



Standard Chartered Bank  
(Hong Kong) Limited

Supplementary Notes to  
Consolidated Financial Statements (unaudited)

For period ended  
31 December 2020

# Standard Chartered Bank (Hong Kong) Limited

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## Supplementary Notes to Consolidated Financial Statements (unaudited)

These notes are supplementary to and should be read in conjunction with the 2020 Consolidated Financial Statements (“consolidated financial statements”). The consolidated financial statements and this supplementary notes to consolidated financial statements (unaudited) taken together comply with the Banking (Disclosure) Rules (“Rules”) under section 60A of the Banking Ordinance and the Financial Institutions (Resolution) (Loss-absorbing Capacity Requirements - Banking Sector) Rules (“LAC Rules”) under section 19(1) of the Financial Institutions (Resolution) Ordinance (“FIRO”).

References to “the Group” within this document means Standard Chartered Bank (Hong Kong) Limited (“the Bank”) and its subsidiaries.

These banking disclosures are governed by the Group’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.

According to the Rules and the LAC Rules, disclosure of comparative information is not required unless otherwise specified in the standard disclosure templates. Prior period disclosures and additional disclosures as required by the Banking (Disclosure) Rules will be available on our website: [www.sc.com/hk](http://www.sc.com/hk) on or before 31 March 2021.

### 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 set out in Note 17(a) to the consolidated financial statements, which included Standard Chartered Bank (China) Limited (“SCB China”), Standard Chartered NEA Limited (“SC NEA”), Standard Chartered Bank Korea Limited (“SCB Korea”) and Standard Chartered Bank (Taiwan) Limited (“SCB Taiwan”) (SC NEA, SCB Korea and SCB Taiwan collectively referred to as “SC NEA Group”), Mox Bank Limited, Standard Chartered Leasing Group Limited (which comprises Pembroke Aircraft Leasing Holdings Limited and Marina Leasing 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 as determined in accordance with Part 3 of the Banking (Capital) Rules.

The Group 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)

Subsidiaries not included in the consolidation for regulatory purposes are set out below:

Name of company	Principal Activity	At 31 December 2020	
		Total assets HK\$'M	Total equity HK\$'M
Prunelli Asset Purchaser HK Limited	Asset-backed securitization	5,180	–
Standard Chartered Securities Korea Limited	Provision of security trading, underwriting and brokerage transactions	2,191	2,131
Standard Chartered Securities (Hong Kong) Limited	Equity capital markets, corporate finance and institutional brokerage	134	133
Standard Chartered Trust (HK) Limited	Trustee services	16	13
Standard Chartered Nominees (Western Samoa) Limited	Nominees services	–	–
Horsford Nominees Limited	Nominees services	–	–
		7,521	2,277

The Bank's shareholdings in the above subsidiaries are deducted from CET1 capital, subject to certain thresholds, 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 Group 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 Group also uses the standardized (credit risk) approach for certain insignificant portfolios exempted from IRB. The Group adopts the securitization-external rating based approach ("SEC-ERBA") to calculate its credit risk for securitization exposures.

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

The Group 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 Group, in addition to credit, market and operational risks that are covered under the minimum capital requirements. The 2020 ICAAP has been approved by the Regional Asset and Liability Committee ("RALCO"), the Regional Executive Risk Committee ("RERC") and the Board of Directors ("the Board").

### Loss-absorbing Capacity Disclosures

Hong Kong LAC Rules came into operation on 14 December 2018. Following classification by the HKMA (as resolution authority), in scope entities are required under these rules to issue LAC instruments that can be written down or converted in the event of failure, and maintain minimum LAC resources.

## 1 Basis of consolidation and preparation (continued)

### Loss-absorbing Capacity Disclosures (continued)

The Group was notified by HKMA of its classification as a material subsidiary under the LAC rules with effect from 1 April 2019, with Standard Chartered PLC (“SC PLC”) as the non-HK resolution entity. Following this classification, the Group has met its minimum LAC requirements since 1 July 2019, and is now publishing LAC disclosures for the period ended 31 December 2020. The basis of calculating the Group’s LAC and RWAs is in accordance with the LAC Rules, with disclosures made using standard templates issued by the HKMA on 31 October 2019.

The Group’s LAC disclosures are included as part of this regulatory disclosure, while SC PLC’s LAC disclosures are included as part of its disclosures which can be found in the Investors section of SC PLC’s website, <https://www.sc.com>.

## 2. Key prudential ratios and metrics

### a. Key prudential ratios (KM1)

The following table sets out an overview of the Group’s key prudential ratios.

	(a)	(b)	(c)	(d)	(e)	
	At 31 December 2020	At 30 September 2020	At 30 June 2020	At 31 March 2020	At 31 December 2019	
	HK\$'M	HK\$'M	HK\$'M	HK\$'M	HK\$'M	
<b>Regulatory capital (amount)</b>						
1	Common Equity Tier 1 (CET1)	135,911	136,413	133,910	128,640	125,235
2	Tier 1	152,645	157,025	154,522	141,501	138,097
3	Total capital	164,883	169,319	166,806	157,237	154,048
<b>RWA (amount)</b>						
4	Total RWA	924,779	902,354	857,478	865,888	836,118
<b>Risk-based regulatory capital ratios (as a percentage of RWA)<sup>1</sup></b>						
5	CET1 ratio (%)	14.7%	15.1%	15.6%	14.9%	15.0%
6	Tier 1 ratio (%)	16.5%	17.4%	18.0%	16.3%	16.5%
7	Total capital ratio (%)	17.8%	18.8%	19.5%	18.2%	18.4%
<b>Additional CET1 buffer requirements (as a percentage of RWA)</b>						
8	Capital conservation buffer requirement (%)	2.5%	2.5%	2.5%	2.5%	2.5%
9	Countercyclical capital buffer requirement (%)	0.4%	0.5%	0.5%	0.4%	0.9%
10	Higher loss absorbency requirements (%) (applicable only to G-SIBs or D-SIBs)	1.5%	1.5%	1.5%	1.5%	1.0%
11	Total AI-specific CET1 buffer requirements (%)	4.4%	4.5%	4.5%	4.4%	4.4%
12	CET1 available after meeting the AI’s minimum capital requirements (%) <sup>2</sup>	9.8%	10.6%	11.1%	10.2%	10.4%
<b>Basel III leverage ratio</b>						
13	Total leverage ratio (LR) exposure measure <sup>3</sup>	2,599,481	2,433,487	2,335,285	2,316,118	2,258,835
14	LR (%) <sup>4</sup>	5.9%	6.5%	6.6%	6.1%	6.1%

## 2. Key prudential ratios and metrics (continued)

### a. Key prudential ratios (KM1) (continued)

	(a)	(b)	(c)	(d)	(e)	
	At 31 December 2020	At 30 September 2020	At 30 June 2020	At 31 March 2020	At 31 December 2019	
	HK\$'M	HK\$'M	HK\$'M	HK\$'M	HK\$'M	
<b>Liquidity Coverage Ratio (LCR) / Liquidity Maintenance Ratio (LMR)</b>						
<b>Applicable to category 1 institution only:</b>						
15	Total high quality liquid assets (HQLA)	457,047	424,111	386,037	373,110	345,541
16	Total net cash outflows	314,247	257,163	248,475	252,139	238,247
17	LCR (%) <sup>5</sup>	147%	165%	156%	148%	146%
<b>Applicable to category 2 institution only:</b>						
17a	LMR (%)	NA	NA	NA	NA	NA
<b>Net Stable Funding Ratio (NSFR) / Core Funding Ratio (CFR)</b>						
<b>Applicable to category 1 institution only:</b>						
18	Total available stable funding	1,349,740	1,307,025	1,265,967	1,211,052	1,241,767
19	Total required stable funding	1,079,812	1,031,551	995,180	950,256	964,450
20	NSFR (%)	125%	127%	127%	127%	129%
<b>Applicable to category 2A institution only:</b>						
20a	CFR (%)	NA	NA	NA	NA	NA

<sup>1</sup> Decrease in risk-based regulatory capital ratios was mainly contributed by the increase in RWA and the dividend payment during the period. The Tier 1 ratio and Total capital ratio decreased further by the redemption of USD 500m AT1 capital instrument.

<sup>2</sup> Decrease in CET1 available after meeting the Bank's minimum capital requirements was due to decrease in both CET1 ratio and the AT1 ratio.

<sup>3</sup> Increase in total leverage ratio exposure measure was mainly due to balance sheet growth.

<sup>4</sup> Decrease in leverage ratio was mainly driven by the redemption of USD 500m AT1 capital instrument and the balance sheet growth during the quarter.

<sup>5</sup> Please refer to note 8 for the key drivers of LCR% changes.

## 2. Key prudential ratios and metrics (continued)

### b. Key metrics – LAC requirements for the Group (at LAC consolidation group level) (KM2(A))

The following table sets out a summary information on internal loss-absorbing capacity available, at LAC consolidation group level, of the Group.

	(a)	(b)	(c)	(d)	(e)	
	At 31 December 2020 HK\$'M	At 30 September 2020 HK\$'M	At 30 June 2020 HK\$'M	At 31 March 2020 HK\$'M	At 31 December 2019 HK\$'M	
<b>Of the material entity at LAC consolidation group level</b>						
1	Internal loss-absorbing capacity available	189,220	189,000	186,487	170,654	167,541
2	Risk-weighted amount under the LAC Rules <sup>1</sup>	924,779	902,354	857,478	865,888	836,118
3	Internal LAC risk-weighted ratio	20.5%	20.9%	21.7%	19.7%	20.0%
4	Exposure measure under the LAC Rules <sup>1</sup>	2,599,481	2,433,487	2,335,285	2,316,118	2,258,835
5	Internal LAC leverage ratio	7.3%	7.8%	8.0%	7.4%	7.4%
6a	Does the subordination exemption in the antepenultimate paragraph of Section 11 of the FSB TLAC Term Sheet apply? <sup>2</sup>	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
6b	Does the subordination exemption in the penultimate paragraph of Section 11 of the FSB TLAC Term Sheet apply? <sup>2</sup>	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
6c	If the capped subordination exemption applies, the amount of funding issued that ranks pari passu with excluded liabilities and that is recognised as external loss-absorbing capacity, divided by funding issued that ranks pari passu with excluded liabilities and that would be recognised as external loss-absorbing capacity if no cap was applied <sup>2</sup>	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable

<sup>1</sup> Increase in risk-weighted amount and exposure measure under the LAC Rules were in line with the increase in RWA and Leverage exposures.

<sup>2</sup> The subordination exemptions in the antepenultimate and penultimate paragraphs of Section 11 of the FSB TLAC Term Sheet does not apply in Hong Kong under the LAC Rules.

## 2. Key prudential ratios and metrics (continued)

### c. Key metrics – LAC requirements for non-HK resolution entity (at resolution group level) (KM2(B))

The following table shows information about SC PLC's total loss-absorbing capacity (TLAC) available, and TLAC requirements, applied at the resolution group level under a Single Point of Entry resolution strategy.

The numbers are disclosed in the functional currency of SC PLC which is US Dollars.

		At 31 December 2020 US\$'M	At 30 September 2020 US\$'M	At 30 June 2020 US\$'M	At 31 March 2020 US\$'M	At 31 December 2019 US\$'M
<b>Of the non-HK resolution entity at resolution group level</b>						
1	External loss-absorbing capacity available	83,040	81,079	80,472	77,585	75,649
2	Total risk-weighted amount under the relevant non-HK LAC regime	268,834	266,664	262,552	272,653	264,090
3	External loss-absorbing capacity as a percentage of risk-weighted amount	30.9%	30.4%	30.6%	28.5%	28.6%
4	Leverage ratio exposure measure under the relevant non-HK LAC regime	834,765	819,300	806,596	823,495	801,252
5	External loss-absorbing capacity as a percentage of leverage ratio exposure measure	9.9%	9.9%	10.0%	9.4%	9.4%
6a	Does the subordination exemption in the antepenultimate paragraph of Section 11 of the FSB TLAC Term Sheet apply?	Yes	Yes	Yes	Yes	Yes
6b	Does the subordination exemption in the penultimate paragraph of Section 11 of the FSB TLAC Term Sheet apply?	No	No	No	No	No
6c	If the capped subordination exemption applies, the amount of funding issued that ranks pari passu with excluded liabilities and that is recognised as external loss-absorbing capacity, divided by funding issued that ranks pari passu with excluded liabilities and that would be recognised as external loss-absorbing capacity if no cap was applied	N/A	N/A	N/A	N/A	N/A

## 3 Overview of risk management and RWA

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

Note 34 on pages 96 to 104 of the 2020 consolidated financial statements sets out a description of risk management objectives and policies and how the Board of Directors and senior management assess and manage risks, enabling users to gain a clear understanding of the risk tolerance and appetite in relation to the main activities and all significant risks.

