Standard Chartered
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Standard Chartered Bank (Hong Kong) Limited

Supplementary Notes to Condensed Consolidated Interim Financial Statements (unaudited)

For period ended
30 June 2019

Standard Chartered Bank (Hong Kong) Limited
Table of Contents

Page

Supplementary Notes to Condensed Consolidated Interim Financial Statement (unaudited)

These notes are supplementary to and should be read in conjunction with the 2019 Condensed Consolidated Interim Financial Statement ("consolidated financial statement"). The consolidated financial statement and this supplementary notes to condensed consolidated financial statement (unaudited) taken together comply with the Banking (Disclosure) Rules ("Rules") under section 60A of the Banking Ordinance.

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

Additional disclosures as required by the Banking (Disclosure) Rules will be available on our website: www.sc.com/hk on or before 30 September 2019.

1 Basis of consolidation and preparation

The consolidated capital ratios were calculated in accordance with the Banking (Capital) Rules of the Hong Kong Banking Ordinance.

The basis of consolidation for accounting purposes is in accordance with Hong Kong Financial Reporting Standards. The principal subsidiaries of the Bank for accounting purposes are Standard Chartered Bank (China) Limited, SC Digital Solutions Limited and Standard Chartered Leasing Group Limited.

The basis and scope of consolidation for regulatory purposes is different from the basis and scope of consolidation for accounting purposes.

Subsidiaries included in the consolidation for regulatory purposes are specified in a notice from the HKMA in accordance with section 3C(1) of the Banking (Capital) rules. Subsidiaries not included in consolidation for regulatory purposes are non-financial companies and the securities companies that are authorized and supervised by a regulator and are subject to supervisory arrangements regarding the maintenance of adequate capital to support business activities comparable to those prescribed for authorized institutions under the Banking (Capital) Rules and the Banking Ordinance.

The Bank's shareholdings in these subsidiaries are deducted from its capital base subject to the thresholds and transitional arrangements as determined in accordance with Part 3 and Schedule 4H of the Banking (Capital) Rules.

The Bank operates subsidiaries in a number of countries and territories where capital is governed by local rules and there may be restrictions on the transfer of regulatory capital and funds between members of the banking group.

1 Basis of consolidation and preparation (continued)

Directly held subsidiaries not included in the consolidation for regulatory purposes are set out below:

		At 30 June 2019	
Name of company	**Principal Activity**	Total assets HK$'M	Total equity HK$'M
Prunelli Asset Purchaser HK Limited	Asset-backed securitisation	2,644	–
Standard Chartered Securities (Hong Kong) Limited	Equity capital markets, corporate finance and institutional brokerage	207	64
SC Learning Limited	Provision of learning solutions in the banking and finance industry	37	(19)
Standard Chartered Trust (HK) Limited	Trustee services	16	15
Standard Chartered Nominees (Western Samoa) Limited	Nominees Services	–	–
Horsford Nominees Limited	Nominees Services	–	–
Standard Chartered Global Trading Investment Limited	Nominees Services	–	–
		2,904	60

The Bank's shareholdings in the above directly held subsidiaries are deducted from CET1 capital in accordance with the Banking (Capital) Rules. There is no relevant capital shortfall in any of the Bank's subsidiaries which are not included as part of the consolidation group for regulatory purposes.

The Bank uses the advanced internal ratings based ("IRB") approach for both the measurement of credit risk capital requirements and the management of credit risk for the majority of its portfolios. The Bank also uses the standardised (credit risk) approach for certain insignificant portfolios exempted from IRB. The Bank adopts the securitization-external rating based approach ("SEC-ERBA") to calculate its credit risk for securitization exposures.

For market risk, the Bank uses a stochastic asset-liability model approach for two guaranteed retirement funds and the standardized (market risk) approach for other exposures. In addition, the Bank adopts the standardized (operational risk) approach for operational risk.

The Bank applies the Internal Capital Adequacy Assessment Process ("ICAAP") to assess its capital demand on a current, planned and stressed basis. The assessment covers the major risks faced by the Bank, in addition to credit, market and operational risks that are covered under the minimum capital requirements. The ICAAP has been approved by the Asset and Liability Committee ("ALCO") and the Board of Directors ("the Board").

2 Key prudential ratios, overview of risk management and RWA

a. Key prudential ratios (KM1)

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

		(a) At June 2019 HK$'M	(b) At March 2019 HK$'M	(c) At December 2018 HK$'M	(d) At September 2018 HK$'M	(e) At June 2018 HK$'M
	Regulatory capital (amount)					
1	Common Equity Tier 1 (CET1) [Δ]	86,639	60,510	57,449	59,131	58,281
2	Tier 1 *	99,500	66,340	63,279	64,961	64,111
3	Total capital [@]	114,616	77,087	74,520	76,221	75,463
	RWA (amount)					
4	Total RWA [∂]	607,156	430,341	414,896	412,880	410,755
	Risk-based regulatory capital ratios (as a percentage of RWA)					
5	CET1 ratio (%)	14.3%	14.1%	13.8%	14.3%	14.2%
6	Tier 1 ratio (%) [γ]	16.4%	15.4%	15.3%	15.7%	15.6%
7	Total capital ratio (%) [γ]	18.9%	17.9%	18.0%	18.5%	18.4%
	Additional CET1 buffer requirements (as a percentage of RWA)					
8	Capital conservation buffer requirement (%)	2.5%	2.5%	1.9%	1.9%	1.9%
9	Countercyclical capital buffer requirement (%) [#]	1.5%	1.8%	1.4%	1.4%	1.4%
10	Higher loss absorbency requirements (%) (applicable only to G-SIBs or D-SIBs)	1.0%	1.0%	0.8%	0.8%	0.8%
11	Total AI-specific CET1 buffer requirements (%)	5.0%	5.3%	4.1%	4.1%	4.0%
12	CET1 available after meeting the AI's minimum capital requirements (%)	9.8%	9.4%	9.3%	9.7%	9.6%
	Basel III leverage ratio					
13	Total leverage ratio (LR) exposure measure [β]	1,613,710	1,189,263	1,184,360	1,119,686	1,213,719
14	LR (%) [α]	6.2%	5.6%	5.3%	5.8%	5.3%
	Liquidity Coverage Ratio (LCR) / Liquidity Maintenance Ratio (LMR)					
	Applicable to category 1 institution only:					
15	Total high quality liquid assets (HQLA)	211,887	208,005	212,300	208,141	212,712
16	Total net cash outflows	143,618	133,412	137,500	118,162	123,669
17	LCR (%) [θ]	148%	157%	155%	177%	174%
	Applicable to category 2 institution only:					
17a	LMR (%)	NA	NA	NA	NA	NA
	Net Stable Funding Ratio (NSFR) / Core Funding Ratio (CFR)					
	Applicable to category 1 institution only:					
18	Total available stable funding	876,210	714,342	725,282	696,341	693,240
19	Total required stable funding	642,648	542,561	536,758	516,340	534,668
20	NSFR (%) [θ]	136%	132%	135%	135%	130%
	Applicable to category 2A institution only:					
20a	CFR (%)	NA	NA	NA	NA	NA

Δ Increase in CET1 regulatory capital was mainly due to issuance of shares for acquisition of Standard Chartered Bank (China) Limited.

* Increase in Tier 1 regulatory capital was mainly due to issuance of AT1 and issuance of shares for acquisition of Standard Chartered Bank (China) Limited.

@ Increase in total capital was mainly due to issuance of Tier 2 and AT1 capital instruments and issuance of shares for acquisition of Standard Chartered Bank (China) Limited.

∂ Increase in total RWA was mainly due to acquisition of Standard Chartered Bank (China) Limited and growth in loan and advances to customers.

Decrease in countercyclical capital buffer requirement was mainly due to increase in RWA from China exposures post acquisition of Standard Chartered Bank (China) Limited.

γ Improvement in Tier 1 ratio and Total Capital Ratio was mainly due to the issuance of AT1 and Tier 2 capital instrument during the quarter.

β Increase in total leverage ratio exposure measure was mainly due to acquisition of Standard Chartered Bank (China) Limited and balance sheet growth.

α Increase in leverage ratio was mainly due to issuance of AT1 of US$900m and acquisition of Standard Chartered Bank (China) Limited.

θ Please refer to note 6 for the key drivers of LCR% and NSFR% changes.

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

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

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

		(a) Consolidated RWA[Δ]	*(b)* Consolidated RWA[Δ]	*(c)* Minimum capital requirements [@]
		At June 2019 HK$'M	*At March 2019 HK$'M*	*At June 2019 HK$'M*
1	**Credit risk for non-securitization exposures**	**433,812**	**315,696**	**36,556**
2	Of which STC approach [∂]	48,174	28,381	3,854
2a	Of which BSC approach	–	–	–
3	Of which foundation IRB approach	–	–	–
4	Of which supervisory slotting criteria approach [∂]	8,822	5,195	748
5	Of which advanced IRB approach [∂]	376,816	282,120	31,954
6	**Counterparty default risk and default fund contributions**	**12,914**	**6,623**	**1,090**
7	Of which SA-CCR*	N/A	N/A	N/A
7a	Of which CEM [∂]	10,602	5,332	896
8	Of which IMM(CCR) approach	–	–	–
9	Of which others	2,312	1,291	194
10	**CVA risk**	**8,447**	**4,374**	**676**
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**	**3,657**	**4,275**	**293**
17	Of which SEC-IRBA	–	–	–
18	Of which SEC-ERBA (including IAA)	3,657	4,275	293
19	Of which SEC-SA	–	–	–
19a	Of which SEC-FBA	–	–	–
20	**Market risk**	**57,425**	**29,238**	**4,594**
21	Of which STM approach [∂]	57,425	29,238	4,594
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**	**59,019**	**44,553**	**4,722**
24a	Sovereign concentration risk*	N/A	N/A	N/A
25	**Amounts below the thresholds for deduction (subject to 250% RW)**	**8,165**	**8,165**	**653**
26	**Capital floor adjustment**	**–**	**–**	**–**
26a	**Deduction to RWA**	**140**	**183**	**11**
26b	Of which portion of regulatory reserve for general banking risks and collective provisions which is not included in Tier 2 Capital	–	12	–
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	140	171	11
27	**Total** [∂]	**583,299**	**412,741**	**48,573**

Δ RWAs in this table are before the application of the 1.06 scaling factor, where applicable.

* Items marked with * will be applicable only after their respective policy frameworks takes effect. Until then, "Not applicable" should be reported in the rows.

@ Minimum capital requirement represents the Pillar 1 capital charge at 8% of the RWAs after application of the 1.06 scaling factor, where applicable.

∂ Increase in RWA was mainly due to the acquisition of Standard Chartered Bank (China) Limited and growth in loan and advances to customers.

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 2019	*(a)* HK$'M	*(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	37,543	(11)
2	Retained earnings	62,652	(23)
3	Disclosed reserves	(5,211)	(14)+(15)+(16)+(17)+(18)+(19)+(20)+(21)+(22)
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)	25	(26)
6	**CET1 capital before regulatory deductions**	**95,009**	
	CET1 capital: regulatory deductions		
7	Valuation adjustments	1,774	
8	Goodwill (net of associated deferred tax liabilities)	729	(4)
9	Other intangible assets (net of associated deferred tax liabilities)	1,263	(5)+(6)
10	Deferred tax assets (net of associated deferred tax liabilities)	1,248	(7)
11	Cash flow hedge reserve	(366)	(14)
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	(4)	– (8)
15	Defined benefit pension fund net assets (net of associated deferred tax liabilities)	–	
16	Investments in own CET1 capital instruments (if not already netted off paid-in capital on reported balance sheet)	–	
17	Reciprocal cross-holdings in CET1 capital instruments	–	
18	Insignificant LAC investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	–	
19	Significant LAC investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	–	(2)+(3)–(29)
20	Mortgage servicing rights (net of associated deferred tax liabilities)	–	Not applicable

3 Composition of regulatory capital (continued)

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

	At 30 June 2019	*(a)* *HK$'M*	*(b)* *Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation in note 3b (CC2)*
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	3,726	
26a	Cumulative fair value gains arising from the revaluation of land and buildings (own-use and investment properties)	254	(24)
26b	Regulatory reserve for general banking risks	3,472	(25)
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**	**8,370**	
29	**CET1 capital**	**86,639**	
	AT1 capital: instruments		
30	Qualifying AT1 capital instruments plus any related share premium	12,861	(12)+(13)
31	of which: classified as equity under applicable accounting standards	12,861	
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)	0	(27)
35	*of which: AT1 capital instruments issued by subsidiaries subject to phase-out arrangements*	–	
36	**AT1 capital before regulatory deductions**	**12,861**	
	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)	–	

3 Composition of regulatory capital (continued)

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

	At 30 June 2019	(a) HK$'M	(b) Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation in note 3b (CC2)
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**	**12,861**	
45	**Tier 1 capital (T1 = CET1 + AT1)**	**99,500**	
	Tier 2 capital: instruments and provisions		
46	Qualifying Tier 2 capital instruments plus any related share premium	11,710	(9)
47	*Capital instruments subject to phase-out arrangements from Tier 2 capital*	1,313	(10)
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)	1	(28)
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	1,977	(30)+(31)
51	**Tier 2 capital before regulatory deductions**	**15,001**	
	Tier 2 capital: regulatory deductions		
52	Investments in own Tier 2 capital instruments	–	–
53	Reciprocal cross-holdings in Tier 2 capital instruments and non-capital LAC liabilities	–	–
54	Insignificant LAC investments in Tier 2 capital instruments issued by, and non-capital LAC liabilities of, financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold and, where applicable, 5% threshold)	–	–
54a	Insignificant LAC investments in non-capital LAC liabilities of financial sector entities that are outside the scope of regulatory consolidation (amount formerly designated for the 5% threshold but no longer meets the conditions) (for institutions defined as "section 2 institution" under §2(1) of Schedule 4F to BCR only)	–	–
55	Significant LAC investments in Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (net of eligible short positions)	–	(1)
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	(115)	(24)x45%

