Employees performance management and entitlement of variable remuneration**

The Bank uses a comprehensive performance measurement framework that incorporates both financial and non-financial performance in determining the size and allocation of variable remuneration. The financial metrics link the variable remuneration to the profits, revenue and other performance measures of the Bank as a whole, and the contribution of business units or departments and an individual employee to the Bank as well. The applicable and material risks associated with the activities of employees, the cost and quantity of capital required to support the risks taken, and the cost and quantity of liquidity risk in the conduct of business are also taken into consideration. The non-financial metrics capture the performance on qualitative aspects such as the compliance with risk management policies, adherence to legal, regulatory and ethical standards; customer satisfaction; and effectiveness and efficiency of supporting operations. Given the importance in both financial achievements and non-financial factors, poor performance will result in reduction of or elimination to the variable remuneration. Adverse performance in non-financial factors will override outstanding financial achievement, and thus, the employee's performance can be assessed comprehensively.

The remuneration of the employees within the risk control function, including those performing risk management, accounts, audit, compliance and credit management functions, etc, is determined by the performance of individual employees and is independent of the business they oversee. The performance factors of the appraisees in carrying out their core job responsibilities under their respective job functions are assessed in the performance appraisals. Appropriate remuneration will be recommended based on the results of the appraisals annually.

#### **Deferral arrangements**

The remuneration package consists of fixed and variable remuneration which are offered in cash. Fixed remuneration refers to basic salary and other fixed income while variable remuneration refers to discretionary bonus. The remuneration packages are determined by taking into consideration the evaluation of the job's responsibilities and contribution, the market pay levels for benchmark positions, and employee's performance. The level of remuneration and the proportion of variable remuneration to fixed remuneration of senior management and key personnel are linked to their level of responsibility undertaken and contribution to business performance and enhancements of efficiency and effectiveness of operations.

When the amount of variable remuneration payout exceeds a predetermined percentage or amount of the annual fixed remuneration of the employee, a deferment period of 3 years will be imposed in order to align the incentive awards to be granted to an individual employee with the long-term value creation and the time horizons of risk. The deferred remuneration will be vested gradually over the 3-year deferment period and no faster than on a pro-rata basis. To conform to the spirit of the Guideline and not to undermine the risk management advantage by applying deferment of variable remuneration, if there is any deferred remuneration, hedging exposures in respect of the unvested portion of deferred remuneration by any trading, investment or other financial activities will be restricted.

# LIVI BANK LIMITED

## 14 Remuneration (continued)

### a. Remuneration policy (REMA) (continued)

#### Deferral arrangements (continued)

Subject to the decision of the Nomination & Remuneration Committee in accordance with the internal guidelines, the deferred remuneration will be forfeited and/or clawed back when it is later established that the data on which the performance measurement for a particular year was based is subsequently proven to have been manifestly misstated; or it is later established that the employee concerned has committed fraud or other malfeasance, or violated any legislation, code or internal control policies of the Bank; or there has been a significant downward restatement of the financial performance of the Bank; or the employment of the employee is terminated.

The award of variable remuneration to the senior management, key personnel and risk taking employees is subject to the aforesaid deferral mechanism which will be reviewed by the Nomination & Remuneration Committee at least annually and subject to change when necessary.

#### Ongoing monitoring of the remuneration system

The Bank adopted the Remuneration Policy in compliance with the Guideline and requirements of the Supervisory Policy Manual Module CG-5 on “Guideline on a Sound Remuneration System” (the “Guideline”) issued by the Hong Kong Monetary Authority (the “HKMA”).

The Remuneration Policy and related practices of the Bank was initiated by the Human Resources Department and reviewed by the Management Committee. After the proposed Remuneration Policy is endorsed by the Management Committee, it will be submitted to the Nomination and Remuneration Committee for review and approved by the Board. The Human Resources Department also reviews and keeps abreast of the legal and regulatory requirements from time to time, and liaises with risk control units including risk management, financial management and compliance functions to strike a balance among sufficient staff motivation, sound remuneration packages and prudent risk management. Any findings and recommendations to be incorporated into the Remuneration Policy will be put forth to the Nomination & Remuneration Committee for consideration. Having discussed and reviewed by the Nomination & Remuneration Committee, the revisions to the Remuneration Policy will be recommended to the Board for approval.

