Livi Bank Limited

(Formerly Known as Livi VB Limited)

Supplementary Notes to
Condensed Interim Financial Statements (unaudited)
For the period ended 30 June 2020

LIVI BANK LIMITED
(Formerly Known as LIVI VB LIMITED)

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LIVI BANK LIMITED

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Supplementary Notes to Condensed Interim Financial Statements (unaudited)

These notes are supplementary to and should be read in conjunction with the 2020 Condensed Interim Financial Statements ("financial statements"). The financial statements and this supplementary notes to financial statements (unaudited) 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.

Additional disclosures as required by the Banking (Disclosure) Rules will be available on our website: www.livibank.com on or before 30 September 2020.

1 Basis of preparation

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

Basis of consolidation

As of 30 June 2020, the Bank does not have any subsidiaries to consolidate the financial information in this Supplementary Notes to Condensed Interim Financial Statements (unaudited).

2 Key prudential ratios, overview of RWA

a. Key prudential ratios (KM1)

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

		(a) At June 2020 HK$'000	(b) At March 2020 HK$'000	(c) At December 2019 HK$'000	(d) At September 2019 HK$'000	(e) At June 2019 HK$'000
	Regulatory capital (amount)					
1	Common Equity Tier 1 (CET1)	1,926,861	–	–	–	–
2	Tier 1	1,926,861	–	–	–	–
3	Total capital	1,926,861	–	–	–	–
	RWA (amount)					
4	Total RWA	1,024,434	–	–	–	–
	Risk-based regulatory capital ratios (as a percentage of RWA)					
5	CET1 ratio (%)	188.1%	–	–	–	–
6	Tier 1 ratio (%)	188.1%	–	–	–	–
7	Total capital ratio (%)	188.1%	–	–	–	–
	Additional CET1 buffer requirements (as a percentage of RWA)					
8	Capital conservation buffer requirement (%)	2.5%	–	–	–	–
9	Countercyclical capital buffer requirement (%)	1.0%	–	–	–	–
10	Higher loss absorbency requirements (%) (applicable only to G-SIBs or D-SIBs)	0.0%	–	–	–	–
11	Total AI-specific CET1 buffer requirements (%)	3.5%	–	–	–	–
12	CET1 available after meeting the AI's minimum capital requirements (%)	180.1%	–	–	–	–
	Basel III leverage ratio					
13	Total leverage ratio (LR) exposure measure	2,234,992	–	–	–	–
14	LR (%)	86.2%	–	–	–	–
	Liquidity Coverage Ratio (LCR) / Liquidity Maintenance Ratio (LMR)					
	Applicable to category 1 institution only:					
15	Total high quality liquid assets (HQLA)	NA	NA	NA	NA	NA
16	Total net cash outflows	NA	NA	NA	NA	NA
17	LCR (%)	NA	NA	NA	NA	NA
	Applicable to category 2 institution only:					
17a	LMR (%) #	1,890.2%	–	–	–	–
	Net Stable Funding Ratio (NSFR) / Core Funding Ratio (CFR)					
	Applicable to category 1 institution only:					
18	Total available stable funding	NA	NA	NA	NA	NA
19	Total required stable funding	NA	NA	NA	NA	NA
20	NSFR (%)	NA	NA	NA	NA	NA
	Applicable to category 2A institution only:					
20a	CFR (%)	NA	NA	NA	NA	NA

* No comparative information available prior to 30 June 2020.