### 3 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)	(b)	(c)
	Consolidated RWA <sup>1</sup> At 31 December 2020 HK\$'M	At 30 September 2020 HK\$'M	Minimum capital requirements <sup>2</sup> At 31 December 2020 HK\$'M
<b>1 Credit risk for non-securitization exposures</b>	<b>619,088</b>	<b>619,256</b>	<b>52,279</b>
2 Of which STC approach	45,681	45,251	3,654
2a Of which BSC approach	–	–	–
3 Of which foundation IRB approach	–	–	–
4 Of which supervisory slotting criteria approach	19,214	15,037	1,629
5 Of which advanced IRB approach	554,193	558,968	46,996
<b>6 Counterparty default risk and default fund contributions</b>	<b>35,604</b>	<b>31,759</b>	<b>2,997</b>
7 Of which SA-CCR*	N/A	N/A	N/A
7a Of which CEM	29,241	27,818	2,477
8 Of which IMM(CCR) approach	–	–	–
9 Of which others	6,363	3,941	520
<b>10 CVA risk</b>	<b>19,120</b>	<b>16,435</b>	<b>1,530</b>
11 Equity positions in banking book under the simple risk-weight method and internal models method	–	–	–
12 Collective investment scheme ("CIS") exposures – LTA*	N/A	N/A	N/A
13 CIS exposures – MBA*	N/A	N/A	N/A
14 CIS exposures – FBA*	N/A	N/A	N/A
14a CIS exposures – combination of approaches*	N/A	N/A	N/A
<b>15 Settlement risk</b>	<b>372</b>	<b>26</b>	<b>32</b>
<b>16 Securitization exposures in banking book</b>	<b>5,201</b>	<b>3,963</b>	<b>416</b>
17 Of which SEC-IRBA	–	–	–
18 Of which SEC-ERBA (including IAA)	5,201	3,963	416
19 Of which SEC-SA	–	–	–
19a Of which SEC-FBA	–	–	–
<b>20 Market risk</b>	<b>109,193</b>	<b>96,640</b>	<b>8,735</b>
21 Of which STM approach	109,193	96,640	8,735
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
<b>24 Operational risk</b>	<b>84,630</b>	<b>84,664</b>	<b>6,770</b>
24a Sovereign concentration risk	1,562	–	125
<b>25 Amounts below the thresholds for deduction (subject to 250% RW)</b>	<b>13,771</b>	<b>13,640</b>	<b>1,102</b>
<b>26 Capital floor adjustment</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>26a Deduction to RWA</b>	<b>44</b>	<b>102</b>	<b>4</b>
26b Of which portion of regulatory reserve for general banking risks and collective provisions which is not included in Tier 2 Capital	–	–	–
26c Of which portion of cumulative fair value gains arising from the revaluation of land and buildings which is not included in Tier 2 Capital	44	102	4
<b>27 Total</b>	<b>888,497</b>	<b>866,281</b>	<b>73,982</b>

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

<sup>1</sup> RWAs in this table are before the application of the 1.06 scaling factor, where applicable.

<sup>2</sup> Minimum capital requirement represents the Pillar 1 capital charge at 8% of the RWAs after application of the 1.06 scaling factor, where applicable.

#### 4 Linkages between financial statements and regulatory exposures

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

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

At 31 December 2020	(a) Carrying values as reported in published financial statements HK\$'M	(b) Carrying values under scope of regulatory consolidation HK\$'M	(c) subject to credit risk framework HK\$'M	Carrying values of items:			(g) not subject to capital requirements or subject to deduction from capital HK\$'M
				(d) subject to counterparty credit risk framework HK\$'M	(e) subject to the securitization framework HK\$'M	(f) subject to market risk framework HK\$'M	
<b>Assets</b>							
Cash and balances at central banks	66,640	66,640	66,640	-	-	-	-
Advances to banks and other financial institutions	129,316	129,087	125,399	3,688	-	-	-
Hong Kong SAR Government certificates of indebtedness	56,561	56,561	56,561	-	-	-	-
Financial assets at fair value through profit or loss	245,239	245,239	49,873	70,515	-	195,366	-
Investment securities	521,269	521,269	498,425	-	22,844	-	-
Advances to customers	1,091,656	1,091,656	1,082,707	8,949	-	-	-
Amounts due from fellow subsidiaries	206,675	206,529	95,410	105,948	5,171	55,483	-
Amounts due from subsidiaries of the Group	-	2,527	2,527	-	-	-	-
Investment in subsidiaries of the Group	-	2,340	2,340	-	-	-	-
Interest in an associate	15,705	3,168	3,168	-	-	-	-
Property, plant and equipment	39,600	39,590	39,590	-	-	-	-
Goodwill and intangible assets	8,818	8,798	-	-	-	-	8,798
Current tax assets	-	-	-	-	-	-	-
Deferred tax assets	2,061	2,053	-	-	-	-	2,053
Other assets	73,249	73,169	69,363	3,586	-	-	220
<b>Total assets</b>	<b>2,456,789</b>	<b>2,448,626</b>	<b>2,092,003</b>	<b>192,686</b>	<b>28,015</b>	<b>250,849</b>	<b>11,071</b>

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

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

At 31 December 2020	(a) Carrying values as reported in published financial statements HK\$'M	(b) Carrying values under scope of regulatory consolidation HK\$'M	(c) subject to credit risk framework HK\$'M	Carrying values of items:			(g) not subject to capital requirements or subject to deduction from capital HK\$'M
				(d) subject to counterparty credit risk framework HK\$'M	(e) subject to the securitization framework HK\$'M	(f) subject to market risk framework HK\$'M	
<b>Liabilities</b>							
Hong Kong SAR currency notes in circulation	56,561	56,561	-	-	-	-	56,561
Deposits and balances of banks and other financial institutions	54,387	54,387	-	4,037	-	-	50,350
Deposits from customers	1,736,729	1,736,729	-	10,560	-	-	1,726,169
Financial liabilities at fair value through profit of loss	148,226	148,226	-	94,038	-	103,962	34,158
Debt securities in issue	42,415	42,415	-	-	-	-	42,415
Amounts due to immediate holding company	41,750	41,750	-	973	-	-	40,777
Amounts due to fellow subsidiaries	102,748	100,054	-	64,438	-	57,873	35,617
Amount due to subsidiaries of the Group	-	7,027	-	-	-	-	7,027
Current tax liabilities	2,505	2,490	-	-	-	-	2,490
Deferred tax liabilities	897	897	-	-	-	-	897
Other liabilities	90,572	90,550	-	-	-	-	90,550
Subordinated liabilities	-	-	-	-	-	-	-
<b>Total Liabilities</b>	<b>2,276,790</b>	<b>2,281,086</b>	<b>-</b>	<b>174,046</b>	<b>-</b>	<b>161,835</b>	<b>2,087,011</b>

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

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

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

At 31 December 2020	(a)	(b)	(c) (d) (e)		
	Total HK\$'M	credit risk framework HK\$'M	counterparty credit risk framework HK\$'M	securitization framework HK\$'M	market risk framework HK\$'M
1 Asset Carrying value amount under scope of regulatory consolidation (as per template LI1)	2,437,555	2,092,003	192,686	28,015	250,849
2 Liabilities Carrying value amount under scope of regulatory consolidation (as per template LI1)	194,076	–	174,046	–	161,835
3 Total net amount under regulatory scope of consolidation	2,243,479	2,092,003	18,640	28,015	89,014
4 Off balance sheet amounts and potential future exposures for counterparty credit risk	905,853	255,908	230,623	–	–
5 Difference due to financial collateral on standardized approach	(31,598)	(31,598)	–	–	–
6 Difference due to impairments on exposures under IRB approach	5,318	5,318	–	–	–
7 Difference due to regulatory exposures adjustments	(1,018)	(1,018)	–	–	–
8 <b>Exposure amounts considered for regulatory purposes</b>	<u>3,122,034</u>	<u>2,320,613</u>	<u>249,263</u>	<u>28,015</u>	<u>89,014</u>

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

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

#### ***Off-balance sheet amounts and potential future exposure for counterparty credit risk***

Off-balance sheet amounts subject to credit risk include the undrawn portion of committed facilities, various trade finance commitments and guarantees, by applying credit conversion factors ('CCF') to these items and consideration of potential future exposures ('PFE') for counterparty credit risk ('CCR').

#### ***Difference due to financial collateral under standardized approach***

The exposure value is calculated after deducting credit risk mitigation ('CRM'), whereas the accounting value is before such deductions.

#### ***Difference due to impairments on exposures under IRB approach***

The carrying value of assets is net of credit risk adjustments. The regulatory exposure value under the IRB approach is before deducting credit risk adjustments.

#### ***Difference due to regulatory exposures adjustment***

Regulatory exposures adjustment is the differences arise between accounting carrying values and regulatory Exposure at Default (EAD) on leasing transactions.

#### ***Explanation of differences between accounting fair value and regulatory prudent valuation***

The Group has implemented various systems and controls to ensure that valuations are prudent and reliable.

Fair value is defined as the best estimate of the price that would be received to sell an asset or be paid to transfer a liability in an orderly transaction between market participants. All fair value positions are tested using independently sourced inputs. Where material price testing differences exist, the Group calculates respective adjustments through the Independent Price Testing process. Material price testing adjustments are charged to the Profit and Loss account.

The Group also calculates fair value adjustments in order to ensure the appropriate level of conservativeness. Additional fair value adjustments are made to reflect risks such as credit risk and funding risk of the portfolios for uncollateralised trades or exit costs due to bid-offer spreads.

Furthermore, the Group also calculates Prudent Valuation Adjustments ("PVA") which arise due to valuation uncertainties inherent in fair value positions such as market price uncertainty, close-out costs, model risk, unearned credit spreads, investing and funding costs, concentrated positions, early termination, operational risk and future administrative costs. The excesses of the Prudent Valuation Adjustments over the respective Fair Value Adjustments are referred to as Additional Valuation Adjustments (AVAs) and their aggregate is deducted from Common Equity Tier 1 capital.

All valuation adjustments are governed by internal methodology documents which are approved regularly by the relevant valuation governance committee.

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

### d. Prudent valuation adjustments (PV1)

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

	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
At 31 December 2020	Equity HK\$'M	Interest rates HK\$'M	FX HK\$'M	Credit HK\$'M	Commodities HK\$'M	Total HK\$'M	Of which: In the trading book HK\$'M	Of which: In the banking book HK\$'M
1 Closeout uncertainty, of which	116	760	16	41	24	<b>957</b>	354	603
2 Mid-market value <sup>1</sup>	–	233	14	34	1	<b>282</b>	107	175
3 Closeout cost <sup>2</sup>	1	146	2	–	–	<b>149</b>	149	–
4 Concentration <sup>3</sup>	115	381	–	7	23	<b>526</b>	98	428
5 Early termination	–	–	–	–	–	–	–	–
6 Model risk	–	–	–	–	–	–	–	–
7 Operational risk	1	39	2	4	–	<b>46</b>	28	18
8 Investing and funding costs	–	1	–	–	–	<b>1</b>	1	–
9 Unearned credit spreads	–	–	–	16	–	<b>16</b>	16	–
10 Future administrative costs	8	6	–	24	–	<b>38</b>	24	14
11 Other adjustments <sup>4</sup>	–	–	–	–	–	–	–	–
<b>12 Total adjustment</b>	<b>125</b>	<b>806</b>	<b>18</b>	<b>85</b>	<b>24</b>	<b>1,058</b>	<b>423</b>	<b>635</b>

<sup>1</sup> The decrease in mid-market value was due to a larger diversification benefit.

<sup>2</sup> The increase in closeout cost was mainly coming from increase in absolute of interest rate delta and reserves.

<sup>3</sup> The decrease in concentration was due to introduction of new model for calculating concentrated position considering coupon accrual accounting.