3 Composition of regulatory capital (continued)

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

	At 30 June 2019	*(a)* *HK$'M*	*(b)* *Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation in note 3b (CC2)*
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	(115)	(24)x45%
57	**Total regulatory adjustments to Tier 2 capital**	**(115)**	
58	**Tier 2 capital (T2)**	**15,116**	
59	**Total regulatory capital (TC = T1 + T2)**	**114,616**	
60	**Total RWA**	**607,156**	
	Capital ratios (as a percentage of RWA)		
61	**CET1 capital ratio**	**14.27%**	
62	**Tier 1 capital ratio**	**16.39%**	
63	**Total capital ratio**	**18.88%**	
64	**Institution-specific buffer requirement (capital conservation buffer plus countercyclical capital buffer plus higher loss absorbency requirements)**	**5.03%**	
65	of which: capital conservation buffer requirement	2.50%	
66	of which: bank specific countercyclical capital buffer requirement	1.53%	
67	of which: G-SIB or D-SIB buffer requirement	1.00%	
68	CET1 (as a percentage of RWA) available after meeting minimum capital requirements	**9.77%**	
	National minima (if different from Basel 3 minimum)		
69	National CET1 minimum ratio	Not applicable	Not applicable
70	National Tier 1 minimum ratio	Not applicable	Not applicable
71	National Total capital minimum ratio	Not applicable	Not applicable
	Amounts below the thresholds for deduction (before risk weighting)		
72	Insignificant LAC investments in CET1, AT1 and Tier 2 capital instruments issued by, and non-capital LAC liabilities of, financial sector entities that are outside the scope of regulatory consolidation	105	–
73	Significant LAC investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	3,266	(29)
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)	679	
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	679	(30)

3 Composition of regulatory capital (continued)

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

	At 30 June 2019	*(a)* *HK$'M*	*(b)* *Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation in note 3b (CC2)*
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)	1,298	
79	Cap for inclusion of provisions in Tier 2 under the IRB approach and SEC-IRBA	1,298	(31)
	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*	1,313	(10)
85	*Amount excluded from Tier 2 capital due to cap (excess over cap after redemptions and maturities)*	4,605	

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.)

		At 30 June 2019	
		Hong Kong basis	*Basel III basis*
	Description	*HK$'M*	*HK$'M*
9	**Other intangible assets (net of associated deferred tax liabilities)**	1,263	1,263

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)**	1,248	13

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 2019 Hong Kong basis HK$'M	Basel III basis HK$'M
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 2019* *Hong Kong basis HK$'M*	*Basel III basis HK$'M*
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

Please refer to note 2a for explanations of significant changes during the period.

Note:
Cross-references (1) to (28) are referenced to Reconciliation of regulatory capital to balance sheet (CC2).
Cross-references (29) to (31) are referenced within the Composition of regulatory capital (CC1).

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

	(a) *Consolidated balance sheet as in published financial statements (At 30 June 2019) HK$'M*	*(b)* *Under regulatory scope of consolidation (At 30 June 2019) HK$'M*	*(c)* *Cross reference to note – 3a (CC1)*
Assets			
Cash and balances with banks, central banks and other financial institutions	60,990	60,990	–
Placements with banks and other financial institutions	152,094	152,078	–
Hong Kong SAR Government certificates of indebtedness	50,761	50,761	–
Financial assets at fair value through profit or loss	95,536	95,536	–
Investment securities	292,005	292,005	–
Advances to customers	638,785	638,785	–
Amounts due from fellow subsidiaries	108,511	108,508	–
Amounts due from subsidiaries of the Bank	–	56	–
of which: significant capital investments in financial sector entities that are outside the scope of regulatory consolidation		–	(1)
Investment in subsidiaries of the Bank	–	98	–
of which: significant capital investments in financial sector entities that are outside the scope of regulatory consolidation		98	(2)
Interests in associates	13,334	3,168	–
of which: significant capital investments in financial sector entities that are outside the scope of regulatory consolidation		3,168	(3)

3 Composition of regulatory capital (continued)

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

	(a) *Consolidated balance sheet as in published financial statements (At 30 June 2019) HK$'M*	*(b)* *Under regulatory scope of consolidation (At 30 June 2019) HK$'M*	*(c)* *Cross reference to note – 3a (CC1)*
Property, plant and equipment	41,358	41,358	–
Goodwill and intangible assets	2,241	2,241	–
of which: goodwill		729	(4)
of which: other intangible assets		1,512	(5)
Deferred tax assets	999	999	–
of which: deferred tax liabilities relating to intangible assets		(249)	(6)
of which: other deferred tax assets		1,248	(7)
Other assets	33,791	33,788	–
Total assets	**1,490,405**	**1,480,371**	**–**
Liabilities			
Hong Kong SAR currency notes in circulation	50,761	50,761	–
Deposits and balances of banks and other financial institutions	51,552	51,552	–
Deposit from customers	1,051,073	1,051,073	–
Financial liabilities at fair value through profit or loss	80,043	80,043	–
of which: gains or losses due to changes in own credit risk		4	(8)
Debt securities in issue	467	467	–
Amounts due to immediate holding company	30,083	27,445	–
of which: subordinated liabilities eligible for inclusion in regulatory capital		11,710	(9)
Amounts due to fellow subsidiaries	55,083	55,083	–
Amounts due to subsidiaries of the Bank	–	2,831	–
Current tax liabilities	1,359	1,359	–
Deferred tax liabilities	593	593	–
Other liabilities	44,928	44,917	–
Subordinated liabilities	5,918	5,918	–
of which: subordinated liabilities eligible for inclusion in regulatory capital (subject to phase out arrangements)		1,313	(10)
Total liabilities	**1,371,860**	**1,372,042**	

3 Composition of regulatory capital (continued)

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

	(a) *Consolidated balance sheet as in published financial statements (At 30 June 2019) HK$'M*	*(b)* *Under regulatory scope of consolidation (At 30 June 2019) HK$'M*	*(c)* *Cross reference to note – 3a (CC1)*
Equity			
Share capital	41,421	41,421	–
of which: amount eligible for CET1		37,543	(11)
of which: amount eligible for AT1		3,878	(12)
Other equity instruments	8,983	8,983	–
of which: amount eligible for AT1		8,983	(13)
Reserves	67,657	57,441	–
of which: Cumulative cash flow hedge reserves that relate to the hedging of financial instruments that are not fair valued on the balance sheet		(366)	(14)
of which: Cumulative cash flow hedge reserves that relate to the hedging of financial instruments that are fair valued on the balance sheet		3	(15)
of which: FVOCI reserves – Equity		252	(16)
of which: FVOCI reserves – Debt		194	(17)
of which: Exchange reserve		(1,342)	(18)
of which: Merger reserve		(8,152)	(19)
of which: Share option equity reserve		315	(20)
of which: Own credit adjustments reserves		(4)	(21)
of which: Other reserve		3,889	(22)
of which: Retained earnings		62,652	(23)
of which: Cumulative fair value gains arising from the revaluation of land and buildings (audited)		254	(24)
of which: Regulatory reserve for general banking risks		3,472	(25)
Non-controlling interests	484	484	–
of which: portion allowable in CET1 capital		25	(26)
of which: portion allowable in AT1 capital		0	(27)
of which: portion allowable in T2 capital		1	(28)
Total equity	**118,545**	**108,329**	
Total liabilities and equity	**1,490,405**	**1,480,371**	

Please refer to note 2a for explanation of significant changes during the period.

3 Composition of regulatory capital (continued)

c. Main features of regulatory capital instruments (CCA)

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

	At June 2019	
	Total amount	*Amount recognised in regulatory capital HK$'M*
CET1 capital instruments		
Ordinary shares:		
2,279,110,265 issued and fully paid ordinary shares	HK$37,543m	37,543
AT1 capital instruments		
Perpetual non-cumulative convertible preference shares	US$500m	3,878
Perpetual non-cumulative capital securities	US$250m	1,952
Floating rate Undated Additional Tier 1 Capital Securities	US$900m	7,031
Tier 2 capital instruments		
Subordinated loan due 2020	US$750m	1,313
Fixed rate (4.30%) subordinated loan due 2026, callable from 2021	US$800m	6,245
Floating rate Tier 2 Notes due 2029, callable from 2024	US$450m	3,513
Floating rate Tier 2 Notes due 2031, callable from 2025	US$250m	1,952

The full terms and conditions of the Bank's capital instruments can be found in the Regulatory Disclosures section of our website, www.sc.com/hk.

3 Composition of regulatory capital (continued)

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

Ordinary Shares

1	Issuer	Standard Chartered Bank (Hong Kong) 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[3]/group/group & solo	Group & solo
7	Instrument type (types to be specified by each jurisdiction)	Ordinary Shares (Class A, B and C)
8	Amount recognised in regulatory capital (Currency in million, as of most recent reporting date)	HKD37,543 Million
9	Par value of instrument	N/A
10	Accounting classification	Shareholders' equity
11	Original date of issuance	28 June 2004 (706 Million Class A shares) 1 July 2004 (780 Million Class B shares) 29 June 2005 (451 Million Class B shares) 1 June 2019 (342 Million Class C shares)
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)	Preference Shares are immediately senior to Ordinary Shares (Class B and C) Ordinary Shares (Class B and C) are immediately senior to Ordinary Shares (Class 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

[3] Include solo-consolidated

3 Composition of regulatory capital (continued)

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

Perpetual non-cumulative convertible preference shares

1	Issuer	Standard Chartered Bank (Hong Kong) 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]	Additional Tier 1
6	Eligible at solo[3]/group/group & solo	Group & solo
7	Instrument type (types to be specified by each jurisdiction)	Preference Shares
8	Amount recognised in regulatory capital (Currency in million, as of most recent reporting date)	HKD 3,878 Million
9	Par value of instrument	10 perpetual non-cumulative convertible preference shares at aggregate issue price of USD500 Million and a Liquidation Preference of USD500 Million
10	Accounting classification	Shareholders' equity
11	Original date of issuance	30 December 2014
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	First Call Date: 31 December 2019 Included tax and regulatory redemption options Redemption at 100% of the prevailing Liquidation Preference together with uncancelled but unpaid dividends
16	Subsequent call dates, if applicable	Each dividend payment date after the First Call Date
	Coupons / dividends	
17	Fixed or floating dividend/coupon	Fixed
18	Coupon rate and any related index	6.25 per cent per annum payable semi-annually in arrears
19	Existence of a dividend stopper	Yes
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	Convertible
24	If convertible, conversion trigger (s)	If a Non-Viability Event occurs and is continuing, "Non-Viability Event" means the earlier of: (a) the Monetary Authority notifying the Bank in writing that the Monetary Authority is of the opinion that a write-off or conversion is necessary, without which the Bank would become non-viable; and (b) the Monetary Authority notifying the Bank in writing that a decision has been made by the government body, a government officer or other relevant regulatory body with the authority to make such a decision, that a public sector injection of capital or equivalent support is necessary, without which the Bank would become non-viable.

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
[3] Include solo-consolidated

3 Composition of regulatory capital (continued)

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

Perpetual non-cumulative convertible preference shares (continued)

25	If convertible, fully or partially	Fully
26	If convertible, conversion rate	Each Preference Share to 12,500,000 A Shares at the USD4.00 per A Share “A Shares” means Class A Ordinary Shares in the share capital of the Bank
27	If convertible, mandatory or optional conversion	Mandatory
28	If convertible, specify instrument type convertible into	Common Equity Tier 1
29	If convertible, specify issuer of instrument it converts into	Standard Chartered Bank (Hong Kong) Limited
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)	The Dated Subordinated Notes are immediately senior to Preference Shares
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
[3] Include solo-consolidated

3 Composition of regulatory capital (continued)

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

Perpetual non-cumulative capital securities

1	Issuer	Standard Chartered Bank (Hong Kong) 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]	Additional Tier 1
6	Eligible at solo[3]/group/group & solo	Group & solo
7	Instrument type (types to be specified by each jurisdiction)	Perpetual debt instrument
8	Amount recognised in regulatory capital (Currency in million, as of most recent reporting date)	HKD 1,952 Million
9	Par value of instrument	Issue price at 100 per cent of the Aggregate Nominal Amount of USD250 Million
10	Accounting classification	Shareholders' equity
11	Original date of issuance	13 December 2017
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	First Call Date: 13 December 2024 Included tax and regulatory redemption options Redemption at 100% of the Capital Securities at their outstanding principal amount together with the distribution accrued but unpaid to the date fixed for redemption.
16	Subsequent call dates, if applicable	Each dividend payment date after the First Call Date
	Coupons / dividends	
17	Fixed or floating dividend/coupon	Fixed
18	Coupon rate and any related index	5.00 per cent per annum payable semi-annually in arrears
19	Existence of a dividend stopper	Yes
20	Fully discretionary, partially discretionary or mandatory	Full 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)	If a Non-Viability Event occurs and is continuing, "Non-Viability Event" means the earlier of: (a) the Monetary Authority notifying the Bank in writing that the Monetary Authority is of the opinion that a write-off or conversion is necessary, without which the Bank would become non-viable; and (b) the Monetary Authority notifying the Bank in writing that a decision has been made by the government body, a government officer or other relevant regulatory body with the authority to make such a decision, that a public sector injection of capital or equivalent support is necessary, without which the Bank would become non-viable.