The Bank’s Remuneration Policy encourages employee behaviour that supports the Bank’s risk tolerance, risk management framework and long-term financial soundness. The policy is established and implemented in line with the objectives, business strategies and long-term goals of the Bank and formulated in a way that will not encourage excessive risks taking by employees but allows the Bank to attract and retain employees with relevant skills, knowledge, and expertise to discharge their specific functions. The Bank has considered the risks, including market, credit, liquidity, and operational risks, when implementing the remuneration measures, which are closely monitored by various management committees and working groups.



# LIVI BANK LIMITED

## 14 Remuneration (continued)

### b. Remuneration awarded during financial year (REM1)

<i>Remuneration amount and quantitative information</i>		<i>2023</i>	<i>2022</i>
		<i>Senior management &amp; Key personnel (HKD '000)</i>	<i>Senior management &amp; Key personnel (HKD '000)</i>
1	Number of employees	7	8
2	Total fixed remuneration	16,697	20,014
3	Of which: cash-based	16,697	20,014
4	Fixed remuneration	–	–
5	Of which: deferred	–	–
6	Of which: shares or other share-linked instruments	–	–
7	Of which: deferred	–	–
8	Of which: other forms	–	–
9	Of which: deferred	–	–
9	Number of employees	4	5
10	Total variable remuneration	3,779	4,894
11	Of which: cash-based	3,779	4,894
12	Variable remuneration	1,390	976
13	Of which: deferred	–	–
14	Of which: shares or other share-linked instruments	–	–
15	Of which: deferred	–	–
15	Of which: other forms	–	–
<b>17</b>	<b>Total remuneration</b>	<b>20,476</b>	<b>24,908</b>

# LIVI BANK LIMITED

## 14 Remuneration (continued)

### c. Special payments (REM2)

Special payments (HKD'000)	2023					
	Guaranteed bonuses		Sign-on awards		Severance payments	
	Number of employees	Total amount	Number of employees	Total amount	Number of employees	Total amount
Senior management & Key personnel	–	–	–	–	1	185

Special payments (HKD'000)	2022					
	Guaranteed bonuses		Sign-on awards		Severance payments	
	Number of employees	Total amount	Number of employees	Total amount	Number of employees	Total amount
Senior management & Key personnel	–	–	–	–	–	–

### d. Deferred remuneration (REM3)

Deferred and retained remuneration (HKD'000)	2023					
	Total amount of outstanding deferred remuneration as at Dec 31, 2023	Of which: Total amount of outstanding deferred and retained remuneration exposed to ex post explicit and/or implicit adjustment	Total amount of amendment during the year due to ex post explicit adjustments	Total amount of amendment during the year due to ex post implicit adjustments	Total amount of deferred remuneration paid out in the financial year	
1 Senior management & Key Personnel						
2 Cash	4,703	4,703	1,030	–	976	
3 Shares	–	–	–	–	–	
4 Cash-linked instruments	–	–	–	–	–	
5 Other	–	–	–	–	–	
<b>6 Total</b>	<b>4,703</b>	<b>4,703</b>	<b>1,030</b>	<b>–</b>	<b>976</b>	

## LIVI BANK LIMITED

### 14 Remuneration (continued)

#### d. Deferred remuneration (REM3) (continued)

Deferred and retained remuneration (HKD'000)	2022				
	Total amount of outstanding deferred remuneration as at Dec 31, 2022	Of which: Total amount of outstanding deferred and retained remuneration exposed to ex post explicit and/or implicit adjustment	Total amount of amendment during the year due to ex post explicit adjustments	Total amount of amendment during the year due to ex post implicit adjustments	Total amount of deferred remuneration paid out in the financial year
1 Senior management & Key Personnel					
2 Cash	6,337	6,337	–	–	702
3 Shares	–	–	–	–	–
4 Cash-linked instruments	–	–	–	–	–
5 Other	–	–	–	–	–
<b>6 Total</b>	<b>6,337</b>	<b>6,337</b>	<b>–</b>	<b>–</b>	<b>702</b>

### 15 International claims

International claims are on-balance sheet exposures of counterparties based on the location of those counterparties after taking into account the transfer of risk.