<sup>4</sup> The decrease in other adjustments was due to introduction of new model for calculating Concentrated Position PVA for short bonds positions, rendering the use of the regulatory fallback approach obsolete. The fallback approach is applicable in situations whereby AVA for any of the valuation uncertainty categories cannot be computed. (e.g. no approved model to calculate AVA)

## 5 Composition of regulatory capital

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

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

At 31 December 2020		(a)	(b)
		HK\$'M	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation in note 5b (CC2)
<b>CET1 capital: instruments and reserves</b>			
1	Directly issued qualifying CET1 capital instruments plus any related share premium	65,025	(12)
2	Retained earnings	78,967	(22)
3	Disclosed reserves	6,373	(14)+(15)+(16)+(17)+(18)+(19)+(20)+(21)
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)	154	(25)
6	<b>CET1 capital before regulatory adjustments</b>	<b>150,519</b>	
<b>CET1 capital: regulatory deductions</b>			
7	Valuation adjustments	1,058	
8	Goodwill (net of associated deferred tax liabilities)	5,983	(4)
9	Other intangible assets (net of associated deferred tax liabilities)	2,351	(5)+(6)
10	Deferred tax assets (net of associated deferred tax liabilities)	2,528	(8)
11	Cash flow hedge reserve	(448)	(14)
12	Excess of total EL amount over total eligible provisions under the IRB approach	223	
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	(55)	(10)
15	Defined benefit pension fund net assets (net of associated deferred tax liabilities)	209	(7)+(9)
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)-(28)
20	Mortgage servicing rights (net of associated deferred tax liabilities)	–	Not applicable

## 5 Composition of regulatory capital (continued)

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

At 31 December 2020		(a) HK\$'M	(b) <i>Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation in note 5b (CC2)</i>
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	2,759	–
26a	Cumulative fair value gains arising from the revaluation of land and buildings (own-use and investment properties)	79	(23)
26b	Regulatory reserve for general banking risks	2,680	(24)
26c	Securitization exposures specified in a notice given by the MA	–	
26d	Cumulative losses below depreciated cost arising from the institution's holdings of land and buildings	–	
26e	Capital shortfall of regulated non-bank subsidiaries	–	
26f	Capital investment in a connected company which is a commercial entity (amount above 15% of the reporting institution's capital base)	–	
27	Regulatory deductions applied to CET1 capital due to insufficient AT1 capital and Tier 2 capital to cover deductions	–	
28	<b>Total regulatory deductions to CET1 capital</b>	<b>14,608</b>	
29	<b>CET1 capital</b>	<b>135,911</b>	
<b>AT1 capital: instruments</b>			
30	Qualifying AT1 capital instruments plus any related share premium	16,733	(13)
31	of which: classified as equity under applicable accounting standards	16,733	–
32	of which: classified as liabilities under applicable accounting standards	–	
33	<i>Capital instruments subject to phase-out arrangements from AT1 capital</i>	–	
34	AT1 capital instruments issued by consolidated bank subsidiaries and held by third parties (amount allowed in AT1 capital of the consolidation group)	1	(26)
35	<i>of which: AT1 capital instruments issued by subsidiaries subject to phase-out arrangements</i>	–	
36	<b>AT1 capital before regulatory deductions</b>	<b>16,734</b>	
<b>AT1 capital: regulatory deductions</b>			
37	Investments in own AT1 capital instruments	–	
38	Reciprocal cross-holdings in AT1 capital instruments	–	
39	Insignificant LAC investments in AT1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	–	

## 5 Composition of regulatory capital (continued)

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

	(a)	(b)
	HK\$'M	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation in note 5b (CC2)
At 31 December 2020		
40 Significant LAC investments in AT1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	–	
41 National specific regulatory adjustments applied to AT1 capital	–	
42 Regulatory deductions applied to AT1 capital due to insufficient Tier 2 capital to cover deductions	–	
43 <b>Total regulatory deductions to AT1 capital</b>	–	
44 <b>AT1 capital</b>	<b>16,734</b>	
45 <b>Tier 1 capital (T1 = CET1 + AT1)</b>	<b>152,645</b>	
<b>Tier 2 capital: instruments and provisions</b>		
46 Qualifying Tier 2 capital instruments plus any related share premium	11,629	(11)
47 <i>Capital instruments subject to phase-out arrangements from Tier 2 capital</i>	–	
48 Tier 2 capital instruments issued by consolidated bank subsidiaries and held by third parties (amount allowed in Tier 2 capital of the consolidation group)	1	(27)
49 <i>of which: capital instruments issued by subsidiaries subject to phase-out arrangements</i>	–	
50 Collective provisions and regulatory reserve for general banking risks eligible for inclusion in Tier 2 capital	573	(29)
51 <b>Tier 2 capital before regulatory deductions</b>	<b>12,203</b>	
<b>Tier 2 capital: regulatory deductions</b>		
52 Investments in own Tier 2 capital instruments	–	–
53 Reciprocal cross-holdings in Tier 2 capital instruments and non-capital LAC liabilities	–	–
54 Insignificant LAC investments in Tier 2 capital instruments issued by, and non-capital LAC liabilities of, financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold and, where applicable, 5% threshold)	–	–
54a Insignificant LAC investments in non-capital LAC liabilities of financial sector entities that are outside the scope of regulatory consolidation (amount formerly designated for the 5% threshold but no longer meets the conditions) (for institutions defined as “section 2 institution” under §2(1) of Schedule 4F to BCR only)	–	–
55 Significant LAC investments in Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (net of eligible short positions)	–	
55a Significant LAC investments in non-capital LAC liabilities of financial sector entities that are outside the scope of regulatory consolidation (net of eligible short positions)	–	–
56 National specific regulatory adjustments applied to Tier 2 capital	(35)	(23)x45%

## 5 Composition of regulatory capital (continued)

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

	(a)	(b)
		<i>Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation in note 5b (CC2)</i>
At 31 December 2020	HK\$'M	
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	(35)	(23)x45%
<b>57 Total regulatory adjustments to Tier 2 capital</b>	<b>(35)</b>	
<b>58 Tier 2 capital (T2)</b>	<b>12,238</b>	
<b>59 Total regulatory capital (TC = T1 + T2)</b>	<b>164,883</b>	
<b>60 Total RWA</b>	<b>924,779</b>	
<b>Capital ratios (as a percentage of RWA)</b>		
61 CET1 capital ratio	14.70%	
62 Tier 1 capital ratio	16.51%	
63 Total capital ratio	17.83%	
64 Institution-specific buffer requirement (capital conservation buffer plus countercyclical capital buffer plus higher loss absorbency requirements)	4.42%	
65 of which: capital conservation buffer requirement	2.50%	
66 of which: bank specific countercyclical capital buffer requirement	0.42%	
67 of which: G-SIB or D-SIB buffer requirement	1.50%	
68 CET1 (as a percentage of RWA) available after meeting minimum capital requirements	9.83%	
<b>National minima (if different from Basel 3 minimum)</b>		
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
<b>Amounts below the thresholds for deduction (before risk weighting)</b>		
72 Insignificant LAC investments in CET1, AT1 and Tier 2 capital instruments issued by, and non-capital LAC liabilities of, financial sector entities that are outside the scope of regulatory consolidation	314	–
73 Significant LAC investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	5,508	(28)
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
<b>Applicable caps on the inclusion of provisions in Tier 2 capital</b>		
76 Provisions eligible for inclusion in Tier 2 in respect of exposures subject to the BSC approach, or the STC approach and SEC-ERBA, SEC-SA and SEC-FBA (prior to application of cap)	573	(29)
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	814	

## 5 Composition of regulatory capital (continued)

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

	(a)	(b)
At 31 December 2020	HK\$'M	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation in note 5b (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)	–	
79 Cap for inclusion of provisions in Tier 2 under the IRB approach and SEC-IRBA	3,846	–
<b>Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2018 to 1 Jan 2022)</b>		
80 Current cap on CET1 capital instruments subject to phase-out arrangements	Not applicable	Not applicable
81 Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	Not applicable	Not applicable
82 Current cap on AT1 capital instruments subject to phase-out arrangements	–	
83 Amount excluded from AT1 capital due to cap (excess over cap after redemptions and maturities)	–	
84 Current cap on Tier 2 capital instruments subject to phase-out arrangements	–	
85 Amount excluded from Tier 2 capital due to cap (excess over cap after redemptions and maturities)	–	–

#### **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 31 December 2020	
	Hong Kong basis HK\$'M	Basel III basis HK\$'M
9 <b>Other intangible assets (net of associated deferred tax liabilities)</b>	2,351	2,351

#### 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.

## 5 Composition of regulatory capital (continued)

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

Description	At 31 December 2020	
	Hong Kong basis HK\$'M	Basel III basis HK\$'M
10 <b>Deferred tax assets (net of associated deferred tax liabilities)</b>	2,528	78

#### Explanation

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

18 <b>Insignificant LAC investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)</b>	–	–
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#### Explanation

For the purpose of determining the total amount of insignificant capital 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.

## 5 Composition of regulatory capital (continued)

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

Description	At 31 December 2020	
	Hong Kong basis HK\$'M	Basel III basis HK\$'M
19 <b>Significant LAC investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)</b>	–	–

#### Explanation

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

39 <b>Insignificant LAC investments in AT1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)</b>	–	–
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#### Explanation

The effect of treating loans, facilities or other credit exposures to connected companies which are financial sector entities as CET1 capital instruments for the purpose of considering deductions to be made in calculating the capital base (see note re row 18 to the template above) will mean the headroom within the threshold available for the exemption from capital deduction of other insignificant capital 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.

## 5 Composition of regulatory capital (continued)

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

Description	At 31 December 2020	
	Hong Kong basis HK\$'M	Basel III basis HK\$'M
54 <b>Insignificant LAC investments in Tier 2 capital instruments issued by, and non-capital LAC liabilities of, financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold and, where applicable, 5% threshold)</b>	–	–

#### 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 capital investments in Tier 2 capital instruments may be smaller. Therefore, the amount to be deducted as reported in row 54 may be greater than that required under Basel III. The amount reported under the column “Basel III basis” in this box represents the amount reported in row 54 (i.e. the amount reported under the “Hong Kong basis”) adjusted by excluding the aggregate amount of loans, facilities or other credit exposures to the AI’s connected companies which were subject to deduction under the Hong Kong approach.

#### Remarks:

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

#### **Abbreviations:**

CET1: Common Equity Tier 1

AT1: Additional Tier 1

#### Note:

Cross-references (1) to (27) are referenced to ‘Reconciliation of regulatory capital to balance sheet (CC2)

Cross-references (28) to (29) are referenced within the ‘Composition of regulatory capital (CC1)’.

## 5 Composition of regulatory capital (continued)

### b. Reconciliation between accounting and regulatory balance sheets (CC2)

The following table shows differences between the scope of accounting consolidation and the scope of regulatory consolidation, and to show the link between the Bank's balance sheet in its published financial statements and the numbers used in the composition of regulatory capital disclosure template in Template CC1 in note 5a).

	(a) <i>Consolidated balance sheet as in published financial statements (At 31 December 2020) HK\$'M</i>	(b) <i>Under regulatory scope of consolidation (At 31 December 2020) HK\$'M</i>	(c) <i>Cross reference to note 5a (CC1)</i>
<b>Assets</b>			
Cash and balances at central banks	66,640	66,640	–
Advances to banks and other financial institutions	129,316	129,087	–
Hong Kong SAR Government certificates of indebtedness	56,561	56,561	–
Financial assets at fair value through profit or loss	245,239	245,239	–
Investment securities	521,269	521,269	–
Advances to customers	1,091,656	1,091,656	–
Amounts due from fellow subsidiaries	206,675	206,529	–
Amounts due from subsidiaries of the Group	–	2,527	–
of which: significant capital investments in financial sector entities that are outside the scope of regulatory – consolidation	–	–	(1)
Investment in subsidiaries of the Group	–	2,340	–
of which: significant capital investments in financial sector entities that are outside of regulatory consolidation	–	2,340	(2)
Interest in an associate	15,705	3,168	–
of which: significant capital investments in financial sector entities that are outside the scope of regulatory consolidation	–	3,168	(3)
Property, plant and equipment	39,600	39,590	–
Goodwill and intangible assets	8,818	8,798	–
of which: goodwill	–	5,983	(4)
of which: other intangible assets	–	2,815	(5)
Current tax assets	–	–	–
Deferred tax assets	2,061	2,053	–
of which: deferred tax liabilities relating to intangible assets	–	(464)	(6)
of which: deferred tax liabilities related to defined benefit pension fund net assets	–	(11)	(7)
of which: other deferred tax assets	–	2,528	(8)
Other assets	73,249	73,169	–
of which: defined benefit pension fund net assets	–	220	(9)
	<b>2,456,789</b>	<b>2,448,626</b>	<b>–</b>