3 Composition of regulatory capital (continued)

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

Perpetual non-cumulative capital securities (continued)

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
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	The Dated Subordinated Notes are immediately senior to Capital Securities
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
[3] Include solo-consolidated

3 Composition of regulatory capital (continued)

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

Floating rate undated Additional Tier 1 capital securities

1	Issuer	Standard Chartered Bank (Hong Kong) 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]	Additional Tier 1
6	Eligible at solo*/group/group & solo	Group & solo
7	Instrument type (types to be specified by each jurisdiction)	Perpetual debt instrument
8	Amount recognised in regulatory capital (Currency in million, as of most recent reporting date)	HKD 7,031 Million
9	Par value of instrument	Issue price at 100 per cent of the Aggregate Nominal Amount of USD900 Million
10	Accounting classification	Shareholders' equity
11	Original date of issuance	24 June 2019
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 Call Date: 12 April 2026 Early redemption for taxation reasons, due to Regulatory Capital Event or due to Loss Absorption Disqualification Event or on event of default. US$ 1,000 per Calculation amount.
16	Subsequent call dates, if applicable	Each dividend payment date
	Coupons / dividends	
17	Fixed or floating dividend/coupon	Floating
18	Coupon rate and any related index	3-month USD LIBOR + 4.48 per cent per annum payable quarterly in arrears
19	Existence of a dividend stopper	Yes
20	Fully discretionary, partially discretionary or mandatory	Full 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

3 Composition of regulatory capital (continued)

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

Floating rate undated Additional Tier 1 capital securities (continued)

31	If write-down, write-down trigger(s)	Upon a Loss Absorption Event or Non-Viability Event. "Loss Absorption Event" means: (i) the Relevant Hong Kong Resolution Authority notifying the Issuer in writing that the Relevant Hong Kong Resolution Authority is satisfied that the Issuer has ceased, or is likely to cease, to be viable and there is no reasonable prospect that private sector action (outside of resolution) would result in it again becoming viable within a reasonable period (in both cases, without taking into account the write-down or conversion into ordinary shares on any LAC debt instruments); and (ii) for Securities issued directly to a group company in a non-Hong Kong jurisdiction, as specified in the applicable Final Terms, the Relevant Hong Kong Resolution Authority notifying the Issuer in writing that: (A) the Relevant Hong Kong Resolution Authority has notified the Home Authority of the Relevant Hong Kong Resolution Authority's intention to notify the issuer under paragraph (i) above; and (B) the Home Authority (x) has consented to the write-down or conversion of the relevant Securities issued by the Issuer or (y) has not, within 24 hours after receiving notice under subparagraph (ii)(A) above, objected to the write-down or conversion of the relevant Securities issued by the Issuer; "Non-Viability Event" means the earlier of: (a) the Monetary Authority notifying the Bank in writing that the Monetary Authority is of the opinion that a write-off or conversion is necessary, without which the Bank would become non-viable; and (b) the Monetary Authority notifying the Issuer in writing that a decision has been made by the government body, a government officer or other relevant regulatory body with the authority to make such a decision, that a public sector injection of capital or equivalent support is necessary, without which the Issuer would become non-viable.
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
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	The Dated Subordinated Notes are immediately senior to Capital Securities
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

* Include solo-consolidated

3 Composition of regulatory capital (continued)

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

Subordinated loan due 2020

1	Issuer	Standard Chartered Bank (Hong Kong) Limited
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	XS0520042416 (ISIN Code)
3	Governing law(s) of the instrument	The Notes are governed by and construed in accordance with English Law, except for the provisions relating to the subordination of Subordinated Notes to be issued by SCBHK which will be governed by, and construed in accordance with, Hong Kong Law
	Regulatory treatment	
4	Transitional Basel III rules[1]	Tier 2
5	Post-transitional Basel III rules[2]	Ineligible
6	Eligible at solo[3]/group/group & solo	Group & solo
7	Instrument type (types to be specified by each jurisdiction)	Other Tier 2 instruments
8	Amount recognised in regulatory capital (Currency in million, as of most recent reporting date)	HKD 1,313 Million
9	Par value of instrument	Issue price at 99.485 per cent of the Aggregate Nominal Amount of USD750 Million
10	Accounting classification	Liability – amortised cost
11	Original date of issuance	24 June 2010
12	Perpetual or dated	Dated
13	Original maturity date	24 June 2020
14	Issuer call subject to prior supervisory approval	Yes
15	Optional call date, contingent call dates and redemption amount	The notes may, at any time, be redeemed at par for taxation reasons
16	Subsequent call dates, if applicable	N/A
	Coupons / dividends	
17	Fixed or floating dividend/coupon	Fixed
18	Coupon rate and any related index	5.875 per cent per annum payable semi-annually in arrears
19	Existence of a dividend stopper	No
20	Fully discretionary, partially discretionary or mandatory	Mandatory
21	Existence of step up or other incentive to redeem	No
22	Noncumulative or cumulative	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)	Loss Absorbing Non-Preferred Notes or any instrument ranking pari passu to Loss Absorbing Non-Preferred Notes are immediately senior to the Dated Subordinated Notes.
36	Non-compliant transitioned features	Yes
37	If yes, specify non-compliant features	The terms and conditions do not have a provision that requires the instrument to fully absorb losses at the point of non-viability

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

[3] Include solo-consolidated

3 Composition of regulatory capital (continued)

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

Fixed rate (4.30%) subordinated loan due 2026, callable from 2021

1	Issuer	Standard Chartered Bank (Hong Kong) 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]	Tier 2
6	Eligible at solo[3]/group/group & solo	Group & solo
7	Instrument type (types to be specified by each jurisdiction)	Other Tier 2 instruments
8	Amount recognised in regulatory capital (Currency in million, as of most recent reporting date)	HKD 6,245 Million
9	Par value of instrument	Issue price at 100 per cent of the Aggregate Nominal Amount of USD800 Million
10	Accounting classification	Liability – amortised cost
11	Original date of issuance	19 December 2016
12	Perpetual or dated	Dated
13	Original maturity date	19 December 2026
14	Issuer call subject to prior supervisory approval	Yes
15	Optional call date, contingent call dates and redemption amount	First Call Date: 20 December 2021 Included tax and regulatory redemption options Redemption at 100% of the Subordinated Notes at their outstanding principal amount together with interest accrued but unpaid to the date fixed for redemption.
16	Subsequent call dates, if applicable	Each interest payment date after the First Call Date
	Coupons / dividends	
17	Fixed or floating dividend/coupon	Fixed
18	Coupon rate and any related index	4.30 per cent per annum payable quarterly in arrears
19	Existence of a dividend stopper	No
20	Fully discretionary, partially discretionary or mandatory	Mandatory
21	Existence of step up or other incentive to redeem	No
22	Noncumulative or cumulative	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)	If a Non-Viability Event occurs and is continuing, "Non-Viability Event" means the earlier of: (a) the Monetary Authority notifying the Bank in writing that the Monetary Authority is of the opinion that a write-off or conversion is necessary, without which the Bank would become non-viable; and (b) the Monetary Authority notifying the Bank in writing that a decision has been made by the government body, a government officer or other relevant regulatory body with the authority to make such a decision, that a public sector injection of capital or equivalent support is necessary, without which the Bank would become non-viable.

3 Composition of regulatory capital (continued)

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

Fixed rate (4.30%) subordinated loan due 2026, callable from 2021 (continued)

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
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Loss Absorbing Non-Preferred Notes or any instrument ranking pari passu to Loss Absorbing Non-Preferred Notes are immediately senior to the Dated Subordinated Notes.
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
[3] Include solo-consolidated

3 Composition of regulatory capital (continued)

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

Floating rate Tier 2 notes due 2029, callable from 2024

1	Issuer	Standard Chartered Bank (Hong Kong) 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]	Tier 2
6	Eligible at solo*/group/group & solo	Group & solo
7	Instrument type (types to be specified by each jurisdiction)	Other Tier 2 instruments
8	Amount recognised in regulatory capital (Currency in million, as of most recent reporting date)	HKD 3,513 Million
9	Par value of instrument	Issue price at 100 per cent of the Aggregate Nominal Amount of USD450 Million
10	Accounting classification	Liability – amortised cost
11	Original date of issuance	24 June 2019
12	Perpetual or dated	Dated
13	Original maturity date	19 November 2029
14	Issuer call subject to prior supervisory approval	Yes
15	Optional call date, contingent call dates and redemption amount	Optional call date: 19 November 2024 Early redemption for taxation reasons, due to Regulatory Capital Event or due to Loss Absorption Disqualification Event or on event of default. US$ 1,000 per Calculation amount.
16	Subsequent call dates, if applicable	Each interest payment date
	Coupons / dividends	
17	Fixed or floating dividend/coupon	Floating
18	Coupon rate and any related index	3-month USD LIBOR + 2.08 per cent per annum payable quarterly in arrears
19	Existence of a dividend stopper	No
20	Fully discretionary, partially discretionary or mandatory	Mandatory
21	Existence of step up or other incentive to redeem	No
22	Noncumulative or cumulative	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

3 Composition of regulatory capital (continued)

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

Floating rate Tier 2 notes due 2029, callable from 2024 (continued)

31	If write-down, write-down trigger(s)	Upon a Loss Absorption Event or Non-Viability Event. "Loss Absorption Event" means: (i) the Relevant Hong Kong Resolution Authority notifying the Issuer in writing that the Relevant Hong Kong Resolution Authority is satisfied that the Issuer has ceased, or is likely to cease, to be viable and there is no reasonable prospect that private sector action (outside of resolution) would result in it again becoming viable within a reasonable period (in both cases, without taking into account the write-down or conversion into ordinary shares on any LAC debt instruments); and (ii) for Notes issued directly to a group company in a non-Hong Kong jurisdiction, as specified in the applicable Final Terms, the Relevant Hong Kong Resolution Authority notifying the Issuer in writing that: (A) the Relevant Hong Kong Resolution Authority has notified the Home Authority of the Relevant Hong Kong Resolution Authority's intention to notify the issuer under paragraph (i) above; and (B) the Home Authority (x) has consented to the write-down or conversion of the relevant Securities issued by the Issuer or (y) has not, within 24 hours after receiving notice under subparagraph (ii)(A) above, objected to the write-down or conversion of the relevant Securities issued by the Issuer; "Non-Viability Event" means the earlier of: (a) the Monetary Authority notifying the Bank in writing that the Monetary Authority is of the opinion that a write-off or conversion is necessary, without which the Bank would become non-viable; and (b) the Monetary Authority notifying the Issuer in writing that a decision has been made by the government body, a government officer or other relevant regulatory body with the authority to make such a decision, that a public sector injection of capital or equivalent support is necessary, without which the Issuer would become non-viable.
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
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Loss Absorbing Non-Preferred Notes or any instrument ranking pari passu to Loss Absorbing Non-Preferred Notes are immediately senior to the Dated Subordinated Notes.
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
* Include solo-consolidated

3 Composition of regulatory capital (continued)

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

Floating rate Tier 2 notes due 2031, callable from 2025

1	Issuer	Standard Chartered Bank (Hong Kong) 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]	Tier 2
6	Eligible at solo*/group/group & solo	Group & solo
7	Instrument type (types to be specified by each jurisdiction)	Other Tier 2 instruments
8	Amount recognised in regulatory capital (Currency in million, as of most recent reporting date)	HKD 1,952 Million
9	Par value of instrument	Issue price at 100 per cent of the Aggregate Nominal Amount of USD250 Million
10	Accounting classification	Liability – amortised cost
11	Original date of issuance	24 June 2019
12	Perpetual or dated	Dated
13	Original maturity date	17 April 2031
14	Issuer call subject to prior supervisory approval	Yes
15	Optional call date, contingent call dates and redemption amount	Optional call date: 17 April 2025 Early redemption for taxation reasons, due to Regulatory Capital Event or due to Loss Absorption Disqualification Event or on event of default. US$ 1,000 per Calculation amount.
16	Subsequent call dates, if applicable	Each interest payment date
	Coupons / dividends	
17	Fixed or floating dividend/coupon	Floating
18	Coupon rate and any related index	3-month USD LIBOR + 2.12 per cent per annum payable quarterly in arrears
19	Existence of a dividend stopper	No
20	Fully discretionary, partially discretionary or mandatory	Mandatory
21	Existence of step up or other incentive to redeem	No
22	Noncumulative or cumulative	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

3 Composition of regulatory capital (continued)

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

Floating rate Tier 2 notes due 2031, callable from 2025 (continued)

31	If write-down, write-down trigger(s)	Upon a Loss Absorption Event or Non-Viability Event. “Loss Absorption Event” means: (i) the Relevant Hong Kong Resolution Authority notifying the Issuer in writing that the Relevant Hong Kong Resolution Authority is satisfied that the Issuer has ceased, or is likely to cease, to be viable and there is no reasonable prospect that private sector action (outside of resolution) would result in it again becoming viable within a reasonable period (in both cases, without taking into account the write-down or conversion into ordinary shares on any LAC debt instruments); and (ii) for Notes issued directly to a group company in a non-Hong Kong jurisdiction, as specified in the applicable Final Terms, the Relevant Hong Kong Resolution Authority notifying the Issuer in writing that: (A) the Relevant Hong Kong Resolution Authority has notified the Home Authority of the Relevant Hong Kong Resolution Authority’s intention to notify the issuer under paragraph (i) above; and (B) the Home Authority (x) has consented to the write-down or conversion of the relevant Securities issued by the Issuer or (y) has not, within 24 hours after receiving notice under subparagraph (ii)(A) above, objected to the write-down or conversion of the relevant Securities issued by the Issuer; “Non-Viability Event” means the earlier of: (a) the Monetary Authority notifying the Bank in writing that the Monetary Authority is of the opinion that a write-off or conversion is necessary, without which the Bank would become non-viable; and (b) the Monetary Authority notifying the Issuer in writing that a decision has been made by the government body, a government officer or other relevant regulatory body with the authority to make such a decision, that a public sector injection of capital or equivalent support is necessary, without which the Issuer would become non-viable.
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
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Loss Absorbing Non-Preferred Notes or any instrument ranking pari passu to Loss Absorbing Non-Preferred Notes are immediately senior to the Dated Subordinated Notes.
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
* Include solo-consolidated

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 2019

	Jurisdiction (J) [3]	*Applicable JCCyB ratio in effect*	*Total RWA used in computation of CCyB ratio of AI*	*CCyB ratio of AI*	*CCyB amount of AI HK$'M*
1	Hong Kong	2.500%	246,109		
2	Norway	2.000%	–		
3	Sweden	2.000%	389		
4	United Kingdom	1.000%	3,173		
5	Sum[1]		249,671		
6	**Total**[2]		**406,037**	**1.525%**[Δ]	**9,259**

[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 (6) 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.