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

2 Key prudential ratios, overview of RWA (continued)

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

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

		(a)	(b)	(c)
		RWA		Minimum capital requirements
		At June 2020 HK$'000	At March 2020 HK$'000	At June 2020 HK$'000
1	**Credit risk for non-securitization exposures**	**563,783**	**–**	**45,103**
2	Of which STC approach	563,783	–	45,103
2a	Of which BSC approach	–	–	–
3	Of which foundation IRB approach	–	–	–
4	Of which supervisory slotting criteria approach	–	–	–
5	Of which advanced IRB approach	–	–	–
6	**Counterparty default risk and default fund contributions**	**–**	**–**	**–**
7	Of which SA-CCR	–	–	–
7a	Of which CEM	–	–	–
8	Of which IMM(CCR) approach	–	–	–
9	Of which others	–	–	–
10	**CVA risk**	**–**	**–**	**–**
11	Equity positions in banking book under the simple risk-weight method and internal models method	–	–	–
12	Collective investment scheme ("CIS") exposures – LTA	N/A	N/A	N/A
13	CIS exposures – MBA	N/A	N/A	N/A
14	CIS exposures – FBA	N/A	N/A	N/A
14a	CIS exposures – combination of approaches	N/A	N/A	N/A
15	**Settlement risk**	**–**	**–**	**–**
16	**Securitization exposures in banking book**	**–**	**–**	**–**
17	Of which SEC-IRBA	–	–	–
18	Of which SEC-ERBA (including IAA)	–	–	–
19	Of which SEC-SA	–	–	–
19a	Of which SEC-FBA	–	–	–
20	**Market risk**	**1,888**	**–**	**151**
21	Of which STM approach	1,888	–	151
22	Of which IMM approach	–	–	–
23	Capital charge for switch between exposures in trading book and banking book (not applicable before the revised market risk framework takes effect)	N/A	N/A	N/A
24	**Operational risk**	**458,763**	**–**	**36,701**
24a	Sovereign concentration risk	–	–	–
25	**Amounts below the thresholds for deduction (subject to 250% RW)**	**–**	**–**	**–**
26	**Capital floor adjustment**	**–**	**–**	**–**
26a	**Deduction to RWA**	**–**	**–**	**–**
26b	Of which portion of regulatory reserve for general banking risks and collective provisions which is not included in Tier 2 Capital	–	–	–
26c	Of which portion of cumulative fair value gains arising from the revaluation of land and buildings which is not included in Tier 2 Capital	–	–	–
27	**Total**	**1,024,434**	**–**	**81,955**

* No comparative information available prior to 30 June 2020.

3 Composition of regulatory capital

a. Composition of regulatory capital (CC1)

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

	At 30 June 2020	(a) HK$'000	(b) Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation in note 3b (CC2)
	CET1 capital: instruments and reserves		
1	Directly issued qualifying CET1 capital instruments plus any related share premium	2,500,000	(3)
2	Retained earnings	(386,412)	(4)
3	Disclosed reserves	(86)	(5)
4	*Directly issued capital subject to phase-out arrangements from CET1 (only applicable to non-joint stock companies)*	Not applicable	Not applicable
5	Minority interests arising from CET1 capital instruments issued by consolidated bank subsidiaries and held by third parties (amount allowed in CET1 capital of the consolidation group)	–	
6	**CET1 capital before regulatory deductions**	**2,113,502**	
	CET1 capital: regulatory deductions		
7	Valuation adjustments	–	
8	Goodwill (net of associated deferred tax liabilities)	–	(1)
9	Other intangible assets (net of associated deferred tax liabilities)	186,641	(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)	–	