## 5 Composition of regulatory capital (continued)

### b. Reconciliation between accounting and regulatory balance sheets (CC2) (continued)

	(a) <i>Consolidated balance sheet as in published financial statements (At 31 December 2020) HK\$'M</i>	(b) <i>Under regulatory scope of consolidation (At 31 December 2020) HK\$'M</i>	(c)  <i>Cross reference to note 5a (CC1)</i>
<b>Liabilities</b>			–
Hong Kong SAR currency notes in circulation	56,561	56,561	–
Deposits and balances of banks and other financial institutions	54,387	54,387	–
Deposits from customers	1,736,729	1,736,729	–
Financial liabilities at fair value through profit or loss	148,226	148,226	–
of which: gains or losses due to changes in own credit risk	–	55	(10)
Debt securities in issue	42,415	42,415	–
Amounts due to immediate holding company	41,750	41,750	–
of which: subordinated liabilities eligible for inclusion in regulatory capital	–	11,629	(11)
Amounts due to fellow subsidiaries	102,748	100,054	–
Amounts due to subsidiaries of the Group	–	7,027	–
Current tax liabilities	2,505	2,490	–
Deferred tax liabilities	897	897	–
Other liabilities	90,572	90,550	–
Subordinated liabilities	–	–	–
	<b>2,276,790</b>	<b>2,281,086</b>	

## 5 Composition of regulatory capital (continued)

### b. Reconciliation between accounting and regulatory balance sheets (CC2) (continued)

	(a) <i>Consolidated balance sheet as in published financial statements (At 31 December 2020) HK\$'M</i>	(b) <i>Under regulatory scope of consolidation (At 31 December 2020) HK\$'M</i>	(c)  <i>Cross reference to note 5a (CC1)</i>
<b>Equity</b>			
Share capital	65,025	65,025	–
of which: amount eligible for CET1	–	65,025	(12)
Other equity instruments	16,733	16,733	–
of which: amount eligible for AT1	–	16,733	(13)
Reserves	97,799	85,340	–
of which: Cumulative cash flow hedge reserves that relate to the hedging of financial instruments that are not fair valued on the balance sheet	–	(448)	(14)
of which: Cumulative cash flow hedge reserves that relate to the hedging of financial instruments that are fair valued on the balance sheet	–	92	(15)
of which: FVOCI reserves - Equity	–	189	(16)
of which: FVOCI reserves - Debt	–	1,211	(17)
of which: Exchange reserve	–	(6,152)	(18)
of which: Share option equity reserve	–	481	(19)
of which: Own credit adjustments reserves	–	(55)	(20)
of which: Other reserve	–	11,055	(21)
of which: Retained earnings	–	78,967	(22)
of which: Cumulative fair value gains arising from the revaluation of land and buildings (audited)	–	79	(23)
of which: Regulatory reserve for general banking risks	–	2,680	(24)
Non-controlling interests	442	442	–
of which: portion allowable in CET1 capital	–	154	(25)
of which: portion allowable in AT1 capital	–	1	(26)
of which: portion allowable in T2 capital	–	1	(27)
<b>Total equity</b>	<b>179,999</b>	<b>167,540</b>	
<b>Total liabilities and equity</b>	<b>2,456,789</b>	<b>2,448,626</b>	

## 5 Composition of regulatory capital (continued)

### c. Main features of regulatory capital instruments (CCA) and non-capital LAC debt instruments (CCA(A))

The following is a summary of the Group's CET1 capital, Additional Tier 1 capital, Tier 2 capital and non-capital LAC debt instruments.

	At 31 December 2020		
	Total amount	Amount recognised in regulatory capital HK\$'M	Amount recognised in loss-absorbing capacity HK\$'M
<b>(i) Both regulatory capital and LAC requirements</b>			
<b>CET1 capital instruments</b>			
Ordinary shares:			
5,289 million issued and fully paid ordinary shares	HK\$65,025m	65,025	65,025
<b>AT1 capital instruments</b>			
Perpetual non-cumulative capital securities	US\$250m	1,952	1,952
Floating rate Undated Additional Tier 1 Capital Securities	US\$900m	7,031	7,031
US\$1,000 million Fixed Rate Undated Additional Tier 1 Capital Securities	US\$1,000m	7,750	7,750
<b>Tier 2 capital instruments</b>			
Fixed rate (4.30%) subordinated loan due 2026, callable from 2021	US\$800m	6,202	6,202
Floating rate Tier 2 Notes due 2029, callable from 2024	US\$450m	3,489	3,489
Floating rate Tier 2 Notes due 2031, callable from 2025	US\$250m	1,938	1,938
<b>(ii) Only LAC (but not regulatory capital) requirements</b>			
<b>Non-capital LAC Debt Instruments</b>			
US\$1,000 million Floating Rate Notes due 2022 <sup>1</sup>	US\$1,000m	Nil	7,753
US\$600 million Floating Rate Notes due 2022 <sup>2</sup>	US\$600m	Nil	4,651
US\$600 million Floating Rate Notes due 2023	US\$600m	Nil	4,651
US\$200 million 3.15 per cent Notes due 2023	US\$200m	Nil	1,550
HK\$1,081 million Floating Rate Notes due 2023	HK\$1,081m	Nil	1,081
US\$600 million 1.319 per cent Notes due 2023	US\$600m	Nil	4,651
US\$1,500 million 1.456 per cent Notes due 2027 <sup>3</sup>	Nil	Nil	Nil

<sup>1</sup> On 15 January 2021, the Group exercised the call option to redeem the US\$1,000 million floating rate notes due 2022.

<sup>2</sup> On 23 January 2021, the Group exercised the call option to redeem the US\$600 million floating rate notes due 2022.

<sup>3</sup> On 14 January 2021, the Group issued a non-capital LAC debt instrument amounting to US\$1,500 million (HK\$11,630 million). Please refer to the main features below for details.

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

## 5 Composition of regulatory capital (continued)

### c. Main features of regulatory capital instruments (CCA) and non-capital LAC debt instruments (CCA(A)) (continued)

#### (i) Both regulatory capital and LAC requirements

##### 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
3a	Means by which enforceability requirement of Section 13 of the TLAC Term Sheet is achieved (for non-capital LAC debt instruments governed by non-Hong Kong law)	N/A
<i>Regulatory treatment</i>		
4	Transitional Basel III rules <sup>1</sup>	N/A
5	Post-transitional Basel III rules <sup>2</sup>	Common Equity Tier 1
6	Eligible at solo <sup>3</sup> /group/group & solo	Group & solo
6a	Eligible at solo / LAC consolidation group / solo and LAC consolidation group (for LAC purposes)	Solo and LAC consolidation group
7	Instrument type (types to be specified by each jurisdiction)	Ordinary Shares (Class A, B, C and D)
8	Amount recognised in regulatory capital (Currency in million, as of most recent reporting date)	HKD65,025 Million
8a	Amount recognised in loss-absorbing capacity (currency in millions, as of most recent reporting date)	HKD65,025 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) 1 October 2019 (3,010 Million Class D shares) 30 December 2020 (USD500 Million redeemed preference 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
<i>Coupons / dividends</i>		
17	Fixed or floating dividend/coupon	Floating
18	Coupon rate and any related index	N/A
19	Existence of a dividend stopper	No
20	Fully discretionary, partially discretionary or mandatory	Fully discretionary
21	Existence of step up or other incentive to redeem	No
22	Noncumulative or cumulative	Non-cumulative
23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion trigger (s)	N/A

#### Footnote:

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

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

<sup>3</sup> Include solo-consolidated

## 5 Composition of regulatory capital (continued)

### c. Main features of regulatory capital instruments (CCA) and non-capital LAC debt instruments (CCA(A)) (continued)

#### (i) Both regulatory capital and LAC requirements (continued)

##### Ordinary Shares (continued)

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
34a	Type of subordination	Contractual
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Preference Shares are immediately senior to Ordinary Shares (Class B, C and D)  Ordinary Shares (Class B, C and D) are immediately senior to Ordinary Shares (Class A)
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	N/A

#### Footnote:

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

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

<sup>3</sup> Include solo-consolidated

## 5 Composition of regulatory capital (continued)

### c. Main features of regulatory capital instruments (CCA) and non-capital LAC debt instruments (CCA(A)) (continued)

#### (i) Both regulatory capital and LAC requirements (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
3a	Means by which enforceability requirement of Section 13 of the TLAC Term Sheet is achieved (for non-capital LAC debt instruments governed by non-Hong Kong law)	N/A
<i>Regulatory treatment</i>		
4	Transitional Basel III rules <sup>1</sup>	N/A
5	Post-transitional Basel III rules <sup>2</sup>	Additional Tier 1
6	Eligible at solo <sup>3</sup> /group/group & solo	Group & solo
6a	Eligible at solo / LAC consolidation group / solo and LAC consolidation group (for LAC purposes)	Solo and LAC consolidation group
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
8a	Amount recognised in loss-absorbing capacity (currency in millions, 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
<i>Coupons / dividends</i>		
17	Fixed or floating dividend/coupon	Fixed
18	Coupon rate and any related index	5.00 per cent per annum
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

#### Footnote:

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

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

<sup>3</sup> Include solo-consolidated

## 5 Composition of regulatory capital (continued)

### c. Main features of regulatory capital instruments (CCA) and non-capital LAC debt instruments (CCA(A)) (continued)

#### (i) Both regulatory capital and LAC requirements (continued)

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

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
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
34a	Type of subordination	Contractual
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:

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

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

<sup>3</sup> Include solo-consolidated

## 5 Composition of regulatory capital (continued)

### c. Main features of regulatory capital instruments (CCA) and non-capital LAC debt instruments (CCA(A)) (continued)

#### (i) Both regulatory capital and LAC requirements (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
3a	Means by which enforceability requirement of Section 13 of the TLAC Term Sheet is achieved (for non-capital LAC debt instruments governed by non-Hong Kong law)	N/A
	<i>Regulatory treatment</i>	
4	Transitional Basel III rules <sup>1</sup>	N/A
5	Post-transitional Basel III rules <sup>2</sup>	Additional Tier 1
6	Eligible at solo <sup>3</sup> /group/group & solo	Group & solo
6a	Eligible at solo / LAC consolidation group / solo and LAC consolidation group (for LAC purposes)	Solo and LAC consolidation group
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
8a	Amount recognised in loss-absorbing capacity (currency in millions, 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
	<i>Coupons / dividends</i>	
17	Fixed or floating dividend/coupon	Floating
18	Coupon rate and any related index	3-month USD LIBOR + 4.48 per cent per annum
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

#### Footnote:

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

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

<sup>3</sup> Include solo-consolidated

## 5 Composition of regulatory capital (continued)

### c. Main features of regulatory capital instruments (CCA) and non-capital LAC debt instruments (CCA(A)) (continued)

#### (i) Both regulatory capital and LAC requirements (continued)

##### Floating rate undated Additional Tier 1 capital securities (continued)

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)	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

#### Footnote:

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

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

<sup>3</sup> Include solo-consolidated

## 5 Composition of regulatory capital (continued)

### c. Main features of regulatory capital instruments (CCA) and non-capital LAC debt instruments (CCA(A)) (continued)

#### (i) Both regulatory capital and LAC requirements (continued)

##### Floating rate undated Additional Tier 1 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
34a	Type of subordination	Contractual
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:**

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

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

<sup>3</sup> Include solo-consolidated

## 5 Composition of regulatory capital (continued)

### c. Main features of regulatory capital instruments (CCA) and non-capital LAC debt instruments (CCA(A)) (continued)

#### (i) Both regulatory capital and LAC requirements (continued)

##### US\$1,000 million Fixed 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
3a	Means by which enforceability requirement of Section 13 of the TLAC Term Sheet is achieved (for non-capital LAC debt instruments governed by non-Hong Kong law)	N/A
<i>Regulatory treatment</i>		
4	Transitional Basel III rules <sup>1</sup>	N/A
5	Post-transitional Basel III rules <sup>2</sup>	Additional Tier 1
6	Eligible at solo <sup>3</sup> /group/group & solo	Group & solo
6a	Eligible at solo / LAC consolidation group / solo and LAC consolidation group (for LAC purposes)	Solo and LAC consolidation group
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 7,750 Million
8a	Amount recognised in loss-absorbing capacity (currency in millions, as of most recent reporting date)	HKD 7,750 Million
9	Par value of instrument	Issue price at 100 per cent of the Aggregate Nominal Amount of USD1,000 Million
10	Accounting classification	Shareholders' equity
11	Original date of issuance	30 June 2020
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: 26 July 2025 to first reset date  Early redemption amount(s) per calculation amount payable on 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 <i>Coupons / dividends</i>	Each reset date
17	Fixed or floating dividend/coupon	Fixed
18	Coupon rate and any related index	6.00 per cent per annum
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