[3] The Bank uses country of business as the basis of geographic allocation for the majority of its credit risk and market risk, which is defined by considering the country of incorporation, location of guarantor, headquarter domicile, distribution of revenue and booking country.

[Δ] Decrease in countercyclical capital buffer requirement was mainly due to increase in RWA from China exposures post acquisition of Standard Chartered Bank (China) Limited.

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 2019	*(a)* *Value under the LR framework* *HK$'M*
1	Total consolidated assets as per published financial statements	1,490,405
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	(10,038)
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	18,304
5	Adjustment for SFTs (i.e. repos and similar secured lending)	71,118
6	Adjustment for off-balance sheet ("OBS") items (i.e. conversion to credit equivalent amounts of OBS exposures)	103,053
6a	Adjustment for specific and collective provisions that are allowed to be excluded from exposure measure	(2,815)
7	Other adjustments	(56,317)
8	**Leverage ratio exposure measure**[Δ]	**1,613,710**

Other adjustments mainly represent the Hong Kong Government certificates of indebtedness and 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.

Δ Please refer to note 2a for explanation of significant changes during the period.

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 2019 HK$'M	(b) At 31 March 2019 HK$'M
On-balance sheet exposures			
1	On-balance sheet items (excluding derivative contracts and SFTs, but including collateral)	1,363,199	1,056,495
2	Less: Asset amounts deducted in determining Basel III Tier 1 capital	(8,375)	(6,036)
3	**Total on-balance sheet exposures (excluding derivative and SFTs)**	**1,354,824**	**1,050,459**
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)	11,800	8,168
5	Add-on amounts for PFE associated with all derivative contracts	28,764	19,581
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	859	863
10	Less: Adjusted effective notional offsets and add-on deductions for written credit derivative	(546)	(510)
11	**Total exposures arising from derivative contracts**	**40,877**	**28,102**
Exposures arising from SFTs			
12	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	109,897	35,489
13	Less: Netted amounts of cash payables and cash receivables of gross SFT assets	–	–
14	CCR exposure for SFT assets	7,874	173
15	Agent transaction exposures	–	–
16	**Total exposures arising from SFTs**[Δ]	**117,771**	**35,662**
Other off-balance sheet exposures			
17	Off-balance sheet exposure at gross notional amount	645,014	512,875
18	Less: Adjustments for conversion to credit equivalent amounts	(541,961)	(436,117)
19	**Off-balance sheet items**	**103,053**	**76,758**
Capital and total exposures			
20	**Tier 1 capital***	99,500	66,340
20a	**Total exposures before adjustments for specific and collective provisions**	1,616,525	1,190,981
20b	**Adjustments for specific and collective provisions**	(2,815)	(1,718)
21	**Total exposures after adjustments for specific and collective provisions***	1,613,710	1,189,263
Leverage ratio			
22	**Leverage ratio**	**6.17%**	**5.58%**

Δ Increase in total exposures arising from SFTs was mainly due to increase in reverse repo and acquisition of Standard Chartered Bank (China) Limited.

* Please refer to note 2a for explanation of significant changes during the period.

6 Liquidity

a. Liquidity Coverage Ratio – for category 1 institution (LIQ1)

The following table sets out the details of LCR, high quality liquid assets ("HQLA"), and a breakdown of cash outflows and inflows.

	Number of data points used in calculating the average value of the Liquidity Coverage Ratio (LCR) and related components set out in this Template for the quarter ending on 31 March 2019 and 30 June 2019 are 73 and 71.	Q2 2019 Currency: (HK$mil)		Q1 2019 Currency: (HK$mil)	
	Basis of disclosure: Consolidated	UNWEIGHTED AMOUNT (Average Value)	WEIGHTED AMOUNT (Average Value)	UNWEIGHTED AMOUNT (Average Value)	WEIGHTED AMOUNT (Average Value)
A. HIGH QUALITY LIQUID ASSETS					
1	Total high quality liquid assets (HQLA)		211,887		208,005
B. CASH OUTFLOWS					
2	Retail deposits and small business funding, of which:	497,856	38,410	482,917	37,371
3	Stable retail deposits and stable small business funding	115,444	5,772	111,488	5,574
4	Less stable retail deposits and less stable small business funding	270,349	27,035	264,507	26,451
4a	Retail term deposits and small business term funding	112,063	5,603	106,922	5,346
5	Unsecured wholesale funding (other than small business funding) and debt securities and prescribed instruments issued by the institution, of which:	421,665	177,938	372,537	159,069
6	Operational deposits	224,335	55,462	183,964	45,528
7	Unsecured wholesale funding (other than small business funding) not covered in Row 6	196,792	121,938	188,549	113,517
8	Debt securities and prescribed instruments issued by the institution and redeemable within the LCR period	538	538	24	24
9	Secured funding transactions (including securities swap transactions)		117		6
10	Additional requirements, of which:	186,417	23,213	175,335	21,833
11	Cash outflows arising from derivative contracts and other transactions, and additional liquidity needs arising from related collateral requirements	9,210	9,210	7,850	7,850
12	Cash outflows arising from obligations under structured financing transactions and repayment of funding obtained from such transactions	87	87	31	31
13	Potential drawdown of undrawn committed facilities (including committed credit facilities and committed liquidity facilities)	177,120	13,916	167,454	13,952
14	Contractual lending obligations (not otherwise covered in Section B) and other contractual cash outflows	27,022	27,022	23,366	23,366
15	Other contingent funding obligations (whether contractual or non-contractual)	397,060	1,062	267,398	906
16	TOTAL CASH OUTFLOWS		267,762		242,551
C. CASH INFLOWS					
17	Secured lending transactions (including securities swap transactions)	9,948	2,266	16,189	1,729
18	Secured and unsecured loans (other than secured lending transactions covered in Row 17) and operational deposits placed at other financial institutions	205,094	101,614	184,515	91,386
19	Other cash inflows	24,852	20,264	20,534	16,024
20	TOTAL CASH INFLOWS	239,894	124,144	221,238	109,139
D. LIQUIDITY COVERAGE RATIO			ADJUSTED VALUE		ADJUSTED VALUE
21	TOTAL HQLA		211,887		208,005
22	TOTAL NET CASH OUTFLOWS		143,618		133,412
23	LCR (%)		148%		157%

6 Liquidity (continued)

a. Liquidity Coverage Ratio – for category 1 institution (LIQ1) (continued)

Key Drivers

Liquidity Coverage Ratio (LCR) measures the short-term resilience of the Bank's liquidity risk profile, and is sensitive to balance sheet movement and composition. The Bank has maintained a strong liquidity position and well above the regulatory requirement of 100% throughout the year of 2019. On 1 June 2019, the Bank acquired Standard Chartered Bank (China) Limited ("SCB China") as its wholly owned subsidiary. The average LCR decreased from 157% for the quarter ending 31 Mar 2019 to 148% for the quarter ending 30 Jun 2019, mainly as a result of increase in longer tenor assets.

Composition of High Quality Liquid Asset ("HQLA")

The Bank holds significant levels of high quality unencumbered liquid assets that can be liquefied, repo-ed or used as collateral in the event of a liquidity stress.

The liquid assets consist predominately of Level 1 assets, including mainly cash and central bank reserves, Hong Kong exchange fund bills and notes, US treasuries and other marketable debt securities issued or guaranteed by other central banks and governments. In addition, the Bank also holds level 2 assets such as high quality covered bonds, corporate bonds and bonds issued by public sector entities.

Concentration of Funding Sources

Our assets are primarily funded by customer deposits, largely made up of low cost and stable current and savings accounts. This forms a stable base for the Bank's funding requirement. In addition, wholesale funding is widely diversified by client type and maturity which helps managing liquidity mismatches as required. The Bank has various internal quantitative limits and metrics in place to monitor deposit concentrations, as well as HQLA Issuer concentrations.

The Regional Asset and Liability Management Committee ("RALCO") and the Country Asset and Liability Management Committee ("ALCO") monitor trends in the balance sheet and ensures that any concerns that might impact the stability of deposits are addressed in an effective and timely manner. RALCO and ALCO also review balance sheet plans to ensure that projected asset growth is matched by growth in customer deposits.

Derivatives Exposure

The use of derivatives for hedging and sale to customers as risk management products is an important part of the Bank's business activities. These instruments are also used to manage the Bank's own exposures to market risk. The principal derivative instruments used by the Bank are foreign exchange related and interest rate related contracts. Derivative positions are mark-to-market on a daily basis.

Currency Mismatch on LCR

Customer assets are as far as possible funded in the same currency. Where mismatches arise, they are controlled by limits on the amount of foreign currency that can be swapped to local currency and vice versa. Such limits are therefore a means of controlling reliance on foreign exchange markets, which minimizes the risk that obligations could not be met in the required currency in the event that access to foreign exchange markets becomes restricted.

Majority of the Bank's customer deposits are denominated in HKD, USD and CNY. The Bank holds higher USD and other foreign currency denominated HQLA due to its significant market depth and ease of conversion in the event of liquidity stress. This is in line with the Alternative Liquidity Approach option prescribed by HKMA. During this period, the Bank maintained an amount of HKD-denominated level 1 assets well above the regulatory requirement of 20% of its HKD-denominated total net cash outflows.

6 Liquidity (continued)

Liquidity management

Treasury-Markets is responsible for managing the Bank's liquidity position within the approved liquidity and funding risk limits and thresholds. Oversight under the liquidity and funding framework resides with RALCO and ALCO, supported by Treasury-Markets. RALCO and ALCO also ensure the Bank remains in compliance with liquidity policies and practices, as well as local regulatory requirements.

It is the Bank's policy to manage liquidity without presumption of the Bank's parent support. RALCO and ALCO are responsible for ensuring that the Bank is able to maintain adequate liquidity at all times and be in a position to meet all obligations as they fall due; repay depositors and fulfil all commitments to lend.

b. Net Stable Funding Ratio – for category 1 institution (LIQ2)

The following table sets out the details of NSFR and details of ASF and RSF components.

Table 1: LIQ2 for Quarter ending 30th June 2019

		(a)	(b)	(c)	(d)	(e)
		Unweighted value by residual maturity				
Basis of disclosure: consolidated Currency: (HK$mil)		*No specified term to maturity*	*<6 months or repayable on demand*	*6 months to < 12 months*	*12 months or more*	*Weighted amount*
A. Available stable funding ("ASF") item						
1	Capital:	109,265	–	–	37,676	146,940
2	Regulatory capital	109,265	–	–	11,710	120,974
2a	Minority interests not covered by row 2	–	–	–	–	–
3	Other capital instruments	–	–	–	25,966	25,966
4	Retail deposits and small business funding:	–	505,224	35,416	971	493,434
5	Stable deposits		117,747	–	–	111,859
6	Less stable deposits		387,477	35,416	971	381,575
7	Wholesale funding:		613,441	15,358	8,512	226,753
8	Operational deposits		260,542	–	–	130,271
9	Other wholesale funding	–	352,899	15,358	8,512	96,482
10	Liabilities with matching interdependent assets	51,043	–	–	–	–
11	Other liabilities:	55,435	15,472	16	9,076	9,083
12	Net derivative liabilities	5,647				
13	All other funding and liabilities not included in the above categories	49,788	15,472	16	9,076	9,083
14	**Total ASF**					**876,210**
B. Required stable funding ("RSF") item						
15	Total HQLA for NSFR purposes				320,053	16,481
16	Deposits held at other financial institutions for operational purposes	–	9,656	–	–	4,828
17	Performing loans and securities:	56,806	458,060	98,854	393,045	552,864
18	Performing loans to financial institutions secured by Level 1 HQLA	–	35,720	–	–	3,572
19	Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	14,545	194,639	47,449	33,232	101,066

6 Liquidity (continued)

b. Net Stable Funding Ratio – for category 1 institution (LIQ2) (continued)