3 Composition of regulatory capital (continued)

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

	At 30 June 2020	(a) HK$'000	(b) Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation in note 3b (CC2)
19	Significant LAC investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	–	
20	Mortgage servicing rights (net of associated deferred tax liabilities)	–	Not applicable
21	Deferred tax assets arising from temporary differences (net of associated deferred tax liabilities)	–	Not applicable
22	Amount exceeding the 15% threshold	–	Not applicable
23	of which: significant investments in the ordinary share of financial sector entities	–	Not applicable
24	of which: mortgage servicing rights	–	Not applicable
25	of which: deferred tax assets arising from temporary differences	–	Not applicable
26	National specific regulatory adjustments applied to CET1 capital	–	
26a	Cumulative fair value gains arising from the revaluation of land and buildings (own-use and investment properties)	–	
26b	Regulatory reserve for general banking risks	–	
26c	Securitization exposures specified in a notice given by the MA	–	
26d	Cumulative losses below depreciated cost arising from the institution's holdings of land and buildings	–	
26e	Capital shortfall of regulated non-bank subsidiaries	–	
26f	Capital investment in a connected company which is a commercial entity (amount above 15% of the reporting institution's capital base)	–	
27	Regulatory deductions applied to CET1 capital due to insufficient AT1 capital and Tier 2 capital to cover deductions	–	
28	**Total regulatory deductions to CET1 capital**	**186,641**	
29	**CET1 capital**	**1,926,861**	
	AT1 capital: instruments		
30	Qualifying AT1 capital instruments plus any related share premium	–	
31	of which: classified as equity under applicable accounting standards	–	
32	of which: classified as liabilities under applicable accounting standards	–	
33	*Capital instruments subject to phase-out arrangements from AT1 capital*	–	
34	AT1 capital instruments issued by consolidated bank subsidiaries and held by third parties (amount allowed in AT1 capital of the consolidation group)	–	
35	*of which: AT1 capital instruments issued by subsidiaries subject to phase-out arrangements*	–	

3 Composition of regulatory capital (continued)

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

	At 30 June 2020	(a) HK$'000	(b) Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation in note 3b (CC2)
36	**AT1 capital before regulatory deductions**	**–**	
	AT1 capital: regulatory deductions		
37	Investments in own AT1 capital instruments	–	
38	Reciprocal cross-holdings in AT1 capital instruments	–	
39	Insignificant LAC investments in AT1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	–	
40	Significant LAC investments in AT1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	–	
41	National specific regulatory adjustments applied to AT1 capital	–	
42	Regulatory deductions applied to AT1 capital due to insufficient Tier 2 capital to cover deductions	–	
43	**Total regulatory deductions to AT1 capital**	–	
44	**AT1 capital**	**–**	
45	**Tier 1 capital (T1 = CET1 + AT1)**	**1,926,861**	
	Tier 2 capital: instruments and provisions		
46	Qualifying Tier 2 capital instruments plus any related share premium	–	
47	*Capital instruments subject to phase-out arrangements from Tier 2 capital*	–	
48	Tier 2 capital instruments issued by consolidated bank subsidiaries and held by third parties (amount allowed in Tier 2 capital of the consolidation group)	–	
49	*of which: capital instruments issued by subsidiaries subject to phase-out arrangements*	–	
50	Collective provisions and regulatory reserve for general banking risks eligible for inclusion in Tier 2 capital	–	
51	**Tier 2 capital before regulatory deductions**	**–**	
	Tier 2 capital: regulatory deductions		
52	Investments in own Tier 2 capital instruments	–	
53	Reciprocal cross-holdings in Tier 2 capital instruments and non-capital LAC liabilities	–	
54	Insignificant LAC investments in Tier 2 capital instruments issued by, and non-capital LAC liabilities of, financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold and, where applicable, 5% threshold)	–	