#### Footnote:

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

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

<sup>3</sup> Include solo-consolidated

## 5 Composition of regulatory capital (continued)

### c. Main features of regulatory capital instruments (CCA) and non-capital LAC debt instruments (CCA(A)) (continued)

#### (i) Both regulatory capital and LAC requirements (continued)

##### US\$1,000 million Fixed Rate Undated Additional Tier 1 Capital Securities (continued)

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)	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

#### Footnote:

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

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

<sup>3</sup> Include solo-consolidated

## 5 Composition of regulatory capital (continued)

### c. Main features of regulatory capital instruments (CCA) and non-capital LAC debt instruments (CCA(A)) (continued)

#### (i) Both regulatory capital and LAC requirements (continued)

##### US\$1,000 million Fixed Rate Undated Additional Tier 1 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
34a	Type of subordination	Contractual
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:**

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

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

<sup>3</sup> Include solo-consolidated

## 5 Composition of regulatory capital (continued)

### c. Main features of regulatory capital instruments (CCA) and non-capital LAC debt instruments (CCA(A)) (continued)

#### (i) Both regulatory capital and LAC requirements (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
3a	Means by which enforceability requirement of Section 13 of the TLAC Term Sheet is achieved (for non-capital LAC debt instruments governed by non-Hong Kong law)	N/A
<i>Regulatory treatment</i>		
4	Transitional Basel III rules <sup>1</sup>	N/A
5	Post-transitional Basel III rules <sup>2</sup>	Tier 2
6	Eligible at solo <sup>3</sup> /group/group & solo	Group & solo
6a	Eligible at solo / LAC consolidation group / solo and LAC consolidation group (for LAC purposes)	Solo and LAC consolidation group
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 6,202 Million
8a	Amount recognised in loss-absorbing capacity (currency in millions, as of most recent reporting date)	HKD 6,202 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
<i>Coupons / dividends</i>		
17	Fixed or floating dividend/coupon	Fixed
18	Coupon rate and any related index	4.30 per cent per annum
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

#### Footnote:

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

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

<sup>3</sup> Include solo-consolidated

## 5 Composition of regulatory capital (continued)

### c. Main features of regulatory capital instruments (CCA) and non-capital LAC debt instruments (CCA(A)) (continued)

#### (i) Both regulatory capital and LAC requirements (continued)

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

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
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
34a	Type of subordination	Contractual
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:

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

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

<sup>3</sup> Include solo-consolidated

## 5 Composition of regulatory capital (continued)

### c. Main features of regulatory capital instruments (CCA) and non-capital LAC debt instruments (CCA(A)) (continued)

#### (i) Both regulatory capital and LAC requirements (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
3a	Means by which enforceability requirement of Section 13 of the TLAC Term Sheet is achieved (for non-capital LAC debt instruments governed by non-Hong Kong law)	N/A
<i>Regulatory treatment</i>		
4	Transitional Basel III rules <sup>1</sup>	N/A
5	Post-transitional Basel III rules <sup>2</sup>	Tier 2
6	Eligible at solo <sup>3</sup> /group/group & solo	Group & solo
6a	Eligible at solo / LAC consolidation group / solo and LAC consolidation group (for LAC purposes)	Solo and LAC consolidation group
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 3,489 Million
8a	Amount recognised in loss-absorbing capacity (currency in millions, as of most recent reporting date)	HKD 3,489 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
<i>Coupons / dividends</i>		
17	Fixed or floating dividend/coupon	Floating
18	Coupon rate and any related index	3-month USD LIBOR + 2.08 per cent per annum
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

#### Footnote:

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

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

<sup>3</sup> Include solo-consolidated

## 5 Composition of regulatory capital (continued)

### c. Main features of regulatory capital instruments (CCA) and non-capital LAC debt instruments (CCA(A)) (continued)

#### (i) Both regulatory capital and LAC requirements (continued)

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

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)	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

#### Footnote:

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

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

<sup>3</sup> Include solo-consolidated

## 5 Composition of regulatory capital (continued)

### c. Main features of regulatory capital instruments (CCA) and non-capital LAC debt instruments (CCA(A)) (continued)

#### (i) Both regulatory capital and LAC requirements (continued)

##### Floating rate Tier 2 notes due 2029, callable from 2024 (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
34a	Type of subordination	Contractual
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:**

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

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

<sup>3</sup> Include solo-consolidated

## 5 Composition of regulatory capital (continued)

### c. Main features of regulatory capital instruments (CCA) and non-capital LAC debt instruments (CCA(A)) (continued)

#### (i) Both regulatory capital and LAC requirements (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
3a	Means by which enforceability requirement of Section 13 of the TLAC Term Sheet is achieved (for non-capital LAC debt instruments governed by non-Hong Kong law)	N/A
<i>Regulatory treatment</i>		
4	Transitional Basel III rules <sup>1</sup>	N/A
5	Post-transitional Basel III rules <sup>2</sup>	Tier 2
6	Eligible at solo <sup>3</sup> /group/group & solo	Group & solo
6a	Eligible at solo / LAC consolidation group / solo and LAC consolidation group (for LAC purposes)	Solo and LAC consolidation group
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 1,938 Million
8a	Amount recognised in loss-absorbing capacity (currency in millions, as of most recent reporting date)	HKD 1,938 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 <i>Coupons / dividends</i>	Each interest payment date
17	Fixed or floating dividend/coupon	Floating
18	Coupon rate and any related index	3-month USD LIBOR + 2.12 per cent per annum
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

#### Footnote:

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

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

<sup>3</sup> Include solo-consolidated

## 5 Composition of regulatory capital (continued)

### c. Main features of regulatory capital instruments (CCA) and non-capital LAC debt instruments (CCA(A)) (continued)

#### (i) Both regulatory capital and LAC requirements (continued)

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

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)	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

#### Footnote:

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

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

<sup>3</sup> Include solo-consolidated

## 5 Composition of regulatory capital (continued)

### c. Main features of regulatory capital instruments (CCA) and non-capital LAC debt instruments (CCA(A)) (continued)

#### (i) Both regulatory capital and LAC requirements (continued)

##### Floating rate Tier 2 notes due 2031, callable from 2025 (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
34a	Type of subordination	Contractual
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:**

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

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

<sup>3</sup> Include solo-consolidated

## 5 Composition of regulatory capital (continued)

### c. Main features of regulatory capital instruments (CCA) and non-capital LAC debt instruments (CCA(A)) (continued)

#### (ii) Only LAC (but not regulatory capital) requirements

##### US\$1,000 million Floating Rate Notes due 2022

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
3a	Means by which enforceability requirement of Section 13 of the TLAC Term Sheet is achieved (for non-capital LAC debt instruments governed by non-Hong Kong law)	N/A
<i>Regulatory treatment</i>		
4	Transitional Basel III rules <sup>1</sup>	N/A
5	Post-transitional Basel III rules <sup>2</sup>	Ineligible
6	Eligible at solo <sup>3</sup> /group/group & solo	Ineligible
6a	Eligible at solo / LAC consolidation group / solo and LAC consolidation group (for LAC purposes)	Solo and LAC consolidation group
7	Instrument type (types to be specified by each jurisdiction)	Non-capital LAC debt instrument
8	Amount recognised in regulatory capital (Currency in million, as of most recent reporting date)	N/A
8a	Amount recognised in loss-absorbing capacity (currency in millions, as of most recent reporting date)	HKD 7,753 Million
9	Par value of instrument	Issue price at 100 per cent of the Aggregate Nominal Amount of USD1,000 Million
10	Accounting classification	Liability – amortised cost
11	Original date of issuance	24 June 2019
12	Perpetual or dated	Dated
13	Original maturity date	15 January 2022
14	Issuer call subject to prior supervisory approval	Yes
15	Optional call date, contingent call dates and redemption amount	Optional call date: 15 January 2021  Early redemption amount(s) per calculation amount payable on 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
<i>Coupons / dividends</i>		
17	Fixed or floating dividend/coupon	Floating
18	Coupon rate and any related index	3-month USD LIBOR + 0.87 per cent per annum
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

#### Footnote:

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

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

<sup>3</sup> Include solo-consolidated

## 5 Composition of regulatory capital (continued)

### c. Main features of regulatory capital instruments (CCA) and non-capital LAC debt instruments (CCA(A)) (continued)

#### (ii) Only LAC (but not regulatory capital) requirements (continued)

##### US\$1,000 million Floating Rate Notes due 2022 (continued)

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)	Upon a Loss Absorption Event
		<p>“Loss Absorption Event” means:</p> <p>(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</p> <p>(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:</p> <p>(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</p> <p>(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</p>
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
34a	Type of subordination	Contractual
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	All unsubordinated creditors of the Issuer (including its depositors) are immediately senior to the Loss Absorbing Non-preferred Notes
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	N/A

#### Footnote:

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

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

<sup>3</sup> Include solo-consolidated

## 5 Composition of regulatory capital (continued)

### c. Main features of regulatory capital instruments (CCA) and non-capital LAC debt instruments (CCA(A)) (continued)

#### (ii) Only LAC (but not regulatory capital) requirements (continued)

##### US\$600 million Floating Rate Notes due 2022

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
3a	Means by which enforceability requirement of Section 13 of the TLAC Term Sheet is achieved (for non-capital LAC debt instruments governed by non-Hong Kong law)	N/A
<i>Regulatory treatment</i>		
4	Transitional Basel III rules <sup>1</sup>	N/A
5	Post-transitional Basel III rules <sup>2</sup>	Ineligible
6	Eligible at solo <sup>3</sup> /group/group & solo	Ineligible
6a	Eligible at solo / LAC consolidation group / solo and LAC consolidation group (for LAC purposes)	Solo and LAC consolidation group
7	Instrument type (types to be specified by each jurisdiction)	Non-capital LAC debt instrument
8	Amount recognised in regulatory capital (Currency in million, as of most recent reporting date)	N/A
8a	Amount recognised in loss-absorbing capacity (currency in millions, as of most recent reporting date)	HKD 4,651 Million
9	Par value of instrument	Issue price at 100 per cent of the Aggregate Nominal Amount of USD600 Million
10	Accounting classification	Liability – amortised cost
11	Original date of issuance	24 June 2019
12	Perpetual or dated	Dated
13	Original maturity date	23 January 2022
14	Issuer call subject to prior supervisory approval	Yes
15	Optional call date, contingent call dates and redemption amount	Optional call date: 23 January 2021  Early redemption amount(s) per calculation amount payable on 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
<i>Coupons / dividends</i>		
17	Fixed or floating dividend/coupon	Floating
18	Coupon rate and any related index	3-month USD LIBOR + 0.87 per cent per annum
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

#### Footnote:

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

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

<sup>3</sup> Include solo-consolidated

## 5 Composition of regulatory capital (continued)

### c. Main features of regulatory capital instruments (CCA) and non-capital LAC debt instruments (CCA(A)) (continued)

#### (ii) Only LAC (but not regulatory capital) requirements (continued)

##### US\$600 million Floating Rate Notes due 2022 (continued)

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)	Upon a Loss Absorption Event
		<p>“Loss Absorption Event” means:</p> <p>(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</p> <p>(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:</p> <p>(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</p> <p>(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</p>
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
34a	Type of subordination	Contractual
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	All unsubordinated creditors of the Issuer (including its depositors) are immediately senior to the Loss Absorbing Non-preferred Notes
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	N/A

#### Footnote:

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

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

<sup>3</sup> Include solo-consolidated

## 5 Composition of regulatory capital (continued)

### c. Main features of regulatory capital instruments (CCA) and non-capital LAC debt instruments (CCA(A)) (continued)

#### (ii) Only LAC (but not regulatory capital) requirements (continued)

##### US\$600 million Floating Rate Notes due 2023

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
3a	Means by which enforceability requirement of Section 13 of the TLAC Term Sheet is achieved (for non-capital LAC debt instruments governed by non-Hong Kong law)	N/A
<i>Regulatory treatment</i>		
4	Transitional Basel III rules <sup>1</sup>	N/A
5	Post-transitional Basel III rules <sup>2</sup>	Ineligible
6	Eligible at solo <sup>3</sup> /group/group & solo	Ineligible
6a	Eligible at solo / LAC consolidation group / solo and LAC consolidation group (for LAC purposes)	Solo and LAC consolidation group
7	Instrument type (types to be specified by each jurisdiction)	Non-capital LAC debt instrument
8	Amount recognised in regulatory capital (Currency in million, as of most recent reporting date)	N/A
8a	Amount recognised in loss-absorbing capacity (currency in millions, as of most recent reporting date)	HKD 4,651 Million
9	Par value of instrument	Issue price at 100 per cent of the Aggregate Nominal Amount of USD600 Million
10	Accounting classification	Liability – amortised cost
11	Original date of issuance	24 June 2019
12	Perpetual or dated	Dated
13	Original maturity date	20 January 2023
14	Issuer call subject to prior supervisory approval	Yes
15	Optional call date, contingent call dates and redemption amount	Optional call date: 20 January 2022  Early redemption amount(s) per calculation amount payable on 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
<i>Coupons / dividends</i>		
17	Fixed or floating dividend/coupon	Floating
18	Coupon rate and any related index	3-month USD LIBOR + 1.26 per cent per annum
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