Basis of disclosure: consolidated Currency: (HK$mil)		(a)	(b)	(c)	(d)	(e)
		Unweighted value by residual maturity				*Weighted amount*
		No specified term to maturity	*<6 months or repayable on demand*	*6 months to < 12 months*	*12 months or more*	
20	Performing loans, other than performing residential mortgage, to non-financial corporate clients, retail and small business customers, sovereigns, the Monetary Authority for the account of the Exchange Fund, central banks and PSEs, of which:	42,261	187,261	33,527	98,316	281,667
21	With a risk-weight of less than or equal to 35% under the STC approach	–	–	–	–	–
22	Performing residential mortgages, of which:	–	8,826	4,390	225,088	113,060
23	With a risk-weight of less than or equal to 35% under the STC approach	–	7,445	3,484	165,451	113,008
24	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	–	31,614	13,488	36,409	53,499
25	Assets with matching interdependent liabilities	51,043	–	–	–	–
26	Other assets:	71,190	10,300	–	–	59,252
27	Physical traded commodities, including gold	515				437
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs	1,086				923
29	Net derivative assets	–				–
30	Total derivative liabilities before deduction of variation margin posted	11,697				N/A
31	All other assets not included in the above categories	57,892	10,300	–	–	57,892
32	Off-balance sheet items				681,102	9,223
33	**Total RSF**					**642,648**
34	**Net Stable Funding Ratio (%)**					**136%**

Table 2: LIQ2 for Quarter ending 31st March 2019

Basis of disclosure: consolidated Currency: (HK$mil)		(a)	(b)	(c)	(d)	(e)
		Unweighted value by residual maturity				*Weighted amount*
		No specified term to maturity	*<6 months or repayable on demand*	*6 months to < 12 months*	*12 months or more*	
A. Available stable funding (“ASF”) item						
1	Capital:	73,882	–	–	8,906	82,788
2	Regulatory capital	73,882	–	–	6,280	80,162
2a	Minority interests not covered by row 2	–	–	–	–	–
3	Other capital instruments	–	–	–	2,626	2,626
4	Retail deposits and small business funding:	–	479,147	35,184	1,110	469,670
5	Stable deposits		113,437	–	–	107,765
6	Less stable deposits		365,710	35,184	1,100	361,905
7	Wholesale funding:		407,419	6,678	2,452	155,277
8	Operational deposits		181,583	–	–	90,792
9	Other wholesale funding	–	225,836	6,678	2,452	64,485

6 Liquidity (continued)

b. Net Stable Funding Ratio – for category 1 institution (LIQ2) (continued)

Basis of disclosure: consolidated Currency: (HK$mil)	(a)	(b)	(c)	(d)	(e)
	Unweighted value by residual maturity				*Weighted amount*
	No specified term to maturity	*<6 months or repayable on demand*	*6 months to < 12 months*	*12 months or more*	
10 Liabilities with matching interdependent assets	51,311		–	–	–
11 Other liabilities:	40,638	6,732	32	6,591	6,607
12 Net derivative liabilities	271				
13 All other funding and liabilities not included in the above categories	40,367	6,732	32	6,591	6,607
14 **Total ASF**					**714,342**
B. Required stable funding ("RSF") item					
15 Total HQLA for NSFR purposes				241,263	15,457
16 Deposits held at other financial institutions for operational purposes	–	5,487	–	–	2,744
17 Performing loans and securities:	60,488	286,822	68,726	350,184	457,553
18 Performing loans to financial institutions secured by Level 1 HQLA	–	392	–	–	39
19 Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	16,265	123,835	34,509	28,410	80,677
20 Performing loans, other than performing residential mortgage, to non-financial corporate clients, retail and small business customers, sovereigns, the Monetary Authority for the account of the Exchange Fund, central banks and PSEs, of which:	44,223	133,259	19,552	83,277	220,778
21 With a risk-weight of less than or equal to 35% under the STC approach	–	–	–	–	–
22 Performing residential mortgages, of which:	–	7,885	3,741	205,084	111,470
23 With a risk-weight of less than or equal to 35% under the STC approach	–	7,128	3,398	163,339	111,434
24 Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	–	21,451	10,924	33,413	44,589
25 Assets with matching interdependent liabilities	51,311	–	–	–	–
26 Other assets:	61,442	4,462	–	–	57,802
27 Physical traded commodities, including gold	–				–
28 Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs	–				–
29 Net derivative assets	–				–
30 Total derivative liabilities before deduction of variation margin posted	3,640				N/A
31 All other assets not included in the above categories	57,802	4,462	–	–	57,802
32 Off-balance sheet items				430,693	9,005
33 **Total RSF**					**542,561**
34 **Net Stable Funding Ratio (%)**					**132%**

6 Liquidity (continued)

NSFR Key Drivers

Net Stable Funding Ratio (NSFR) requires the bank to maintain sufficient stable funding relative to required stable funding. It reflects a bank's long-term funding profile and complement Liquidity Coverage Ratio (LCR) which measures short-term resilience to liquidity risk. The Bank has continuously maintained a healthy NSFR ratio during the first half of 2019, and well above the regulatory requirement minimum of 100%.

Following the acquisition of SCB China in June 2019 and issuance of share capital to Standard Chartered PLC ("SCBPLC"), NSFR remained steady with a slight increase from 132% in Q1 to 136% in Q2 of 2019.

Composition of AI's interdependent assets and liabilities

Complying with HKMA Banking Liquidity Rules, the Bank's interdependent assets and liabilities consist of legal tender notes and certificates of indebtedness, being one of the note-issuing bank in Hong Kong.

7 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 2019	*Defaulted Exposures HK$'M*	*Non-defaulted Exposures HK$'M*	*Allowances/ Impairments HK$'M*	*Allocated in regulatory category of specific provisions HK$'M*	*Allocated in regulatory category of collective provisions HK$'M*	*HK$'M*	*Net values (a+b-c) HK$'M*
1	Loans	3,626	918,707	2,862	195	181	2,486	919,471
2	Debt securities	–	277,572	2	–	–	2	277,570
3	Off-balance sheet exposures	653	644,360	91	–	13	78	644,922
4	**Total**	4,279	1,840,639	2,955	195	194	2,566	1,841,963

Increase in total exposures was mainly due to acquisition of Standard Chartered Bank (China) Limited and the growth in balance sheet.

7 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$'M*
1	**Defaulted loans and debt securities at end of the previous reporting period (31 December 2018)**	2,527
2	Loans and debt securities that have defaulted since the last reporting period	1,046
3	Returned to non-defaulted status	(22)
4	Amounts written off	(500)
5	Other changes[1]	575
6	**Defaulted loans and debt securities at end of the current reporting period (30 June 2019)**	3,626

[1] Other changes included repayment, foreign exchange movement and the net increase in defaulted loans and debt securities from the acquisition of Standard Chartered Bank (China) Limited.

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 2019	*(a)* *Exposures unsecured: carrying amount* *HK$'M*	*(b1)* *Exposures to be secured*[Δ] *HK$'M*	*(b)* *Exposures secured by recognized collateral* *HK$'M*	*(d)* *Exposures secured by recognized guarantees* *HK$'M*	*(f)* *Exposures secured by recognized credit derivative contracts* *HK$'M*
1	Loans	546,472	373,000	303,903	34,315	–
2	Debt securities	260,581	16,989	13,583	234	–
3	**Total**	807,053	389,989	317,486	34,549	–
4	*– Of which defaulted*	*2,292*	*1,334*	*1,032*	*11*	–

[Δ] Increase in defaulted exposures to be secured was mainly due to newly defaulted exposures secured by collateral or guarantee.

7 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.

	At 30 June 2019	*(a)*	*(b)*	*(c)*	*(d)*	*(e)*	*(f)*
		Exposures pre-CCF and pre-CRM		*Exposures post-CCF and post-CRM*		*RWA and RWA density*	
		On-balance sheet amount HK$'M	*Off-balance sheet amount HK$'M*	*On-balance sheet amount HK$'M*	*Off-balance sheet amount HK$'M*	*RWA HK$'M*	*RWA density %*
	Exposure classes						
1	Sovereign exposures	–	–	–	–	–	0%
2	PSE exposures	–	–	–	–	–	0%
2a	– *Of which: domestic PSEs*	–	–	–	–	–	*0%*
2b	– *Of which: foreign PSEs*	–	–	–	–	–	*0%*
3	Multilateral development bank exposures	16,025	–	16,025	–	–	0%
4	Bank exposures	2,331	–	2,347	16	651	28%
5	Securities firm exposures	–	–	–	–	–	0%
6	Corporate exposures	*32,862*	*27,425*	*24,930*	*461*	*25,001*	98%
7	CIS exposures	–	–	–	–	–	0%
8	Cash items	–	–	–	–	–	0%
9	Exposures in respect of failed delivery on transactions entered into on a basis other than a delivery-versus-payment basis	–	–	–	–	–	0%
10	Regulatory retail exposures	15,683	26,693	11,325	1,818	9,857	75%
11	Residential mortgage loans	18,504	179	18,504	36	7,282	39%
12	Other exposures which are not past due exposures	27,744	3,681	3,895	689	4,584	100%
13	Past due exposures	596	8	596	–	799	134%
14	Significant exposures to commercial entities	–	–	–	–	–	0%
15	**Total**	113,745	57,986	77,622	3,020	48,174	60%

Increase in credit risk exposures under STC approach and RWA were mainly due to acquisition of Standard Chartered Bank (China) Limited.

7 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 2019	(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$'M*	*HK$'M*	*HK$'M*	*HK$'M*	*HK$'M*	*HK$'M*	*HK$'M*	*HK$'M*	*HK$'M*	*HK$'M*	*HK$'M*
1	Sovereign exposures	–	–	–	–	–	–	–	–	–	–	–
2	PSE exposures	–	–	–	–	–	–	–	–	–	–	–
2a	*– Of which: domestic PSEs*	–	–	–	–	–	–	–	–	–	–	–
2b	*– Of which: foreign PSEs*	–	–	–	–	–	–	–	–	–	–	–
3	Multilateral development bank exposures	16,025	–	–	–	–	–	–	–	–	–	16,025
4	Bank exposures	–	–	2,109	–	51	–	203	–	–	–	2,363
5	Securities firm exposures	–	–	–	–	–	–	–	–	–	–	–
6	Corporate exposures	–	–	73	–	665	–	24,653	–	–	–	25,391
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	–	–	–	–	–	13,143	–	–	–	–	13,143
11	Residential mortgage loans	–	–	–	16,824	–	1,290	426	–	–	–	18,540
12	Other exposures which are not past due exposures	–	–	–	–	–	–	4,584	–	–	–	4,584
13	Past due exposures	9	–	50	–	11	–	10	516	–	–	596
14	Significant exposures to commercial entities	–	–	–	–	–	–	–	–	–	–	–
15	**Total**	16,034	–	2,232	16,824	727	14,433	29,876	516	–	–	80,642

Increase in total credit risk exposures amount (post CCF and post CRM) was mainly due to acquisition of Standard Chartered Bank (China) Limited.

7 Credit risk for non-securitization exposures (continued)

f. Credit risk exposures by portfolio and PD ranges – for IRB approach (CR6)

The following table sets out the main parameters of internal models used for the calculation of credit risk capital requirements under the IRB approach, for the purpose of enhancing the transparency of RWA calculations and the reliability of regulatory measures.

At 30 June 2019 PD scale	(a) Original on-balance sheet gross exposure HK$'M	(b) Off-balance sheet exposures pre-CCF HK$'M	(c) Average CCF	(d) EAD post-CRM and post-CCF HK$'M	(e) Average PD	(f) Number of obligors	(g) Average LGD	(h) Average maturity	(i) RWA HK$'M	(j) RWA density	(k) EL HK$'M	(l) Provisions HK$'M
Portfolio (i) – Sovereign												
0.00 to < 0.15	206,998	–	0.00%	209,328	0.02%	34	46.11%	1.57	16,118	8%	17	
0.15 to < 0.25	–	–	0.00%	–	0.00%	–	0.00%	–	–	0%	–	
0.25 to < 0.50	–	–	0.00%	–	0.00%	–	0.00%	–	–	0%	–	
0.50 to < 0.75	–	–	0.00%	–	0.00%	–	0.00%	–	–	0%	–	
0.75 to < 2.50	–	–	0.00%	–	0.00%	–	0.00%	–	–	0%	–	
2.50 to < 10.00	–	–	0.00%	–	0.00%	–	0.00%	–	–	0%	–	
10.00 to < 100.00	–	–	0.00%	–	0.00%	–	0.00%	–	–	0%	–	
100.00 (Default)	–	–	0.00%	–	0.00%	–	0.00%	–	–	0%	–	
Sub-total	206,998	–	0.00%	209,328	0.02%	34	46.11%	1.57	16,118	8%	17	180
Portfolio (ii) – Bank												
0.00 to < 0.15	523,747	117,176	6.79%	343,412	0.04%	154	44.43%	1.24	41,477	12%	56	
0.15 to < 0.25	3,579	1,209	44.94%	4,123	0.22%	28	41.91%	1.80	1,754	43%	4	
0.25 to < 0.50	3,341	11,598	18.19%	5,454	0.39%	27	36.35%	1.45	2,652	49%	8	
0.50 to < 0.75	11,125	10,803	20.47%	9,346	0.54%	50	36.72%	0.74	4,519	48%	18	
0.75 to < 2.50	3,280	5,059	21.64%	4,139	1.35%	105	38.81%	1.78	3,611	87%	22	
2.50 to < 10.00	60	569	32.15%	232	3.39%	29	35.73%	0.75	234	101%	3	
10.00 to < 100.00	1	16	13.00%	3	13.77%	2	19.46%	1.00	3	99%	0	
100.00 (Default)	–	–	0.00%	–	0.00%	–	0.00%	–	–	0%	–	
Sub-total	345,133	146,430	9.63%	366,707	0.07%	395	44.02%	1.24	54,250	15%	111	604
Portfolio (iii) – Corporate – Other												
0.00 to < 0.15	103,165	112,443	25.11%	144,657	0.08%	707	48.85%	1.58	36,601	25%	59	
0.15 to < 0.25	34,747	32,122	19.97%	39,510	0.22%	326	49.85%	1.41	17,089	43%	43	
0.25 to < 0.50	22,571	27,921	32.99%	29,514	0.39%	290	36.94%	1.90	14,008	47%	38	
0.50 to < 0.75	46,562	45,586	11.54%	51,824	0.58%	464	48.33%	1.37	33,879	65%	139	
0.75 to < 2.50	60,261	34,128	17.89%	61,512	1.31%	659	40.92%	1.39	46,992	76%	324	
2.50 to < 10.00	26,584	20,079	16.72%	20,746	4.42%	378	37.87%	1.24	21,223	102%	288	
10.00 to < 100.00	6,594	3,654	29.99%	7,247	16.58%	280	39.84%	2.34	13,418	185%	431	
100.00 (Default)	3,999	535	2.65%	4,014	100.00%	91	45.79%	1.68	6,910	172%	923	
Sub-total	304,483	276,468	23.12%	359,024	2.11%	3,195	45.70%	1.52	190,120	53%	2,245	3,214