3 Composition of regulatory capital (continued)

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

	At 30 June 2020	(a) HK$'000	(b) Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation in note 3b (CC2)
54a	Insignificant LAC investments in non-capital LAC liabilities of financial sector entities that are outside the scope of regulatory consolidation (amount formerly designated for the 5% threshold but no longer meets the conditions) (for institutions defined as "section 2 institution" under §2(1) of Schedule 4F to BCR only)	–	
55	Significant LAC investments in Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (net of eligible short positions)	–	
55a	Significant LAC investments in non-capital LAC liabilities of financial sector entities that are outside the scope of regulatory consolidation (net of eligible short positions)	–	
56	National specific regulatory adjustments applied to Tier 2 capital	–	
56a	Add back of cumulative fair value gains arising from the revaluation of land and buildings (own-use and investment properties) eligible for inclusion in Tier 2 capital	–	
57	**Total regulatory adjustments to Tier 2 capital**	**–**	
58	**Tier 2 capital (T2)**	**–**	
59	**Total regulatory capital (TC = T1 + T2)**	**1,926,861**	
60	**Total RWA**	**1,024,434**	
	Capital ratios (as a percentage of RWA)		
61	**CET1 capital ratio**	**188.1%**	
62	**Tier 1 capital ratio**	**188.1%**	
63	**Total capital ratio**	**188.1%**	
64	**Institution-specific buffer requirement (capital conservation buffer plus countercyclical capital buffer plus higher loss absorbency requirements)**	**3.5%**	
65	of which: capital conservation buffer requirement	2.5%	
66	of which: bank specific countercyclical capital buffer requirement	1.0%	
67	of which: G-SIB or D-SIB buffer requirement	–	
68	CET1 (as a percentage of RWA) available after meeting minimum capital requirements	**180.1%**	
	National minima (if different from Basel 3 minimum)		
69	National CET1 minimum ratio	Not applicable	Not applicable
70	National Tier 1 minimum ratio	Not applicable	Not applicable
71	National Total capital minimum ratio	Not applicable	Not applicable

3 Composition of regulatory capital (continued)

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

	At 30 June 2020	(a) HK$'000	(b) Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation in note 3b (CC2)
	Amounts below the thresholds for deduction (before risk weighting)		
72	Insignificant LAC investments in CET1, AT1 and Tier 2 capital instruments issued by, and non-capital LAC liabilities of, financial sector entities that are outside the scope of regulatory consolidation	–	
73	Significant LAC investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	–	
74	Mortgage servicing rights (net of associated deferred tax liabilities)	Not applicable	Not applicable
75	Deferred tax assets arising from temporary differences (net of associated deferred tax liabilities)	Not applicable	Not applicable
	Applicable caps on the inclusion of provisions in Tier 2 capital		
76	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to the BSC approach, or the STC approach and SEC-ERBA, SEC-SA and SEC-FBA (prior to application of cap)	–	
77	Cap on inclusion of provisions in Tier 2 under the BSC approach, or the STC approach, and SEC-ERBA, SEC-SA and SEC-FBA	–	
78	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to the IRB approach and SEC-IRBA (prior to application of cap)	–	
79	Cap for inclusion of provisions in Tier 2 under the IRB approach and SEC-IRBA	–	
	Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2018 and 1 Jan 2022)		
80	*Current cap on CET1 capital instruments subject to phase-out arrangements*	Not applicable	Not applicable
81	*Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)*	Not applicable	Not applicable
82	*Current cap on AT1 capital instruments subject to phase-out arrangements*	–	
83	*Amount excluded from AT1 capital due to cap (excess over cap after redemptions and maturities)*	–	
84	*Current cap on Tier 2 capital instruments subject to phase-out arrangements*	–	
85	*Amount excluded from Tier 2 capital due to cap (excess over cap after redemptions and maturities)*	–	

3 Composition of regulatory capital (continued)

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

Notes to the Template:

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

	Description	At 30 June 2020 Hong Kong basis HK$'000	At 30 June 2020 Basel III basis HK$'000
9	**Other intangible assets (net of associated deferred tax liabilities)**	186,641	186,641

Explanation
As set out in paragraph 87 of the Basel III text issued by the Basel Committee (December 2010), mortgage servicing rights ("MSRs") may be given limited recognition in CET1 capital (and hence be excluded from deduction from CET1 capital up to the specified threshold). In Hong Kong, an AI is required to follow the accounting treatment of including MSRs as part of intangible assets reported in the AI's financial statements and to deduct MSRs in full from CET1 capital. Therefore, the amount to be deducted as reported in row 9 may be greater than that required under Basel III. The amount reported under the column "Basel III basis" in this box represents the amount reported in row 9 (i.e. the amount reported under the "Hong Kong basis") adjusted by reducing the amount of MSRs to be deducted to the extent not in excess of the 10% threshold set for MSRs and the aggregate 15% threshold set for MSRs, DTAs arising from temporary differences and significant investments in CET1 capital instruments issued by financial sector entities (excluding those that are loans, facilities or other credit exposures to connected companies) under Basel III.