#### Footnote:

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

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

<sup>3</sup> Include solo-consolidated

## 5 Composition of regulatory capital (continued)

### c. Main features of regulatory capital instruments (CCA) and non-capital LAC debt instruments (CCA(A)) (continued)

#### (ii) Only LAC (but not regulatory capital) requirements (continued)

##### US\$600 million Floating Rate Notes due 2023 (continued)

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)	Upon a Loss Absorption Event
		<p>“Loss Absorption Event” means:</p> <p>(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</p> <p>(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:</p> <p>(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</p> <p>(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</p>
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
34a	Type of subordination	Contractual
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	All unsubordinated creditors of the Issuer (including its depositors) are immediately senior to the Loss Absorbing Non-preferred Notes
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	N/A

#### Footnote:

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

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

<sup>3</sup> Include solo-consolidated

## 5 Composition of regulatory capital (continued)

### c. Main features of regulatory capital instruments (CCA) and non-capital LAC debt instruments (CCA(A)) (continued)

#### (ii) Only LAC (but not regulatory capital) requirements (continued)

##### US\$200 million 3.15 per cent Notes due 2023

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
3a	Means by which enforceability requirement of Section 13 of the TLAC Term Sheet is achieved (for non-capital LAC debt instruments governed by non-Hong Kong law)	N/A
<i>Regulatory treatment</i>		
4	Transitional Basel III rules <sup>1</sup>	N/A
5	Post-transitional Basel III rules <sup>2</sup>	Ineligible
6	Eligible at solo <sup>3</sup> /group/group & solo	Ineligible
6a	Eligible at solo / LAC consolidation group / solo and LAC consolidation group (for LAC purposes)	Solo and LAC consolidation group
7	Instrument type (types to be specified by each jurisdiction)	Non-capital LAC debt instrument
8	Amount recognised in regulatory capital (Currency in million, as of most recent reporting date)	N/A
8a	Amount recognised in loss-absorbing capacity (currency in millions, as of most recent reporting date)	HKD 1,550 Million
9	Par value of instrument	Issue price at 100 per cent of the Aggregate Nominal Amount of USD200 Million
10	Accounting classification	Liability – amortised cost
11	Original date of issuance	24 June 2019
12	Perpetual or dated	Dated
13	Original maturity date	25 January 2023
14	Issuer call subject to prior supervisory approval	Yes
15	Optional call date, contingent call dates and redemption amount	Optional call date: 25 January 2022  Early redemption amount(s) per calculation amount payable on 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
<i>Coupons / dividends</i>		
17	Fixed or floating dividend/coupon	Fixed
18	Coupon rate and any related index	3.15 per cent per annum
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

#### Footnote:

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

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

<sup>3</sup> Include solo-consolidated

## 5 Composition of regulatory capital (continued)

### c. Main features of regulatory capital instruments (CCA) and non-capital LAC debt instruments (CCA(A)) (continued)

#### (ii) Only LAC (but not regulatory capital) requirements (continued)

##### US\$200 million 3.15 per cent Notes due 2023 (continued)

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)	Upon a Loss Absorption Event
		<p>“Loss Absorption Event” means:</p> <p>(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</p> <p>(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:</p> <p>(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</p> <p>(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</p>
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
34a	Type of subordination	Contractual
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	All unsubordinated creditors of the Issuer (including its depositors) are immediately senior to the Loss Absorbing Non-preferred Notes
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	N/A

#### Footnote:

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

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

<sup>3</sup> Include solo-consolidated

## 5 Composition of regulatory capital (continued)

### c. Main features of regulatory capital instruments (CCA) and non-capital LAC debt instruments (CCA(A)) (continued)

#### (ii) Only LAC (but not regulatory capital) requirements (continued)

##### HK\$1,081 million Floating Rate Notes due 2023

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
3a	Means by which enforceability requirement of Section 13 of the TLAC Term Sheet is achieved (for non-capital LAC debt instruments governed by non-Hong Kong law)	N/A
<i>Regulatory treatment</i>		
4	Transitional Basel III rules <sup>1</sup>	N/A
5	Post-transitional Basel III rules <sup>2</sup>	Ineligible
6	Eligible at solo <sup>3</sup> /group/group & solo	Ineligible
6a	Eligible at solo / LAC consolidation group / solo and LAC consolidation group (for LAC purposes)	Solo and LAC consolidation group
7	Instrument type (types to be specified by each jurisdiction)	Non-capital LAC debt instrument
8	Amount recognised in regulatory capital (Currency in million, as of most recent reporting date)	N/A
8a	Amount recognised in loss-absorbing capacity (currency in millions, as of most recent reporting date)	HKD 1,081 Million
9	Par value of instrument	Issue price at 100 per cent of the Aggregate Nominal Amount of HKD1,081 Million
10	Accounting classification	Liability – amortised cost
11	Original date of issuance	01 June 2020
12	Perpetual or dated	Dated
13	Original maturity date	01 June 2023
14	Issuer call subject to prior supervisory approval	Yes
15	Optional call date, contingent call dates and redemption amount	Optional call date: 01 June 2022  Early redemption amount(s) per calculation amount payable on redemption for taxation reasons, due to Regulatory Capital Event or due to Loss Absorption Disqualification Event or on event of default  HK\$ 1,000 per Calculation amount
16	Subsequent call dates, if applicable <i>Coupons / dividends</i>	Each interest payment date
17	Fixed or floating dividend/coupon	Floating
18	Coupon rate and any related index	3-month HKD HIBOR + 1.48 per cent per annum
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

#### Footnote:

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

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

<sup>3</sup> Include solo-consolidated

## 5 Composition of regulatory capital (continued)

### c. Main features of regulatory capital instruments (CCA) and non-capital LAC debt instruments (CCA(A)) (continued)

#### (ii) Only LAC (but not regulatory capital) requirements (continued)

##### HK\$1,081 million Floating Rate Notes due 2023 (continued)

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)	Upon a Loss Absorption 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

#### Footnote:

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

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

<sup>3</sup> Include solo-consolidated

## 5 Composition of regulatory capital (continued)

### c. Main features of regulatory capital instruments (CCA) and non-capital LAC debt instruments (CCA(A)) (continued)

#### (ii) Only LAC (but not regulatory capital) requirements (continued)

##### HK\$1,081 million Floating Rate Notes due 2023 (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
34a	Type of subordination	Contractual
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	All unsubordinated creditors of the Issuer (including its depositors) are immediately senior to the Loss Absorbing Non-preferred Notes
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	N/A

Footnote:

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

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

<sup>3</sup> Include solo-consolidated

## 5 Composition of regulatory capital (continued)

### c. Main features of regulatory capital instruments (CCA) and non-capital LAC debt instruments (CCA(A)) (continued)

#### (ii) Only LAC (but not regulatory capital) requirements (continued)

##### US\$600 million 1.319 per cent Notes due 2023

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
3a	Means by which enforceability requirement of Section 13 of the TLAC Term Sheet is achieved (for non-capital LAC debt instruments governed by non-Hong Kong law)	N/A
<i>Regulatory treatment</i>		
4	Transitional Basel III rules <sup>1</sup>	N/A
5	Post-transitional Basel III rules <sup>2</sup>	Ineligible
6	Eligible at solo <sup>3</sup> /group/group & solo	Ineligible
6a	Eligible at solo / LAC consolidation group / solo and LAC consolidation group (for LAC purposes)	Solo and LAC consolidation group
7	Instrument type (types to be specified by each jurisdiction)	Non-capital LAC debt instrument
8	Amount recognised in regulatory capital (Currency in million, as of most recent reporting date)	N/A
8a	Amount recognised in loss-absorbing capacity (currency in millions, as of most recent reporting date)	HKD 4,651 Million
9	Par value of instrument	Issue price at 100 per cent of the Aggregate Nominal Amount of USD600 Million
10	Accounting classification	Liability – amortised cost
11	Original date of issuance	21 October 2020
12	Perpetual or dated	Dated
13	Original maturity date	14 October 2023
14	Issuer call subject to prior supervisory approval	Yes
15	Optional call date, contingent call dates and redemption amount	Optional call date: 14 October 2022  Early redemption amount(s) per calculation amount payable on 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
<i>Coupons / dividends</i>		
17	Fixed or floating dividend/coupon	Fixed
18	Coupon rate and any related index	1.319 per cent per annum
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

#### Footnote:

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

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

<sup>3</sup> Include solo-consolidated

## 5 Composition of regulatory capital (continued)

### c. Main features of regulatory capital instruments (CCA) and non-capital LAC debt instruments (CCA(A)) (continued)

#### (ii) Only LAC (but not regulatory capital) requirements (continued)

##### US\$600 million 1.319 per cent Notes due 2023 (continued)

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)	Upon a Loss Absorption Event
		<p>“Loss Absorption Event” means:</p> <p>(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</p> <p>(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:</p> <p>(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</p> <p>(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</p>
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
34a	Type of subordination	Contractual
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	All unsubordinated creditors of the Issuer (including its depositors) are immediately senior to the Loss Absorbing Non-preferred Notes
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	N/A

#### Footnote:

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

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

<sup>3</sup> Include solo-consolidated

## 5 Composition of regulatory capital (continued)

### c. Main features of regulatory capital instruments (CCA) and non-capital LAC debt instruments (CCA(A)) (continued)

#### (ii) Only LAC (but not regulatory capital) requirements (continued)

##### US\$1,500 million 1.456 per cent Notes due 2027

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
3a	Means by which enforceability requirement of Section 13 of the TLAC Term Sheet is achieved (for non-capital LAC debt instruments governed by non-Hong Kong law)	N/A
<i>Regulatory treatment</i>		
4	Transitional Basel III rules <sup>1</sup>	N/A
5	Post-transitional Basel III rules <sup>2</sup>	Ineligible
6	Eligible at solo <sup>3</sup> /group/group & solo	Ineligible
6a	Eligible at solo / LAC consolidation group / solo and LAC consolidation group (for LAC purposes)	Solo and LAC consolidation group
7	Instrument type (types to be specified by each jurisdiction)	Non-capital LAC debt instrument
8	Amount recognised in regulatory capital (Currency in million, as of most recent reporting date)	N/A
8a	Amount recognised in loss-absorbing capacity (currency in millions, as of most recent reporting date)	N/A (HKD 11,630 million from 14 January 2021) <sup>4</sup>
9	Par value of instrument	Issue price at 100 per cent of the Aggregate Nominal Amount of USD 1,500 Million
10	Accounting classification	Liability - amortised cost
11	Original date of issuance	14 January 2021
12	Perpetual or dated	Dated
13	Original maturity date	14 January 2027
14	Issuer call subject to prior supervisory approval	Yes
15	Optional call date, contingent call dates and redemption amount	Optional call date: 14 January 2026  Early redemption amount(s) per calculation amount payable on 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
<i>Coupons / dividends</i>		
17	Fixed or floating dividend/coupon	Fixed
18	Coupon rate and any related index	1.456 per cent per annum
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

#### Footnote:

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

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

<sup>3</sup> Include solo-consolidated

<sup>4</sup> On 14 January 2021, the Group issued a non-capital LAC debt instrument amounting to US\$1,500 million (HK\$11,630 million).