7 Credit risk for non-securitization exposures (continued)

f. Credit risk exposures by portfolio and PD ranges – for IRB approach (CR6) (continued)

At 30 June 2019 PD scale	(a) Original on-balance sheet gross exposure HK$'M	(b) Off-balance sheet exposures pre-CCF HK$'M	(c) Average CCF	(d) EAD post-CRM and post-CCF HK$'M	(e) Average PD	(f) Number of obligors	(g) Average LGD	(h) Average maturity	(i) RWA HK$'M	(j) RWA density	(k) EL HK$'M	(l) Provisions HK$'M
Portfolio (iv) – Corporate – Small-and-medium sized corporates												
0.00 to < 0.15	550	587	31.92%	737	0.13%	3	65.47%	4.65	451	61%	1	
0.15 to < 0.25	263	449	22.74%	365	0.22%	143	60.18%	1.98	167	46%	0	
0.25 to < 0.50	1,486	823	23.02%	1,697	0.40%	111	16.67%	1.22	265	16%	1	
0.50 to < 0.75	1,767	698	17.33%	1,888	0.59%	170	28.89%	1.66	667	35%	3	
0.75 to < 2.50	3,835	2,295	14.88%	4,173	1.43%	791	34.93%	1.55	2,560	61%	20	
2.50 to < 10.00	1,655	1,389	18.82%	1,916	4.27%	297	32.38%	1.31	1,456	76%	27	
10.00 to < 100.00	553	305	20.42%	661	20.69%	47	28.78%	0.99	831	126%	41	
100.00 (Default)	342	108	2.65%	345	100.00%	46	51.50%	1.43	784	227%	158	
Sub-total	10,451	6,654	19.07%	11,782	5.45%	1,608	33.75%	1.65	7,181	61%	252	252
Portfolio (v) – Retail – QRRE												
0.00 to < 0.15	5,170	92,733	46.72%	48,494	0.08%	697,538	90.00%	–	2,059	4%	33	
0.15 to < 0.25	–	–	0.00%	–	0.00%	–	0.00%	–	–	0%	–	
0.25 to < 0.50	1,034	9,758	49.05%	5,821	0.29%	74,929	90.00%	–	756	13%	15	
0.50 to < 0.75	1,685	20,451	48.31%	11,564	0.68%	141,346	90.00%	–	2,959	26%	71	
0.75 to < 2.50	1,283	5,537	51.74%	4,148	1.49%	46,017	90.00%	–	1,913	46%	56	
2.50 to < 10.00	2,101	2,610	62.25%	3,726	5.11%	35,047	90.00%	–	3,961	106%	171	
10.00 to < 100.00	664	224	73.22%	828	23.78%	6,979	90.00%	–	1,794	217%	177	
100.00 (Default)	86	–	0.00%	86	100.00%	884	61.81%	–	62	72%	48	
Sub-total	12,023	131,313	47.71%	74,668	0.89%	1,002,740	89.97%	–	13,504	18%	571	150
Portfolio (vi) – Retail – Residential mortgage exposures												
0.00 to < 0.15	156,976	302	100.77%	157,282	0.09%	53,336	10.63%	–	27,972	18%	14	
0.15 to < 0.25	42,393	6,373	100.01%	48,766	0.21%	12,765	11.85%	–	10,453	21%	12	
0.25 to < 0.50	4,422	4	102.87%	4,426	0.36%	1,547	10.82%	–	763	17%	2	
0.50 to < 0.75	6,013	6	100.64%	6,019	0.54%	2,101	10.97%	–	1,056	18%	4	
0.75 to < 2.50	5,179	40	100.14%	5,219	1.23%	1,739	11.07%	–	1,012	19%	7	
2.50 to < 10.00	1,321	3	101.68%	1,323	3.72%	391	10.50%	–	382	29%	5	
10.00 to < 100.00	173	0	100.00%	173	27.32%	43	10.34%	–	95	55%	5	
100.00 (Default)	184	0	100.00%	184	100.00%	117	10.00%	–	174	95%	4	
Sub-total	216,661	6,729	100.04%	223,393	0.28%	72,039	10.92%	–	41,907	19%	53	465

7 Credit risk for non-securitization exposures (continued)

f. Credit risk exposures by portfolio and PD ranges – for IRB approach (CR6) (continued)

At 30 June 2019 *PD scale*	*(a)* *Original on-balance sheet gross exposure* *HK$'M*	*(b)* *Off-balance sheet exposures pre-CCF* *HK$'M*	*(c)* *Average CCF*	*(d)* *EAD post-CRM and post-CCF* *HK$'M*	*(e)* *Average PD*	*(f)* *Number of obligors*	*(g)* *Average LGD*	*(h)* *Average maturity*	*(i)* *RWA* *HK$'M*	*(j)* *RWA density*	*(k)* *EL* *HK$'M*	*(l)* *Provisions* *HK$'M*
Portfolio (vii) – Retail – Small business retail exposures												
0.00 to < 0.15	–	–	0.00%	–	0.00%	–	0.00%	–	–	0%	–	
0.15 to < 0.25	158	24	0.00%	158	0.20%	241	86.52%	–	56	35%	0	
0.25 to < 0.50	151	27	0.00%	151	0.37%	198	86.23%	–	79	52%	0	
0.50 to < 0.75	229	31	0.00%	229	0.63%	289	86.53%	–	161	71%	1	
0.75 to < 2.50	1,375	254	0.00%	1,376	1.42%	1,592	86.60%	–	1,353	98%	17	
2.50 to < 10.00	523	87	0.00%	523	4.08%	686	86.51%	–	649	124%	18	
10.00 to < 100.00	81	16	0.00%	81	37.96%	119	86.67%	–	134	166%	27	
100.00 (Default)	6	2	0.00%	6	100.00%	8	89.70%	–	12	182%	5	
Sub-total	2,523	440	0.00%	2,523	3.18%	3,133	86.55%	–	2,444	97%	69	27
Portfolio (viii) – Other retail exposures to individuals												
0.00 to < 0.15	128	3,485	45.68%	1,720	0.08%	3,147	90.04%	–	312	18%	1	
0.15 to < 0.25	461	456	0.16%	462	0.23%	2,194	97.00%	–	199	43%	1	
0.25 to < 0.50	2,268	4,383	58.22%	4,820	0.37%	17,173	90.51%	–	2,609	54%	16	
0.50 to < 0.75	598	1,769	39.40%	1,295	0.64%	3,037	92.75%	–	985	76%	8	
0.75 to < 2.50	4,329	3,542	43.70%	5,877	1.20%	17,354	92.92%	–	5,883	100%	66	
2.50 to < 10.00	7,548	4,555	73.27%	10,885	3.24%	29,303	91.18%	–	13,832	127%	323	
10.00 to < 100.00	930	343	61.28%	1,140	18.72%	3,855	91.94%	–	2,075	182%	197	
100.00 (Default)	31	–	0.00%	31	100.00%	187	71.57%	–	29	94%	20	
Sub-total	16,293	18,532	53.62%	26,229	2.65%	76,250	91.56%	–	25,924	99%	631	290
Total (sum of all portfolios)	1,114,565	586,566	27.12%	1,273,654	0.83%	1,159,394	42.69%	1.43	351,448	28%	3,950	5,182

Increase in exposures for sovereign, bank, corporate – other and corporate – small-and-medium sized corporates were mainly due to acquisition of Standard Chartered Bank (China) Limited and growth in loan and advances to customers.

7 Credit risk for non-securitization exposures (continued)

g. Effects on RWA of recognized credit derivative contracts used as recognized credit risk mitigation – for IRB approach (CR7)

The following table sets out the effect of recognized credit derivative contracts on the calculation of credit risk capital requirements under the IRB approach. The hypothetical RWA before taking into account the mitigation effect of recognized credit derivative contracts (column (a) below) is disclosed to evaluate the impact of recognized credit derivative contracts on RWA. This is irrespective of the extent that recognized CRM are taken into account in calculating the RWA.

	At 30 June 2019	*(a)* *Pre-credit derivatives RWA* *HK$'M*	*(b)* *Actual RWA* *HK$'M*
1	Corporate – Specialized lending under supervisory slotting criteria approach (project finance)	–	–
2	Corporate – Specialized lending under supervisory slotting criteria approach (object finance)	4,505	4,505
3	Corporate – Specialized lending under supervisory slotting criteria approach (commodities finance)	–	–
4	Corporate – Specialized lending under supervisory slotting criteria approach (income-producing real estate)	4,317	4,317
5	Corporate – Specialized lending (high-volatility commercial real estate)	–	–
6	Corporate – Small-and-medium sized corporates	7,181	7,181
7	Corporate – Other corporates	190,120	190,120
8	Sovereigns	15,916	15,916
9	Sovereign foreign public sector entities	202	202
10	Multilateral development banks	–	–
11	Bank exposures – Banks	47,714	47,714
12	Bank exposures – Securities firms	4,846	4,846
13	Bank exposures – Public sector entities (excluding sovereign foreign public sector entities)	1,690	1,690
14	Retail – Small business retail exposures	2,444	2,444
15	Retail – Residential mortgages to individuals	39,876	39,876
16	Retail – Residential mortgages to property-holding shell companies	2,031	2,031
17	Retail – Qualifying revolving retail exposures (QRRE)	13,504	13,504
18	Retail – Other retail exposures to individuals	25,924	25,924
19	Equity – Equity exposures under market-based approach (simple risk-weight method)	–	–
20	Equity – Equity exposures under market-based approach (internal models method)	–	–
21	Equity – Equity exposures under PD/LGD approach (publicly traded equity exposures held for long-term investment)	–	–
22	Equity – Equity exposures under PD/LGD approach (privately owned equity exposures held for long-term investment)	–	–
23	Equity – Equity exposures under PD/LGD approach (other publicly traded equity exposures)	–	–
24	Equity – Equity exposures under PD/LGD approach (other equity exposures)	–	–
25	Equity – Equity exposures associated with equity investments in funds (CIS exposures)	–	–
26	Other – Cash items	1	1
27	Other – Other items	25,367	25,367
28	**Total (under the IRB calculation approaches)**	385,638	385,638

There is no effect in RWA as the Bank does not have credit derivative contracts used as recognised credit risk mitigation.

Increase in pre-credit derivatives RWA and actual RWA were mainly due to acquisition of Standard Chartered Bank (China) Limited and growth in loan and advances to customers.

7 Credit risk for non-securitization exposures (continued)

h. RWA flow statements of credit risk exposures under IRB approach (CR8)

The following table sets out a flow statement explaining variations in the RWA for credit risk determined under the IRB approach.

		(a) *Amount* *HK$'M*
1	**RWA as at end of previous reporting period (31 March 2019)**	287,315
2	Asset size$^{\Delta}$	21,223
3	Asset quality*	(1,590)
4	Model updates	–
5	Methodology and policy	–
6	Acquisitions and disposals[@]	79,411
7	Foreign exchange movements	(721)
8	Other	–
9	**RWA as at end of reporting period (30 June 2019)**	385,638

$^{\Delta}$ Increase in RWA from asset size was mainly driven by the growth in loan and advances to customers.

* Decrease in RWA from asset quality was mainly driven by the increase in collaterals.

[@] Increase in RWA from acquisitions and disposals was mainly driven by the acquisition of Standard Chartered Bank (China) Limited.

i. Specialized lending under supervisory slotting criteria approach – for IRB approach (CR10)

The following table sets out the quantitative information in respect of specialized lending under the supervisory slotting criteria approach.

Specialized Lending under supervisory slotting criteria approach – Other than HVCRE

At 30 June 2019		*(a)*	*(b)*	*(c)*	*(d)(i)*	*(d)(ii)*	*(d)(iii)*	*(d)(iv)*	*(d)(v)*	*(e)*	*(f)*
Supervisory Rating Grade	*Remaining Maturity*	*On-balance sheet exposure amount HK$'M*	*Off-balance sheet exposure amount HK$'M*	*SRW*	*PF HK$'M*	*OF HK$'M*	*CF HK$'M*	*IPRE HK$'M*	*Total HK$'M*	*RWA HK$'M*	*Expected loss amount HK$'M*
Strong^	Less than 2.5 years	498	69	50%	–	362	–	162	524	262	–
Strong	Equal to or more than 2.5 years	3,134	234	70%	–	3,207	–	–	3,207	2,245	13
Good^	Less than 2.5 years	921	2	70%	–	195	–	726	921	645	4
Good	Equal to or more than 2.5 years	2,570	69	90%	–	2,159	–	421	2,580	2,322	21
Satisfactory		2,869	88	115%	–	–	–	2,912	2,912	3,348	82
Weak		–	–	250%	–	–	–	–	–	–	–
Default		–	–	0%	–	–	–	–	–	–	–
Total		9,992	462		–	5,923	–	4,221	10,144	8,822	120

^ Use of preferential risk-weights.