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

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

3 Composition of regulatory capital (continued)

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

	Description	At 30 June 2020 Hong Kong basis HK$'000	Basel III basis HK$'000
18	**Insignificant LAC investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)**	–	–

Explanation
For the purpose of determining the total amount of insignificant LAC investments in CET1 capital instruments issued by financial sector entities, an AI is required to aggregate any amount of loans, facilities or other credit exposures provided by it to any of its connected companies, where the connected company is a financial sector entity, as if such loans, facilities or other credit exposures were direct holdings, indirect holdings or synthetic holdings of the AI in the capital instruments of the financial sector entity, except where the AI demonstrates to the satisfaction of the MA that any such loan was made, any such facility was granted, or any such other credit exposure was incurred, in the ordinary course of the AI's business. Therefore, the amount to be deducted as reported in row 18 may be greater than that required under Basel III. The amount reported under the column "Basel III basis" in this box represents the amount reported in row 18 (i.e. the amount reported under the "Hong Kong basis") adjusted by excluding the aggregate amount of loans, facilities or other credit exposures to the AI's connected companies which were subject to deduction under the Hong Kong approach.

19	**Significant LAC investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)**	–	–

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.

3 Composition of regulatory capital (continued)

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

	Description	At 30 June 2020 Hong Kong basis HK$'000	Basel III basis HK$'000
39	**Insignificant LAC investments in AT1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)**	–	–

Explanation

The effect of treating loans, facilities or other credit exposures to connected companies which are financial sector entities as CET1 capital instruments for the purpose of considering deductions to be made in calculating the capital base (see note re row 18 to the template above) will mean the headroom within the threshold available for the exemption from capital deduction of other insignificant LAC investments in AT1 capital instruments may be smaller. Therefore, the amount to be deducted as reported in row 39 may be greater than that required under Basel III. The amount reported under the column "Basel III basis" in this box represents the amount reported in row 39 (i.e. the amount reported under the "Hong Kong basis") adjusted by excluding the aggregate amount of loans, facilities or other credit exposures to the AI's connected companies which were subject to deduction under the Hong Kong approach.

54	**Insignificant LAC investments in Tier 2 capital instruments issued by, and non-capital LAC liabilities of, financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold and, where applicable, 5% threshold)**	–	–

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.

3 Composition of regulatory capital (continued)

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

Remarks:

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

Abbreviations:
CET1: Common Equity Tier 1
AT1: Additional Tier 1

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

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

	(a) Balance sheet as in published financial statements (At 30 June 2020) HK$'000	(b) Under regulatory scope of consolidation (At 30 June 2020) HK$'000	(c) Cross reference to note – 3a (CC1)
Cash and balances with banks	31,928	31,928	–
Placements with banks	1,173,087	1,173,087	–
Financial investment	856,538	856,538	–
Equipment, furniture and fixtures	77,564	77,564	–
Intangible assets	186,641	186,641	–
of which: goodwill	–	–	(1)
of which: other intangible assets	186,641	186,641	(2)
Right-of-use assets	77,392	77,392	–
Prepayments, accrued interest and other assets	18,483	18,483	–
Total assets	**2,421,633**	**2,421,633**	**–**

3 Composition of regulatory capital (continued)

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

	(a) Balance sheet as in published financial statements (At 30 June 2020) HK$'000	(b) Under regulatory scope of consolidation (At 30 June 2020) HK$'000	(c) Cross reference to note – 3a (CC1)
Liabilities			
Customers deposits	183	183	–
Lease liabilities	74,635	74,635	–
Other liabilities and provisions	233,313	233,313	
Total liabilities	**308,131**	**308,131**	
Equity			
Share capital	2,500,000	2,500,000	–
of which: amount eligible for CET1	2,500,000	2,500,000	(3)
Reserves	(386,498)	(386,498)	–
of which: Accumulated loses	(386,412)	(386,412)	(4)
of which: FVOCI reserve	(86)	(86)	(5)
Total equity	**2,113,502**	**2,113,502**	
Total liabilities and equity	**2,421,633**	**2,421,633**	

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.