Recognized risk transfer refers to the reduction of exposure to a particular country by an effective transfer of credit risk to a different country. For a claim on the branch of a bank or other financial institution, the risk will be transferred to the country where its head office is situated.

# LIVI BANK LIMITED

## 15 International claims (continued)

International claims on individual countries or segments, after risk transfer, amounting to 10% or more of the aggregated international claims are shown as below:

	<i>Banks</i>	<i>Official sector</i>	<i>Non-bank financial institution</i>	<i>Non-financial private sector</i>	<i>Total</i>
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 31 December 2023					
Offshore centres					
– of which Hong Kong	119,558	–	–	–	119,558
Developing Asia and Pacific					
– of which China	306,631	66,389	1,990	480	375,490
At 31 December 2022					
Offshore centres					
– of which Hong Kong	61,663	–	–	1,111	62,774
Developing Asia and Pacific					
– of which China	263,574	39,481	3,255	–	306,310

# LIVI BANK LIMITED

## 16 Loans and advances to customers and banks

### a) Loans and advances to customers

#### Sector and Geographical Information

The following analysis of the gross loans and advances to customers by industry sector is based on the categories with reference to the completion instructions for the HKMA return of loans and advances. The geographical location of the gross loans and advances to customers is based on the locations of the counterparties, after taking into account the transfer of risk. For the loans and advances to customer guaranteed by a party situated in a location different from the customer, the risk will be transferred to the location of the guarantor.

	As at 31 Dec 2023				
	Outstanding balance HKD'000	Impaired advances to customers HKD'000	Balance covered by collateral / other security HKD'000	Specific provision HKD'000	Collective provision HKD'000
Gross Loans and advances in Hong Kong and for use in Hong Kong					
Industrial, commercial and financial					
– Property development	78,900	–	–	–	890
– Property investment	3,184	–	–	–	15
– Wholesale and retail trade	259,856	1,528	–	1,528	3,959
– Manufacturing	19,065	–	–	–	157
– Transport and transport equipment	29,276	–	–	–	284
– Others	122,487	951	–	951	1,927
Individuals					
– Others	1,111,975	17,942	–	16,562	24,764
	<u>1,624,743</u>	<u>20,421</u>	<u>–</u>	<u>19,041</u>	<u>31,996</u>

# LIVI BANK LIMITED

## 16 Loans and advances to customers and banks (continued)

### a) Loans and advances to customers (continued)

#### Sector and Geographical Information (continued)

	As at 31 Dec 2022				
	Outstanding balance HKD'000	Impaired advances to customers HKD'000	Balance covered by collateral / other security HKD'000	Collective provision HKD'000	Specific provision HKD'000
Gross Loans and advances in Hong Kong and for use in Hong Kong					
Industrial, commercial and financial					
– Wholesale and retail trade	2,802	–	–	38	–
Individuals					
– Others	1,315,657	5,601	–	9,094	5,333
	<u>1,318,459</u>	<u>5,601</u>	<u>–</u>	<u>9,132</u>	<u>5,333</u>

For those industry sectors constituting not less than 10% of the Bank's gross loans and advances to customers, the amounts of new impairment allowances charged to the income statement, and classified or impaired loans written off during the year are shown below:

	2023		2022	
	New impairment charged to income statement HKD'000	Impaired loans and advances written off HKD'000	New impairment charged to income statement HKD'000	Impaired loans and advances written off HKD'000
Gross Loans and advances in Hong Kong and for use in Hong Kong				
Industrial, commercial and financial				
– Wholesale and retail trade	5,449	–	38	–
Individuals				
– Others	80,534	54,678	16,147	5,833
	<u>85,983</u>	<u>54,678</u>	<u>16,185</u>	<u>5,833</u>