Increase in total exposure, income-producing real estate exposure and total RWA was mainly due to acquisition of Standard Chartered Bank (China) Limited.

8 Counterparty Credit risk

a. Analysis of counterparty default risk exposures (other than those to CCPs) by approaches (CCR1)

The following table sets out a comprehensive breakdown of default risk exposures (other than those to CCPs), RWAs, and, where applicable, main parameters under the approaches used to calculate default risk exposures in respect of derivative contracts and SFTs.

	At 30 June 2019	(a) *Replacement cost (RC)* *HK$'M*	(b) *PFE*	(c) *Effective EPE*	(d) *Alpha (α) used for computing default risk exposure*	(e) *Default risk exposure after CRM*[Δ] *HK$'M*	(f) *RWA* *HK$'M*
				%			
1	SA-CCR (for derivative contracts)*	N/A	N/A		1.4	N/A	N/A
1a	CEM	11,800	28,026		0.0	39,706	10,602
2	IMM (CCR) approach			–	0.0	–	–
3	Simple Approach (for SFTs)					–	–
4	Comprehensive Approach (for SFTs)					111,222	1,890
5	VaR (for SFTs)					–	–
6	**Total**						**12,492**

Δ Increase in default risk exposure after CRM was mainly due to the acquisition of Standard Chartered Bank (China) Limited.

* Items marked with * will be applicable only after their respective policy frameworks takes effect. Until then, "Not applicable" should be reported in the rows.

b. CVA capital charge (CCR2)

The following table sets out an information on portfolios subject to the CVA capital charge and the CVA calculations based on standardized CVA method and advanced CVA method.

	At 30 June 2019	(a) *EAD post CRM* *HK$'M*	(b) *RWA* *HK$'M*
	Netting sets for which CVA capital charge is calculated by the advanced CVA method	–	–
1	(i) VaR (after application of multiplication factor if applicable)		–
2	(ii) Stressed VaR (after application of multiplication factor if applicable)		–
3	Netting sets for which CVA capital charge is calculated by the standardized CVA method	40,240	8,447
4	**Total**	**40,240**	**8,447**

Increase in EAD post CRM was mainly due to the acquisition of Standard Chartered Bank (China) Limited.

8 Counterparty Credit risk (continued)

c. Counterparty default risk exposures (other than those to CCPs) by asset classes and by risk weights – for STC approach (CCR3)

The following table sets out a breakdown of default risk exposures, other than those to CCPs, in respect of derivative contracts and SFTs that are subject to the STC approach, by asset classes and risk-weights (the latter representing the riskiness attributed to the exposure according to the respective approaches), irrespective of the approach used to determine the amount of default risk exposures.

	At 30 June 2019	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)
	Risk Weight	*0%*	*10%*	*20%*	*35%*	*50%*	*75%*	*100%*	*150%*	*250%*	*Others*	*Total default risk exposure after CRM*
	Exposure class	*HK$'M*	*HK$'M*	*HK$'M*	*HK$'M*	*HK$'M*	*HK$'M*	*HK$'M*	*HK$'M*	*HK$'M*	*HK$'M*	*HK$'M*
1	Sovereign exposures	–	–	–	–	–	–	–	–	–	–	–
2	PSE exposures	–	–	–	–	–	–	–	–	–	–	–
2a	*– Of which: domestic PSEs*	–	–	–	–	–	–	–	–	–	–	–
2b	*– Of which: foreign PSEs*	–	–	–	–	–	–	–	–	–	–	–
3	Multilateral development bank exposures	260	–	–	–	–	–	–	–	–	–	**260**
4	Bank exposures	–	–	–	–	–	–	–	–	–	–	–
5	Securities firm exposures	–	–	–	–	–	–	–	–	–	–	–
6	Corporate exposures	–	–	–	–	–	–	299	–	–	–	**299**
7	CIS exposures	–	–	–	–	–	–	–	–	–	–	–
8	Regulatory retail exposures	–	–	–	–	–	322	–	–	–	–	**322**
9	Residential mortgage loans	–	–	–	–	–	–	–	–	–	–	–
10	Other exposures which are not past due exposures	–	–	–	–	–	–	–	–	–	–	–
11	Significant exposures to commercial entities	–	–	–	–	–	–	–	–	–	–	–
12	**Total**	**260**	–	–	–	–	**322**	**299**	–	–	–	**881**

Increase in total default risk exposure after CRM was mainly due to acquisition of Standard Chartered Bank (China) Limited.

8 Counterparty Credit risk (continued)

d. Counterparty default risk exposures (other than those to CCPs) by portfolio and PD range – for IRB approach (CCR4)

The following table sets out all the relevant parameters used for the calculation of counterparty default risk capital requirements for IRB exposures (other than those to CCPs).

At 30 June 2019 *PD scale*	(a) EAD post-CRM HK$'M	(b) Average PD	(c) Number of obligors	(d) Average LGD	(e) Average maturity	(f) RWA HK$'M	(g) RWA density
Portfolio (i) – Sovereign							
0.00 to < 0.15	34,940	0.02%	6	4.87%	0.02	44	0%
0.15 to < 0.25	–	0.00%	–	0.00%	–	–	0%
0.25 to < 0.50	–	0.00%	–	0.00%	–	–	0%
0.50 to < 0.75	–	0.00%	–	0.00%	–	–	0%
0.75 to < 2.50	–	0.00%	–	0.00%	–	–	0%
2.50 to < 10.00	–	0.00%	–	0.00%	–	–	0%
10.00 to < 100.00	–	0.00%	–	0.00%	–	–	0%
100.00 (Default)	–	0.00%	–	0.00%	–	–	0%
Sub-total	34,940	0.02%	6	4.87%	0.02	44	0%
Portfolio (ii) – Bank							
0.00 to < 0.15	92,733	0.04%	46	19.84%	0.42	4,771	5%
0.15 to < 0.25	5,272	0.22%	16	34.26%	0.70	1,625	31%
0.25 to < 0.50	2,444	0.39%	9	10.19%	0.42	319	13%
0.50 to < 0.75	4,278	0.57%	24	10.73%	1.01	676	16%
0.75 to < 2.50	984	1.36%	8	6.08%	1.00	116	12%
2.50 to < 10.00	132	2.67%	2	5.00%	1.00	16	12%
10.00 to < 100.00	–	0.00%	–	0.00%	–	–	0%
100.00 (Default)	–	0.00%	–	0.00%	–	–	0%
Sub-total	105,844	0.09%	105	19.82%	0.47	7,523	7%
Portfolio (iii) – Corporate							
0.00 to < 0.15	4,643	0.09%	90	29.75%	0.71	645	14%
0.15 to < 0.25	428	0.22%	39	69.47%	1.23	227	53%
0.25 to < 0.50	1,166	0.39%	47	49.15%	1.09	654	56%
0.50 to < 0.75	1,415	0.59%	75	58.02%	1.28	1,142	81%
0.75 to < 2.50	1,420	1.27%	100	46.09%	1.90	1,227	86%
2.50 to < 10.00	108	5.37%	31	63.12%	1.18	214	197%
10.00 to < 100.00	83	13.66%	34	70.75%	2.07	276	333%
100.00 (Default)	–	0.00%	–	0.00%	–	–	0%
Sub-total	9,263	0.57%	416	41.61%	1.07	4,385	47%
Total (sum of all portfolios)	150,047	0.10%	527	17.68%	0.40	11,951	8%

Counterparty default risk exposures post-CRM increased mainly driven by the higher volume of transactions with sovereign and bank customers and the acquisition of Standard Chartered Bank (China) Limited.

8 Counterparty Credit risk (continued)

e. Composition of collateral for counterparty default risk exposures (including those for contracts or transactions cleared through CCPs) (CCR5)

The following table sets out a breakdown of all types of collateral posted or recognized collateral received to support or reduce the exposures to counterparty default risk exposures in respect of derivative contracts or SFTs entered into, including contracts or transactions cleared through a CCP.

	(a)	*(b)*	*(c)*	*(d)*	*(e)*	*(f)*
	Derivative contracts				*SFTs*	
At 30 June 2019	*Fair value of recognized collateral received*		*Fair value of posted collateral*		*Fair value of recognized collateral received*	*Fair value of posted collateral*
Exposure classes	*Segregated*	*Unsegregated*	*Segregated*	*Unsegregated*		
	HK$'M	*HK$'M*	*HK$'M*	*HK$'M*	*HK$'M*	*HK$'M*
Cash – domestic currency	–	–	–	10	–	4,229
Cash – other currencies	–	622	–	4,327	26,255	53,434
Domestic sovereign debt	–	–	–	–	47,195	23,500
Other sovereign debt	–	–	–	–	990	9,042
Government agency debt	–	–	–	–	497	–
Corporate bonds	–	1,673	–	–	16,713	21,016
Equity securities	–	–	–	–	4,702	–
Other collateral	–	255	–	–	1,055	–
Total	**–**	**2,550**	**–**	**4,337**	**97,407**	**111,221**

Fair value of collateral posted and received increased mainly driven by the reverse repo and repo transactions and the acquisition of Standard Chartered Bank (China) Limited.

f. Credit-related derivatives contracts (CCR6)

The following table sets out the amount of credit-related derivative contracts, broken down into credit protection bought and credit protection sold.

At 30 June 2019	*(a)* *Protection bought* *HK$'M*	*(b)* *Protection sold* *HK$'M*
Notional amounts		
Single-name credit default swaps	–	–
Index credit default swaps	–	–
Total return swaps	22,198	–
Credit-related options	–	–
Other credit-related derivative contracts	1,210	898
Total notional amounts[Δ]	**23,408**	**898**
Fair values[Δ]		
Positive fair value (asset)	97	13
Negative fair value (liability)	(3,799)	–

Δ Notional amounts and fair value increase were mainly driven by the increase in volume and the acquisition of Standard Chartered Bank (China) Limited.

8 Counterparty Credit risk (continued)

g. Exposures to CCPs (CCR8)

The following table sets out a comprehensive breakdown of exposures to both qualifying and non-qualifying CCPs and the respective RWAs, covering all types of credit risk exposures (including default risk exposures to the CCPs, credit risk exposures arising from initial margins posted, and default fund contributions made, to the CCPs).

	At 30 June 2019	*(a)* *Exposure after CRM HK$'M*	*(b)* *RWA HK$'M*
1	**Exposures of the AI as clearing member or client to qualifying CCPs (total)**		**422**
2	Default risk exposures to qualifying CCPs (excluding items disclosed in rows 7 to 10), – *of which:*	2,708	54
3	*(i) OTC derivative transactions*	2,708	54
4	*(ii) Exchange-traded derivative contracts*	–	–
5	*(iii) Securities financing transactions*	–	–
6	*(iv) Netting sets subject to valid cross-product netting agreements*	–	–
7	Segregated initial margin	–	
8	Unsegregated initial margin	1,042	21
9	Funded default fund contributions	28	347
10	Unfunded default fund contributions	–	–
11	**Exposures of the AI as clearing member or client to non-qualifying CCPs (total)**		–
12	Default risk exposures to non-qualifying CCPs (excluding items disclosed in rows 17 to 20), – *of which:*	–	–
13	*(i) OTC derivative transactions*	–	–
14	*(ii) Exchange-traded derivative contracts*	–	–
15	*(iii) Securities financing transactions*	–	–
16	*(iv) Netting sets subject to valid cross-product netting agreements*	–	–
17	Segregated initial margin	–	–
18	Unsegregated initial margin	–	–
19	Funded default fund contributions	–	–
20	Unfunded default fund contributions	–	–

Increase in exposures to CCPs was mainly due to acquisition of Standard Chartered Bank (China) Limited.

9 Securitization exposures

The Bank adopts the SEC-ERBA approach to calculate the credit risk for asset securitizations in which it is an investing institution. There was no asset securitizations for which the Bank was an originating institution.

The Bank uses the following external credit assessment institutions to calculate the capital adequacy requirements: S & P, Moody's and Fitch Ratings.

The Bank's securitization exposures are measured in accordance with the accounting policy described in note 2(i) of the 2018 consolidated financial statements.

The securitised assets have appropriate credit and market risk limits in place with exposures being monitored against these limits. There is also a periodic performance analysis of the underlying collateral pools through review of trustee reports, market research and monitoring the changes of their external ratings. In addition, for Corporate & Institutional and Commercial Clients, there is an internal credit model in place to measure any change in the performance of the underlying collateral pools.

a. Securitization exposures in banking book (SEC1)

The following table sets out a breakdown of securitization exposures in the banking book.