3 Composition of regulatory capital (continued)

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

Ordinary Shares

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

Footnote:

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

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

4 Macroprudential supervisory measures

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

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

At 30 June 2020

		(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	1.00%	172,168		
2	Sum[1]		172,168		
3	**Total[2]**		**172,168**	**1.00%**	**1,722**

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

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

5 Leverage Ratio

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

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

	At 30 June 2020	(a) Value under the LR framework HK$'000
1	Total assets as per published financial statements	2,421,633
2	Adjustment for investments in banking, financial, insurance or commercial entities that are for accounting purposes but outside the scope of regulatory consolidation	–
3	Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting standard but excluded from the LR exposure measure	–
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)	–
6a	Adjustment for specific and collective provisions that are allowed to be excluded from exposure measure	(431)
7	Other adjustments	(186,210)
8	**Leverage ratio exposure measure**	**2,234,992**

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.

5 Leverage Ratio (continued)

b. Leverage ratio (LR2)

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

		(a) At 30 June 2020 HK$'000	(b) At 31 March 2020 HK$'000
On-balance sheet exposures			
1	On-balance sheet items (excluding derivative contracts and SFTs, but including collateral)	2,421,633	–
2	Less: Asset amounts deducted in determining Basel III Tier 1 capital	(186,210)	–
3	**Total on-balance sheet exposures (excluding derivative and SFTs)**	**2,235,423**	**–**
Exposures arising from derivative contracts			
4	Replacement cost associated with all derivative contracts (where applicable net of eligible cash variation margin and/or with bilateral netting)	–	–
5	Add-on amounts for PFE associated with all derivative contracts	–	–
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework	–	–
7	Less: Deductions of receivables assets for cash variation margin provided under derivative contracts	–	–
8	Less: Exempted CCP leg of client-cleared trade exposures	–	–
9	Adjusted effective notional amount of written credit derivative	–	–
10	Less: Adjusted effective notional offsets and add-on deductions for written credit derivative	–	–
11	**Total exposures arising from derivative contracts**	**–**	**–**
Exposures arising from SFTs			
12	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	–	–
13	Less: Netted amounts of cash payables and cash receivables of gross SFT assets	–	–
14	CCR exposure for SFT assets	–	–
15	Agent transaction exposures	–	–
16	**Total exposures arising from SFTs**	**–**	**–**
Other off-balance sheet exposures			
17	Off-balance sheet exposure at gross notional amount	–	–
18	Less: Adjustments for conversion to credit equivalent amounts	–	–
19	**Off-balance sheet items**	**–**	**–**
Capital and total exposures			
20	**Tier 1 capital**	1,926,861	–
20a	**Total exposures before adjustments for specific and collective provisions**	2,235,423	–
20b	**Adjustments for specific and collective provisions**	(431)	–
21	**Total exposures after adjustments for specific and collective provisions**	2,234,992	–
Leverage ratio			
22	**Leverage ratio**	**86.2%**	**–**

Note: No comparative information available prior to 30 June 2020.

6 Credit risk for non-securitization exposures

a. Credit quality of exposures (CR1)

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

		(a)	(b)	(c)	(d)	(e)	(f)	(g)
		Gross carrying amounts of			Of which ECL accounting provisions for credit losses on STC approach exposures		Of which ECL accounting provisions for credit losses on IRB approach exposures	
	At 30 June 2020	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$'000		Net values (a+b-c) HK$'000
1	Loans	–	–	–	–	–	–	–
2	Debt securities	–	856,552	54	–	54	–	856,498
3	Off-balance sheet exposures	–	–	–	–	–	–	–
4	**Total**	–	856,552	54	–	54	–	856,498

6 Credit risk for non-securitization exposures (continued)

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

The following table sets out information on the changes in defaulted loans and debt securities, including any changes in the amount of defaulted exposures, movements between non-defaulted and defaulted exposures, and reductions in the defaulted exposures due to write-offs.