## 5 Composition of regulatory capital (continued)

### c. Main features of regulatory capital instruments (CCA) and non-capital LAC debt instruments (CCA(A)) (continued)

#### (ii) Only LAC (but not regulatory capital) requirements (continued)

##### US\$1,500 million 1.456 per cent Notes due 2027 (continued)

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)	Upon a Loss Absorption Event.
		<p>“Loss Absorption Event” means:</p> <p>(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</p> <p>(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:</p> <p>(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</p> <p>(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</p>
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
34a	Type of subordination	Contractual
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	All unsubordinated creditors of the Issuer (including its depositors) are immediately senior to the Loss Absorbing Non-preferred Notes
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	N/A

#### Footnote:

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

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

<sup>3</sup> Include solo-consolidated

## 5 Composition of regulatory capital (continued)

### d. LAC composition of material subsidiary (at LAC consolidation group level) (TLAC1(A))

(a)  
HK\$'M

Regulatory capital elements of internal loss-absorbing capacity and adjustments		
1	Common Equity Tier 1 ("CET1") capital	135,911
2	Additional Tier 1 ("AT1") capital before LAC adjustments	16,734
3	AT1 capital instruments ineligible as internal loss-absorbing capacity as not issued directly or indirectly to, and held directly or indirectly by, the resolution entity or non-HK resolution entity in the material subsidiary's resolution group	–
4	Other adjustments	–
5	AT1 capital eligible under the LAC Rules	16,734
6	Tier 2 ("T2") capital before LAC adjustments	12,238
7	Amortized portion of T2 capital instruments that are internal LAC debt instruments issued directly or indirectly to, and held directly or indirectly by, the resolution entity or non-HK resolution entity in the material subsidiary's resolution group	–
8	T2 capital instruments ineligible as internal loss-absorbing capacity as not issued directly or indirectly to, and held directly or indirectly by, the resolution entity or non-HK resolution entity in the material subsidiary's resolution group	–
9	Other adjustments	–
10	T2 capital eligible under the LAC Rules	12,238
11	<b>Internal loss-absorbing capacity arising from regulatory capital</b>	<b>164,883</b>
Non-regulatory capital elements of internal loss-absorbing capacity		
12	Internal non-capital LAC debt instruments issued directly or indirectly to, and held indirectly or indirectly by, the resolution entity or non-HK resolution entity in the material subsidiary's resolution group	24,337
17	<b>Internal loss-absorbing capacity arising from non-capital LAC debt instruments before adjustments</b>	<b>24,337</b>
Non-regulatory capital elements of internal loss-absorbing capacity: adjustments		
18	<b>Internal loss-absorbing capacity before deductions</b>	<b>189,220</b>
19	Deductions of exposures between the material subsidiary's LAC consolidation group and group companies outside that group that correspond to non-capital items eligible for internal loss-absorbing capacity	–
20	Deduction of holdings of its own non-capital LAC liabilities	–
21	Other adjustments to internal loss-absorbing capacity	–
22	<b>Internal loss-absorbing capacity after deductions</b>	<b>189,220</b>

## 5 Composition of regulatory capital (continued)

### d. LAC composition of material subsidiary (at LAC consolidation group level) (TLAC1(A)) (continued)

(a)  
HK\$'M

Risk-weighted amount and exposure measure under the LAC Rules for internal loss-absorbing capacity purposes		
23	Risk-weighted amount under the LAC Rules	924,779
24	Exposure measure under the LAC Rules	2,599,481
Internal LAC ratios and buffers		
25	<b>Internal LAC risk-weighted ratio</b>	20.5%
26	<b>Internal LAC leverage ratio</b>	7.3%
27	<b>CET1 capital (as a percentage of RWA under the Banking (Capital) Rules ("BCR")) available after meeting the LAC consolidation group's minimum capital and LAC requirements</b>	8.5%
28	Institution-specific buffer requirement (capital conservation buffer plus countercyclical capital buffer requirements plus higher loss absorbency requirement, expressed as a percentage of RWA under the BCR)	4.4%
29	Of which: capital conservation buffer requirement	2.5%
30	Of which: institution-specific countercyclical capital buffer requirement	0.4%
31	Of which: higher loss absorbency requirement	1.5%

## 5 Composition of regulatory capital (continued)

### e. Material subsidiary – creditor ranking at legal entity level (TLAC2)

		Creditor ranking				Total
		1	2	3	4	
		(most junior)			(most senior)	
1	Is a resolution entity or a non-HK resolution entity the creditor/investor? (yes or no)	Yes	Yes	Yes	Yes	
2	Description of creditor ranking (free text)	CET1 capital instruments <sup>1</sup>	AT1 capital instruments	Tier 2 capital instruments	Non capital LAC debt instruments	
3	Total capital and liabilities net of credit risk mitigation	65,025	16,733	11,629	24,337	117,724
4	Subset of row 3 that are excluded liabilities	–	–	–	–	–
5	Total capital and liabilities less excluded liabilities	65,025	16,733	11,629	24,337	117,724
6	Subset of row 5 that are eligible as internal loss-absorbing capacity	65,025	16,733	11,629	24,337	117,724
7	Subset of row 6 with 1 year ≤ residual maturity < 2 years	–	–	–	12,404	12,404
8	Subset of row 6 with 2 years ≤ residual maturity < 5 years	–	–	–	11,933	11,933
9	Subset of row 6 with 5 years ≤ residual maturity < 10 years	–	–	9,691	–	9,691
10	Subset of row 6 with residual maturity ≥ 10 years, but excluding perpetual securities	–	–	1,938	–	1,938
11	Subset of row 6 that is perpetual securities	65,025	16,733	–	–	81,758

<sup>1</sup> Issued and fully paid ordinary shares includes preference shares held by Standard Chartered Bank which have been redeemed on December 2020 via payment out of distributable profits and for which the amount was transferred from retained earnings to share capital in accordance with the requirements of the Hong Kong Companies Ordinance.

## 6 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 Group's CCyB ratio.

At 31 December 2020

In HKD million

	<i>Jurisdiction (J)</i>	<i>Applicable JCCyB ratio in effect</i>	<i>Total RWA used in computation of CCyB ratio of AI</i>	<i>CCyB ratio of AI</i>	<i>CCyB amount of AI HK\$'M</i>
1	Hong Kong	1.000%	249,281		
2	Luxembourg	0.250%	1,779		
3	Norway	1.000%	–		
4	Sum <sup>1</sup>		251,060		
5	<b>Total<sup>2</sup></b>		<b>592,694</b>	<b>0.421%<sup>3</sup></b>	<b>3,896</b>

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

<sup>2</sup> The total RWAs used in the computation of the CCyB ratio in row (5) 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.

<sup>3</sup> Decrease in CCyB ratio of the Group during the second half of 2020 due to the increase in RWA in jurisdiction with no countercyclical buffer rate or with a countercyclical buffer rate set at zero.

## 7 Leverage Ratio

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

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

At 31 December 2020	(a) Value under the LR framework HK\$'M
1 Total consolidated assets as per published financial statements	2,456,789
2 Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	(8,163)
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 financial contracts	22,595
5 Adjustment for SFTs (i.e. repos and similar secured lending)	18,072
6 Adjustment for off-balance sheet (“OBS”) items (i.e. conversion to credit equivalent amounts of OBS exposures)	181,697
6a Adjustment for specific and collective provisions that are allowed to be excluded from exposure measure	(5,909)
7 Other adjustments	(65,600)
<b>8 Leverage ratio exposure measure</b>	<b>2,599,481</b>

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.

Increase in leverage ratio exposure measure during the period was mainly driven by the balance sheet growth.

## 7 Leverage Ratio (continued)

### b. Leverage ratio (LR2)

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

	(a)	(b)	
	At	At	
	31 December 2020	30 September 2020	
	HK\$'M	HK\$'M	
<b>On-balance sheet exposures</b>			
1	On-balance sheet items (excluding derivatives and SFTs, but including collateral) <sup>1</sup>	2,181,601	2,031,608
2	Less: Asset amounts deducted in determining Basel III Tier 1 capital	(14,663)	(13,720)
3	<b>Total on-balance sheet exposures (excluding derivatives and SFTs)</b>	<b>2,166,938</b>	<b>2,017,888</b>
<b>Exposure arising from derivative contracts</b>			
4	Replacement cost associated with all derivatives contracts (where applicable net of eligible cash variation margin and / or with bilateral netting)	68,526	38,276
5	Add-on amounts for PFE associated with all derivatives contracts	78,449	76,354
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the operative accounting framework	–	–
7	Less: Deductions of receivables assets for cash variation margin provided under derivatives contracts	–	–
8	Less: Exempted CCP leg of client-cleared trade exposures	–	–
9	Adjusted effective notional amount of written credit derivatives	537	2,018
10	Less: Adjusted effective notional offsets and add-on deductions for written credit derivatives	(233)	(1,821)
11	<b>Total exposures arising from derivative contract</b>	<b>147,279</b>	<b>114,827</b>
<b>Exposure arising from SFTs</b>			
12	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	100,402	119,889
13	Less: Netted amounts of cash payables and cash receivables of gross SFT assets	–	–
14	CCR exposure for SFT assets	9,074	12,286
15	Agent transaction exposures	–	–
16	<b>Total exposures arising from SFTs</b>	<b>109,476</b>	<b>132,175</b>
<b>Other off-balance sheet exposures</b>			
17	Off-balance sheet exposure at gross notional amount	905,852	868,551
18	Less: Adjustments for conversion to credit equivalent amounts	(724,155)	(694,086)
19	<b>Off-balance sheet items</b>	<b>181,697</b>	<b>174,465</b>
<b>Capital and total exposures</b>			
20	<b>Tier 1 capital</b>	152,645	157,025
20a	<b>Total exposures before adjustments for specific and collective provisions</b>	2,605,390	2,439,355
20b	<b>Adjustments for specific and collective provisions</b>	(5,909)	(5,868)
21	<b>Total exposures after adjustments for specific and collective provisions<sup>1</sup></b>	<b>2,599,481</b>	<b>2,433,487</b>
<b>Leverage ratio</b>			
22	<b>Leverage ratio<sup>2</sup></b>	<b>5.87%</b>	<b>6.45%</b>

<sup>1</sup> Increase in on-balance sheet exposures and total exposures were mainly due to balance sheet growth.

<sup>2</sup> Please refer to note 2(a) for the driver of decrease in leverage ratio during the period.

## 8 Liquidity

### a. Liquidity Risk Management (LIQA)

The following Liquidity Risk Management related information, together with the disclosure in section 8b (LIQ1), provides the supplement to the Liquidity Risk Section from 2020 SCB (Hong Kong) Limited Directors' Report and Consolidated Financial Statements.

LCRs and NSFRs of Hong Kong Office and Consolidated basis	LCR	NSFR
<b>As at 31 Dec 2020</b>	<b>%</b>	<b>%</b>
Hong Kong Office	156%	124%
Consolidated	151%	125%

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

Basis of disclosure: consolidated Currency : (HK\$ mil)	2020					Balancing amount
	Within 1 month	1 - 3 months	3 months - 1 year	1 - 5 years	Over 5 years	
<b>On-balance sheet assets</b>						
Currency notes and coins	5,309	-	-	-	-	-
Amount receivable arising from securities financing transactions	50,730	4,911	515	-	-	-
Amount receivable arising from derivative contracts	42,752	63,316	203,497	348,859	42,102	-
Due from MA for a/c of Exchange Fund	18,401	-	-	-	-	-
Due from overseas central banks	41,700	67	464	-	-	13,607
Due from banks	113,985	26,534	25,205	35,432	3,166	890
Debt securities, prescribed instruments and structured financial instruments held (net of short positions)	446,804	7,200	48,841	80,740	27,374	564
Acceptances and bills of exchange held	10,093	12,981	10,847	65	-	22
Loans and advances to non-bank customers	171,980	82,814	186,424	241,110	398,338	37,732
Other assets (including provisions)	65,529	13,636	227	592	2,312	119,362
<b>Total</b>	<b>967,283</b>	<b>211,459</b>	<b>476,020</b>	<b>706,798</b>	<b>473,292</b>	<b>172,177</b>
<b>On-balance sheet liabilities</b>						
Deposits from non-bank customers						
Pledged deposits	12,596	796	2,021	2,102	33	-
Demand, savings and current account deposits	1,337,571	-	-	-	-	-
Term, call and notice deposits	202,984	103,672	44,960	4,495	7	-
Amount payable arising from securities financing transactions	20,822	-	5,228	-	-	-
Amount payable arising from derivative contracts	46,427	61,628	198,506	357,040	47,995	-
Due to MA for a/c of Exchange Fund	10,716	-	-	-	-	-
Due to overseas central banks	3,338	1,876	838	-	-	-
Due to banks	74,412	23,269	3,054	2,999	-	-
Debt securities, prescribed instruments and structured financial instruments issued and outstanding	1,099	11,133	13,586	15,445	181	-
Other liabilities (including provisions)	82,957	13,642	6,117	7,148	155	59,308
Capital and reserves	12,667	-	6,202	27,052	12,938	157,857
<b>Total</b>	<b>1,805,589</b>	<b>216,016</b>	<b>280,512</b>	<b>416,281</b>	<b>61,309</b>	<b>217,165</b>
<b>Off-balance sheet claims</b>						
Irrevocable loan commitments or facilities received	5,040	-	-	-	-	-
<b>Off-balance sheet obligations</b>						
Irrevocable loan commitments or facilities granted	335,268	-	-	-	-	-
Other off-balance sheet obligations	67,587	-	-	-	-	-
<b>Total</b>	<b>402,855</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Funding gaps</b>						
Contractual Maturity Mismatch	(1,236,121)	(4,557)	195,508	290,517	411,983	
Cumulative Contractual Maturity Mismatch	(1,236,121)	(1,240,678)	(1,045,170)	(754,653)	(342,670)	