		(a)	*(b)*	*(c)*	*(d)*	*(e)*	*(f)*	*(g)*	*(h)*	*(i)*
		Acting as originator (excluding sponsor)			*Acting as sponsor*			*Acting as investor*		
		Traditional	*Synthetic*	*Sub-total*	*Traditional*	*Synthetic*	*Sub-total*	*Traditional*	*Synthetic*	*Sub-total*
1	Retail (total) – of which:	**–**	**–**	**–**	**–**	**–**	**–**	**13,734**	**–**	**13,734**
2	residential mortgage	–	–	–	–	–	–	10,352	–	10,352
3	credit card	–	–	–	–	–	–	665	–	665
4	other retail exposures	–	–	–	–	–	–	2,717	–	2,717
5	re-securitization exposures	–	–	–	–	–	–	–	–	–
7	Wholesale (total) – of which:	**–**	**–**	**–**	**–**	**–**	**–**	**730**	**–**	**730**
8	loans to corporates	–	–	–	–	–	–	–	–	–
6	commercial mortgage	–	–	–	–	–	–	11	–	11
9	lease and receivables	–	–	–	–	–	–	–	–	–
10	other wholesale	–	–	–	–	–	–	719	–	719
11	re-securitization exposures	–	–	–	–	–	–	–	–	–

The movement in first half was mainly driven by the change in portfolio mix in the ordinary course of business.

9 Securitization exposures (continued)

b. Securitization exposures in trading book (SEC2)

The following table sets out a breakdown of securitization exposures in the trading book.

		(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
		Acting as originator (excluding sponsor)			*Acting as sponsor*			*Acting as investor*		
		Traditional	*Synthetic*	*Sub-total*	*Traditional*	*Synthetic*	*Sub-total*	*Traditional*	*Synthetic*	*Sub-total*
1	Retail (total) – of which:	**–**	**–**	**–**	**–**	**–**	**–**	**2,272**	**–**	**2,272**
2	residential mortgage	–	–	–	–	–	–	975	–	975
3	credit card	–	–	–	–	–	–	–	–	–
4	other retail exposures	–	–	–	–	–	–	1,297	–	1,297
5	re-securitization exposures	–	–	–	–	–	–	–	–	–
6	Wholesale (total) – of which:	**–**	**–**	**–**	**–**	**–**	**–**	**134**	**–**	**134**
7	loans to corporates	–	–	–	–	–	–	2	–	2
8	commercial mortgage	–	–	–	–	–	–	–	–	–
9	lease and receivables	–	–	–	–	–	–	–	–	–
10	other wholesale	–	–	–	–	–	–	132	–	132
11	re-securitization exposures	–	–	–	–	–	–	–	–	–

The movement in first half was mainly driven by acquisition of Standard Chartered Bank (China) Limited.

9 Securitization exposures (continued)

c. Securitization exposures in banking book and associated capital requirements – where AI acts as investor (SEC4)

The following table sets out the securitization exposures in the banking book where the Bank acts as an investing institution of securitization transactions and the associated capital requirements.

		(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)	(n)	(o)	(p)	(q)
		Exposure values (by RW bands)					Exposure values (by regulatory approach)				RWA (by regulatory approach)				Capital charge after cap			
		≤20% RW	>20% to 50% RW	>50% to 100% RW	>100% to <1250% RW	1250% RW	SEC-IRBA	SEC-ERBA (incl IAA)	SEC-SA	SEC-FBA	SEC-IRBA	SEC-ERBA (incl IAA)	SEC-SA	SEC-FBA	SEC-IRBA	SEC-ERBA (incl IAA)	SEC-SA	SEC-FBA
1	**Total exposures**	**12,980**	**699**	**66**	**719**	**–**	**–**	**14,464**	**–**	**–**	**–**	**3,657**	**–**	**–**	**–**	**293**	**–**	**–**
2	Traditional securitization	**12,980**	**699**	**66**	**719**	**–**	**–**	**14,464**	**–**	**–**	**–**	**3,657**	**–**	**–**	**–**	**293**	**–**	**–**
3	*Of which securitization*	***12,980***	***699***	***66***	***719***	***–***	***–***	***14,464***	***–***	***–***	***–***	***3,657***	***–***	***–***	***–***	***293***	***–***	***–***
4	*Of which retail underlying*	*12,980*	*699*	*55*	*–*	*–*	*–*	*13,734*	*–*	*–*	*–*	*2,776*	*–*	*–*	*–*	*223*	*–*	*–*
5	*Of which wholesale*	*–*	*–*	*11*	*719*	*–*	*–*	*730*	*–*	*–*	*–*	*881*	*–*	*–*	*–*	*70*	*–*	*–*
6	*Of which re-securitization*	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
7	*Of which senior*	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
8	*Of which non-senior*	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
9	Synthetic securitization	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
10	*Of which securitization*	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
11	*Of which retail underlying*	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
12	*Of which wholesale*	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
13	*Of which re-securitization*	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
14	*Of which senior*	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
15	*Of which non-senior*	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–

10 Market risk

For the calculation of the capital requirement for market risk, the Bank uses a stochastic asset-liability model approach for two guaranteed retirement funds and the standardised (market risk) approach for other exposures.

Further information regarding market risk governance and management is set out in note 34 (c) on pages 118 to 120 of the 2018 consolidated financial statements.

a. 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 2019	*(a)* *RWA* *HK$'M*
	Outright product exposures	
1	Interest rate exposures (general and specific risk) [Δ]	40,057
2	Equity exposures (general and specific risk)	–
3	Foreign exchange (including gold) exposures*	14,385
4	Commodity exposures	1,945
	Option exposures	
5	Simplified approach	–
6	Delta-plus approach[@]	440
7	Other approach	–
8	Securitization exposures	598
9	**Total**	**57,425**

[Δ] Increase in RWA from interest rate exposure was mainly due to the acquisition of Standard Chartered Bank (China) Limited.

* Increase in foreign exchange exposures was mainly due to the structural position on Standard Chartered Bank (China) Limited.

[@] Increase in option exposures was mainly due to the acquisition of Standard Chartered Bank (China) Limited.

b. Market risk exposures on guaranteed retirement funds

The capital requirement for the Bank's guaranteed retirement funds is calculated based on the potential shortfall between the estimated returns from the funds and the guaranteed returns. The projected returns are estimated using a simulation approach with a 99% confidence level. The model is back-tested against actual results. As of 30 June 2019, the accounting provisions exceed the potential shortfalls, hence there are no additional capital requirements.

11 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.

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 June 2019	*Banks* *HK$'M*	*Official Sector* *HK$'M*	*Non-bank Financial institution* *HK$'M*	*Non-financial private sector* *HK$'M*	*Total* *HK$'M*
Developed countries	134,738	44,300	6,237	43,152	228,427
– of which United Kingdom (excluding Guernsey, Isle of Man and Jersey)	74,602	–	27	8,251	82,880
Offshore centres	14,301	734	28,147	76,797	119,979
– of which Hong Kong SAR	10,253	734	22,346	64,994	98,327
Developing Asia and Pacific	211,452	16,925	9,963	79,071	317,411
– of which China	163,784	7,737	5,887	66,517	243,925

12 Advances to customers analysed by industry sector

The analysis of gross advances to customers by industry sector is based on the categories used by the HKMA.

	At 30 June 2019 HK$'M	*% of advances covered by collateral or other securities*
Gross advances for use in Hong Kong		
Industrial, commercial and financial		
– Property development	14,183	31%
– Property investment	26,149	78%
– Financial concerns	39,671	46%
– Stockbrokers	9,673	49%
– Wholesale and retail trade	13,928	26%
– Manufacturing	24,142	12%
– Transport and transport equipment	7,119	45%
– Recreational activities	885	33%
– Information technology	3,810	1%
– Others	26,670	8%
Individuals		
– Advances for the purchase of flats in the Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme	446	100%
– Advances for the purchase of other residential properties	206,682	100%
– Credit card advances	21,974	0%
– Others	36,148	44%
Total gross advances for use in Hong Kong	431,480	
Trade finance	46,636	9%
Trade bills	5,757	3%
Gross advances for use outside Hong Kong	157,764	20%
Gross advances to customers	641,637	50%

The above balances do not include inter-company loans and advances.

12 Advances to customers analysed by industry sector (continued)

The amount of impaired and overdue advances to customers and individually and collectively assessed impairment provision for industry sectors which constitute not less than 10% of the Bank and its subsidiaries' total advances to customers are as follows:

	Impaired advances to customers HK$'M	*Overdue advances to customers HK$'M*	*Stage 3 expected credit loss provision HK$'M*	*Stage 1 & 2 expected credit loss provision HK$'M*	*Provision charge HK$'M*
At 31 December 2018					
Advances for the purchase of other residential properties	112	61	–	6	2
Gross advances for use outside Hong Kong	1,146	1,087	634	436	320

13 Loans and advances to customers by geographical location

The analysis of gross advances to customers by geographical location is in accordance with the location of counterparties, after taking into account of any recognised risk transfer.

At 30 June 2019	*Total gross loans and advances to customers HK$'M*	*Impaired advances to customers HK$'M*	*Overdue advances to customers HK$'M*	*Stage 3 expected credit loss provision HK$'M*	*Stage 1 & 2 expected credit loss provision HK$'M*
Hong Kong	426,964	2,654	1,660	1,022	847
Mainland China	139,854	927	631	526	380
Others	74,819	45	45	39	38
Total	**641,637**	**3,626**	**2,336**	**1,587**	**1,265**

14 Overdue advances to customers

	At 30 June 2019 *HK$'M*	*At 30 June 2019* *% of advances to customers*
Gross advances to customers which have been overdue with respect to either principal or interest for periods of:		
6 months or less but over 3 months	233	0.04%
1 year or less but over 6 months	1,139	0.18%
Over 1 year	964	0.15%
	2,336	0.37%

	At 30 June 2019 HK$'M
Fair value of collateral held against the covered portion of overdue advances to customers	594
Covered portion of overdue advances to customers	520
Uncovered portion of overdue advances to customers	1,816

The covered portion of overdue advances to customers represents the amount of collateral held against outstanding balances. It does not include any collateral held over and above outstanding exposures.

The collateral held in respect of overdue advances to customers consists of cash, properties, securities and government guarantee.

	At 30 June 2019 HK$'M
Individually assessed impairment provision against advances to customers overdue more than 3 months	1,006

As at 30 June 2019 and 31 December 2018, there were no overdue advances to banks and other financial institutions.

15 Rescheduled advances to customers

	At 30 June 2019	
	HK$'M	% of advances to customers
Rescheduled advances to customers	675	0.11%

Rescheduled advances are those advances, which have been restructured or renegotiated because of a deterioration in the financial position of the borrowers, or the inability of the borrowers to meet the original repayment schedule and for which the revised repayment terms are non-commercial to the Bank. Rescheduled advances to customers are stated net of any advances that have subsequently become overdue for over 3 months and reported as overdue advances in note 14.

As at 30 June 2019, there were no rescheduled advances to banks and other financial institutions.

16 Mainland Activities

	On-balance sheet exposure HK$'M	Off-balance sheet exposure HK$'M	Total HK$'M
At 30 June 2019			
(i) Central government, central government-owned entities and their subsidiaries and joint ventures ("JVs")	51,141	8,206	59,347
(ii) Local governments, local government-owned entities and their subsidiaries and JVs	2,796	678	3,474
(iii) PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	142,916	19,451	162,367
(iv) Other entities of central government not reported in item (i) above	685	63	748
(v) Other entities of local governments not reported in item (ii) above	2,648	291	2,939
(vi) PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	33,965	8,552	42,517
(vii) Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	20,089	1,796	21,885
Total	254,240	39,037	293,277
Total assets after provision	1,542,739		
On-balance sheet exposures as percentage of total assets	16.48%		

The off-balance sheet exposure represents the amount at risk should the contract be fully drawn upon and the client defaults. As the facilities may expire without being drawn upon, the contractual amounts do not represent expected future cash flows.

17 Off-balance sheet exposures

Contingent liabilities and commitments

	At 30 June 2019	At 31 December 2018
	HK$'M	HK$'M
Contractual or notional amounts		
Direct credit substitutes	11,052	8,248
Transaction-related contingencies	23,944	9,050
Trade-related contingencies	12,693	9,120
Forward asset purchases	197	198
Forward forward deposits placed	61	–
Other commitments:		
which are not unconditionally cancellable:		
with original maturity of not more than one year	11,742	332
with original maturity of more than one year	40,877	32,457
which are unconditionally cancellable	544,993	372,899
	645,559	432,304
Credit risk weighted amount	43,996	32,164

Contingent liabilities and commitments are credit-related instruments, which include letters of credit, guarantees and commitments to extend credit. The risk involved is similar to the credit risk involved in extending loan facilities to customers. These transactions are, therefore, subject to the same credit application, portfolio maintenance and collateral requirements as for customers applying for loans. The contractual amounts represent the amounts at risk should the contract be fully drawn upon and the client defaults. As the facilities may expire without being drawn upon, the contractual amounts do not represent expected future cash flows.

18 Foreign exchange risk

Net option position is calculated on the basis of delta-weighted positions of all foreign exchange options contract.

The Bank and its subsidiaries had the following non-structural foreign currency positions which of the net non-structural position in all foreign currencies:

US dollars exposure	*Consolidated At 30 June 2019 HK$'M*
Spot assets	482,365
Spot liabilities	(489,953)
Forward purchases	2,516,837
Forward sales	(2,506,786)
Net options position	(357)
Net short non-structural position	2,106
Chinese renminbi exposure	
Spot assets	254,964
Spot liabilities	(228,377)
Forward purchases	1,406,074
Forward sales	(1,430,639)
Net option position	212
Net long non-structural position	2,234

Structural FX exposures exceeded 10% net FX position

	At 30 June 2019 HK$'M
Chinese Renminbi	23,456
US dollars	18,596
	42,052

Acronyms

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