## LIVI BANK LIMITED

### 16 Loans and advances to customers and banks (continued)

#### a) Loans and advances to customers (continued)

##### Overdue loans and advances to customers

Gross loans and advances to customers which have been overdue with respect to either principal or interest for period of:

	As at 31 Dec 2023		As at 31 Dec 2022	
	HK\$'000	% of total loans and advances	HK\$'000	% of total loans and advances
– 6 months or less but over 3 months	14,141	0.87%	4,730	0.36%
– 1 year or less but over 6 months	–	–	–	–
– over 1 year	–	–	–	–
	<u>14,141</u>	<u>0.87%</u>	<u>4,730</u>	<u>0.36%</u>
Rescheduled loans and advances to customers, excluding those which have been overdue for more than 3 months	<u>1,643</u>	<u>0.10%</u>	<u>242</u>	<u>0.02%</u>

#### b) Loans and advances to banks

The Bank does not have any loans and advances to banks as of 31 Dec 2023 and 31 Dec 2022.

# LIVI BANK LIMITED

## 17 Repossessed assets

The Bank does not hold any repossessed assets as of 31 December 2023 and 31 December 2022.

## 18 Mainland activities

	At 31 December 2023			At 31 December 2022		
	On-balance	Off-balance	Total	On-balance	Off-balance	Total
	sheet	sheet		sheet	sheet	
	exposure	exposure	HK\$'000	exposure	exposure	HK\$'000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
(i) Central government, central government-owned entities and their subsidiaries and joint ventures ("JVs")	-	-	-	-	-	-
(ii) Local governments, local government-owned entities and their subsidiaries and JVs	-	-	-	-	-	-
(iii) PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	480	-	480	1,175	-	1,175
(iv) Other entities of central government not reported in item (i) above	-	-	-	-	-	-
(v) Other entities of local governments not reported in item (ii) above	-	-	-	-	-	-
(vi) PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	-	-	-	-	-	-
(vii) Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	-	-	-	-	-	-
<b>Total</b>	<b>480</b>	<b>-</b>	<b>480</b>	<b>1,175</b>	<b>-</b>	<b>1,175</b>
<b>Total assets after provision</b>	<b>4,904,066</b>			<b>4,092,592</b>		
On-balance sheet exposures as percentage of total assets	0.01%			0.03%		



# LIVI BANK LIMITED

## 19 Off-balance sheet exposures

### Contingent liabilities and commitments

	At 31 December 2023 HK\$'000	At 31 December 2022 HK\$'000
Contractual or notional amounts		
Direct credit substitutes	–	–
Transaction-related contingencies	–	–
Trade-related contingencies	–	–
Forward asset purchases	–	–
Forward forward deposits placed	–	–
Other commitments:		
which are not unconditionally cancellable:		
with original maturity of not more than one year	–	–
with original maturity of more than one year	–	–
which are unconditionally cancellable	3,146,788	1,911,469
	<u>3,146,788</u>	<u>1,911,469</u>
Credit risk weighted amount	<u>–</u>	<u>–</u>

Increase in off-balance sheet exposures was mainly for loan & advances to customers.

## LIVI BANK LIMITED

### 20 Foreign exchange risk

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

	At 31 December 2023		At 31 December 2022	
	<i>US Dollars</i> HK\$'000	<i>Chinese Renminbi</i> HK\$'000	<i>US Dollars</i> HK\$'000	<i>Chinese Renminbi</i> HK\$'000
Spot assets	226,991	83,126	130,325	73,447
Spot liabilities	48,865	79,966	270	84,002
Forward purchases	112	15	–	–
Forward sales	–	–	–	–
Net long/(short) non-structural position	178,238	3,175	130,055	(10,555)

The Bank does not have structural FX position as of 31 December 2023 and 31 December 2022.

# LIVI BANK LIMITED

## Acronyms

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

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