		(a) HK$'000
1	**Defaulted loans and debt securities at end of the previous reporting period (31 December 2019)**	–
2	Loans and debt securities that have defaulted since the last reporting period	–
3	Returned to non-defaulted status	–
4	Amounts written off	–
5	Other changes	–
6	**Defaulted loans and debt securities at end of the current reporting period (30 June 2020)**	–

c. Overview of recognized credit risk mitigation (CR3)

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

	At 30 June 2020	(a) Exposures unsecured: carrying amount HK$'000	(b1) Exposures to be secured HK$'000	(b) Exposures secured by recognized collateral HK$'000	(d) Exposures secured by recognized guarantees HK$'000	(f) Exposures secured by recognized credit derivative contracts HK$'000
1	Loans	–	–	–	–	–
2	Debt securities	856,498	–	–	–	–
3	**Total**	856,498	–	–	–	–
4	*– Of which defaulted*	–	–	–	–	–

6 Credit risk for non-securitization exposures (continued)

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

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

		(a)	*(b)*	*(c)*	*(d)*	*(e)*	*(f)*
		Exposures pre-CCF and pre-CRM		*Exposures post-CCF and post-CRM*		*RWA and RWA density*	
	At 30 June 2020	*On-balance sheet amount* HK$'000	*Off-balance sheet amount* HK$'000	*On-balance sheet amount* HK$'000	*Off-balance sheet amount* HK$'000	*RWA* HK$'000	*RWA density* %
	Exposure classes						
1	Sovereign exposures	759,101	–	759,101	–	–	–
2	PSE exposures	–	–	–	–	–	–
2a	*– Of which: domestic PSEs*	–	–	–	–	–	–
2b	*– Of which: foreign PSEs*	–	–	–	–	–	–
3	Multilateral development bank exposures	–	–	–	–	–	–
4	Bank exposures	1,304,153	–	1,304,153	–	391,615	30%
5	Securities firm exposures	–	–	–	–	–	–
6	Corporate exposures	–	–	–	–	–	–
7	CIS exposures	–	–	–	–	–	–
8	Cash items	–	–	–	–	–	–
9	Exposures in respect of failed delivery on transactions entered into on a basis other than a delivery-versus-payment basis	–	–	–	–	–	–
10	Regulatory retail exposures	–	–	–	–	–	–
11	Residential mortgage loans	–	–	–	–	–	–
12	Other exposures which are not past due exposures	172,168	–	172,168	–	172,168	100%
13	Past due exposures	–	–	–	–	–	–
14	Significant exposures to commercial entities	–	–	–	–	–	–
15	**Total**	2,235,422	–	2,235,422	–	563,783	25%

6 Credit risk for non-securitization exposures (continued)

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

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

	At 30 June 2020	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(ha)	(i)	(j) Total credit risk exposures amount (post CCF and post CRM)
	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	759,101	–	–	–	–	–	–	–	–	–	759,101
2	PSE exposures	–	–	–	–	–	–	–	–	–	–	–
2a	*– Of which: domestic PSEs*	–	–	–	–	–	–	–	–	–	–	–
2b	*– Of which: foreign PSEs*	–	–	–	–	–	–	–	–	–	–	–
3	Multilateral development bank exposures	–	–	–	–	–	–	–	–	–	–	–
4	Bank exposures	–	–	868,205	–	435,948	–	–	–	–	–	1,304,153
5	Securities firm exposures	–	–	–	–	–	–	–	–	–	–	–
6	Corporate exposures	–	–	–	–	–	–	–	–	–	–	–
7	CIS exposures	–	–	–	–	–	–	–	–	–	–	–
8	Cash items	–	–	–	–	–	–	–	–	–	–	–
9	Exposures in respect of failed delivery on transactions entered into on a basis other than a delivery-versus-payment basis	–	–	–	–	–	–	–	–	–	–	–
10	Regulatory retail exposures	–	–	–	–	–	–	–	–	–	–	–
11	Residential mortgage loans	–	–	–	–	–	–	–	–	–	–	–
12	Other exposures which are not past due exposures	–	–	–	–	–	–	172,168	–	–	–	172,168
13	Past due exposures	–	–	–	–	–	–	–	–	–	–	–
14	Significant exposures to commercial entities	–	–	–	–	–	–	–	–	–	–	–
15	**Total**	759,101	–	868,205	–	435,948	–	172,168	–	–	–	2,235,422

7 Counterparty Credit Risk

As of 30 June 2020, the Bank does not have counterparty default risk exposure and credit-related derivative contracts.

8 Market risk

Market risk under STM approach (MR1)

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

	At 30 June 2020	*(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	1,888
4	Commodity exposures	–
	Option exposures	
5	Simplified approach	–
6	Delta-plus approach	–
7	Other approach	–
8	Securitization exposures	–
9	**Total**	**1,888**

9 International claims

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

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

9 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:

At 30 Jun 2020	*Banks* HK$'000	*Officier Sector* HK$'000	*Non-Bank Financial Institution* HK$'000	*Non-financial private sector* HK$'000	*Total* HK$'000
Develped countries					
– *of which Australia (includes Christmas Islands, Cocos Islands, Norfolk Islands, Heard and McDonald Islands, Territory of Ashmore and Cartier Islands and Territory of Coral Sea Islands)*	270,000	–	–	–	270,000
– *of which United States (includes American Samoa, Guam, Midway Islands, Northern Mariana Islands, Puerto Rico, US Virgin Islands and Wake Islands)*	270,001	–	–	–	270,001
Developing Asia and Pacific					
– *of which China*	369,688	–	–	–	369,688

10 Loans and advances to customers and Banks

No loans and advances to customers and banks as of 30 June 2020. No rescheduled loans and advances to customers and banks as of 30 June 2020.

11 Repossessed assets

The Bank does not hold any repossessed assets as of 30 June 2020.

12 Mainland activities

	On-balance sheet exposure HK$'000	Off-balance sheet exposure HK$'000	Total HK$'000
At 30 June 2020			
(i) Central government, central government-owned entities and their subsidiaries and joint ventures ("JVs")	–	–	–
(ii) Local governments, local government-owned entities and their subsidiaries and JVs	–	–	–
(iii) PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	–	–	–
(iv) Other entities of central government not reported in item (i) above	–	–	–
(v) Other entities of local governments not reported in item (ii) above	–	–	–
(vi) PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	–	–	–
(vii) Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	–	–	–
Total	–	–	–
Total assets after provision	2,421,633		
On-balance sheet exposures as percentage of total assets	0.0%		

These is no comparative information available prior to 30 June 2020.

13 Off-balance sheet exposures

Contingent liabilities and commitments

	At 30 June 2020 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	–
	–
Credit risk weighted amount	–

The Bank does not have off-balance sheet exposures as of 30 June 2020.

14 Asset under security

The Bank does not have any secured liabilities and assets used as security as of 30 June 2020.

15 Foreign exchange risk

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

At 30 Jun 2020	*US Dollars* HK$'000	*Chinese Renminbi* HK$'000
Spot assets	1,723	45,236
Spot liabilities	–	43,354
Forward purchases	1,178	–
Forward sales	–	–
Net long non-structural position	2,901	1,882

These is no comparative information available prior to 30 June 2020.

The Bank does not have structural FX position as of 30 June 2020.

Acronyms

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