## 8 Liquidity (continued)

### b. 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 30 September 2020 and 31 December 2020 are 78 and 74.

		Q4 2020 Currency: (HK\$mil)		Q3 2020 Currency: (HK\$mil)	
Basis of disclosure: Consolidated		UNWEIGHTED AMOUNT (Average Value)	WEIGHTED AMOUNT (Average Value)	UNWEIGHTED AMOUNT (Average Value)	WEIGHTED AMOUNT (Average Value)
<b>A. HIGH QUALITY LIQUID ASSETS</b>					
1	Total high quality liquid assets (HQLA)		457,047		424,111
<b>B. CASH OUTFLOWS</b>					
2	Retail deposits and small business funding, of which:	763,181	61,101	750,025	58,688
3	Stable retail deposits and stable small business funding	245,364	12,268	236,133	11,807
4	Less stable retail deposits and less stable small business funding	458,847	45,885	423,730	42,373
4a	Retail term deposits and small business term funding	58,970	2,948	90,162	4,508
5	Unsecured wholesale funding (other than small business funding) and debt securities and prescribed instruments issued by the institution, of which:	953,963	426,398	861,578	367,886
6	Operational deposits	483,092	119,275	464,093	114,339
7	Unsecured wholesale funding (other than small business funding) not covered in Row 6	466,954	303,206	395,749	251,811
8	Debt securities and prescribed instruments issued by the institution and redeemable within the LCR period	3,917	3,917	1,736	1,736
9	Secured funding transactions (including securities swap transactions)		2,707		2,285
10	Additional requirements, of which:	350,393	55,289	339,767	55,921
11	Cash outflows arising from derivative contracts and other transactions, and additional liquidity needs arising from related collateral requirements	22,904	22,904	23,874	23,874
12	Cash outflows arising from obligations under structured financing transactions and repayment of funding obtained from such transactions	209	209	53	53
13	Potential drawdown of undrawn committed facilities (including committed credit facilities and committed liquidity facilities)	327,280	32,176	315,840	31,994
14	Contractual lending obligations (not otherwise covered in Section B) and other contractual cash outflows	54,866	54,866	57,408	57,408
15	Other contingent funding obligations (whether contractual or non-contractual)	553,052	2,977	528,055	1,922
16	<b>TOTAL CASH OUTFLOWS</b>		603,338		544,110
<b>C. CASH INFLOWS</b>					
17	Secured lending transactions (including securities swap transactions)	62,966	6,178	67,728	10,022
18	Secured and unsecured loans (other than secured lending transactions covered in Row 17) and operational deposits placed at other financial institutions	359,899	228,788	342,061	211,789
19	Other cash inflows	61,653	54,125	70,873	65,136
20	<b>TOTAL CASH INFLOWS</b>	484,518	289,091	480,662	286,947
<b>D. LIQUIDITY COVERAGE RATIO</b>					
21	TOTAL HQLA		457,047		424,111
22	TOTAL NET CASH OUTFLOWS		314,247		257,163
23	LCR (%)		147%		165%

## 8 Liquidity (continued)

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

#### Key Drivers

Liquidity Coverage Ratio (LCR) measures the short-term resilience of the Group's liquidity risk profile, and is sensitive to balance sheet movement and composition. The Group has maintained a strong liquidity position and well above the regulatory requirement of 100% throughout the year of 2020 in spite of the challenging environment. The quarterly average of LCR was 147% for the quarter ending 31 December 2020 (30 September 2020: 165%). Both the liquidity buffer and cash outflows grew during the year in line with the overall balance sheet growth. However, higher net outflows exceeded the growth in high quality liquid assets ("HQLA") resulting in an overall decrease in LCR as the Group looked to optimise its liquidity position.

#### Composition of High Quality Liquid Asset ("HQLA")

The Group 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 Group 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 Group's funding requirement. In addition, wholesale funding is widely diversified by client type and maturity which helps managing liquidity mismatches as required. The Group has various internal quantitative limits and metrics in place to monitor deposit concentrations, as well as HQLA Issuer concentrations.

The Regional Asset and Liability Committee ("RALCO") and the Country Asset and Liability Committee ("ALCO") monitor trends in the balance sheet and ensure 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 Group's business activities. These instruments are also used to manage the Group's own exposures to market risk. The principal derivative instruments used by the Group are foreign exchange related and interest rate related contracts. Derivative positions are mark-to-market on a daily basis.

## 8 Liquidity (continued)

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

#### 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 Group's customer deposits are denominated in HKD, USD, CNY and KRW. The Group holds higher USD 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 Group maintained an amount of HKD-denominated level 1 assets well above the regulatory requirement of 20% of its HKD-denominated total net cash outflows.

#### Liquidity management

Treasury Markets is responsible for managing the Group'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 Group remains in compliance with liquidity policies and practices, as well as local regulatory requirements.

It is the Group's policy to manage liquidity without presumption of the Group's parent support. RALCO and ALCO are responsible for ensuring that the Group 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.

### c. 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 31 December 2020

	(a)	(b)	(c)	(d)	(e)
	<i>Unweighted value by residual maturity</i>				<i>Weighted amount</i>
Basis of disclosure: consolidated Currency: (HK\$mil)	<i>No specified term to maturity</i>	<i>&lt;6 months or repayable on demand</i>	<i>6 months to &lt; 12 months</i>	<i>12 months or more</i>	
<b>A. Available stable funding ("ASF") item</b>					
1 Capital:	168,729	12,404	6,202	28,147	199,976
2 Regulatory capital	168,729	0	6,202	5,427	177,256
2a Minority interests not covered by row 2	–	–	–	–	–
3 Other capital instruments	–	12,404	–	22,720	22,720
4 Retail deposits and small business funding:	–	767,580	11,968	1,008	714,863
5 Stable deposits		242,706	2,542	590	233,576
6 Less stable deposits		524,874	9,426	418	481,287
7 Wholesale funding:		1,057,763	23,941	12,142	409,454
8 Operational deposits		474,045	–	–	237,023
9 Other wholesale funding	–	583,718	23,941	12,142	172,431
10 Liabilities with matching interdependent assets	56,561	–	–	–	–

## 8 Liquidity (continued)

### c. 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	
11 Other liabilities:	81,700	57,294	2,105	24,395	25,447
12 Net derivative liabilities	9,290				
13 All other funding and liabilities not included in the above categories	72,410	57,294	2,105	24,395	25,447
<b>14 Total ASF</b>					<b>1,349,740</b>
<b>B. Required stable funding (“RSF”) item</b>					
15 Total HQLA for NSFR purposes				578,453	55,717
16 Deposits held at other financial institutions for operational purposes	–	10,419	–	–	5,210
17 Performing loans and securities:	64,826	556,756	152,151	740,171	907,308
18 Performing loans to financial institutions secured by Level 1 HQLA	–	27,847	–	–	2,785
19 Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	15,300	187,027	42,004	73,395	137,751
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:	49,526	303,596	69,492	120,685	448,729
21 With a risk-weight of less than or equal to 35% under the STC approach	–	(0)	(0)	11,606	10,862
22 Performing residential mortgages, of which:	–	16,277	12,931	476,134	233,713
23 With a risk-weight of less than or equal to 35% under the STC approach	–	11,112	6,945	345,490	233,597
24 Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	–	22,009	27,724	69,957	84,330
25 Assets with matching interdependent liabilities	56,561	–	–	–	–
26 Other assets:	146,925	37,872	–	74	92,062
27 Physical traded commodities, including gold	615				523
28 Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs	5,189				5,077

## 8 Liquidity (continued)

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

	(a)	(b)	(c)	(d)	(e)
	Unweighted value by residual maturity				Weighted amount
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	
29 Net derivative assets	–				–
30 Total derivative liabilities before deduction of variation margin posted	55,033				2,752
31 All other assets not included in the above categories	86,088	37,872	–	74	86,462
32 Off-balance sheet items				873,112	16,763
33 <b>Total RSF</b>					<b>1,079,812</b>
34 <b>Net Stable Funding Ratio (%)</b>					<b>125%</b>

Table 2: LIQ2 for Quarter ending 30 September 2020

	(a)	(b)	(c)	(d)	(e)
	Unweighted value by residual maturity				Weighted amount
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	
<b>A. Available stable funding (“ASF”) item</b>					
1 Capital:	172,574	–	13,477	28,168	207,481
2 Regulatory capital	172,574	–	–	11,625	184,199
2a Minority interests not covered by row 2	–	–	–	–	–
3 Other capital instruments	–	–	13,477	16,543	23,282
4 Retail deposits and small business funding:	–	743,777	12,145	901	692,906
5 Stable deposits		231,046	2,459	530	222,360
6 Less stable deposits		512,731	9,686	371	470,546
7 Wholesale funding:		920,311	40,997	12,625	378,562
8 Operational deposits		436,020	–	–	218,010
9 Other wholesale funding	–	484,291	40,997	12,625	160,552
10 Liabilities with matching interdependent assets	57,001	–	–	–	–
11 Other liabilities:	78,378	83,000	12,009	22,072	28,076
12 Net derivative liabilities	5,426				
13 All other funding and liabilities not included in the above categories	72,952	83,000	12,009	22,072	28,076
14 <b>Total ASF</b>					<b>1,307,025</b>
<b>B. Required stable funding (“RSF”) item</b>					
15 Total HQLA for NSFR purposes				546,046	51,292
16 Deposits held at other financial institutions for operational purposes	–	11,473	–	–	5,736
17 Performing loans and securities:	63,642	550,360	126,772	723,096	869,996

## 8 Liquidity (continued)

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

	(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	
Basis of disclosure: consolidated Currency: (HK\$mil)					
18 Performing loans to financial institutions secured by Level 1 HQLA	–	20,156	–	–	2,016
19 Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	21,309	233,228	36,339	66,674	140,137
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:	42,333	258,913	64,582	157,729	453,161
21 With a risk-weight of less than or equal to 35% under the STC approach	–	(0)	(0)	3,583	4,363
22 Performing residential mortgages, of which:	–	16,106	9,589	445,855	209,810
23 With a risk-weight of less than or equal to 35% under the STC approach	–	10,635	5,933	309,855	209,690
24 Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	–	21,957	16,262	53,838	64,872
25 Assets with matching interdependent liabilities	57,001	–	–	–	–
26 Other assets:	121,997	27,119	–	73	86,711
27 Physical traded commodities, including gold	1,149				977
28 Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs	224				224
29 Net derivative assets	–				–
30 Total derivative liabilities before deduction of variation margin posted	35,442				1,772
31 All other assets not included in the above categories	85,182	27,119	–	73	85,510
32 Off-balance sheet items				825,465	16,044
33 <b>Total RSF</b>					<b>1,031,551</b>
34 <b>Net Stable Funding Ratio (%)</b>					<b>127%</b>

## 8 Liquidity (continued)

### c. Net Stable Funding Ratio – for category 1 institution (LIQ2) (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 Group has continuously maintained a healthy NSFR ratio during the second half of 2020, and well above the regulatory requirement minimum of 100%. NSFR remained stable with a slight decrease from 127% in Q3 to 125% in Q4 of 2020.

#### Composition of AI's interdependent assets and liabilities

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

## 9 Credit risk for non-securitization exposures

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

Our approach to credit risk can be found in the Risk management approach section in notes 34 on pages 105 to 122 of the 2020 consolidated financial statements.

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

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

	(a)	(b)	(c)	(d)	(e)	(f)	(g)
	Gross carrying amounts of			Of which ECL accounting provisions for credit losses on STC approach exposures <sup>1</sup>		Of which ECL accounting provisions for credit losses on IRB approach exposures	Net values (a+b-c)
At 31 December 2020	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	approach exposures HK\$'M	HK\$'M
1 Loans	7,327	1,405,889	5,577	276	267	5,034	1,407,639
2 Debt securities	–	497,892	26	–	–	26	497,866
3 Off-balance sheet exposures	620	905,233	286	–	29	257	905,567
<b>4 Total<sup>2</sup></b>	<b>7,947</b>	<b>2,809,014</b>	<b>5,889</b>	<b>276</b>	<b>296</b>	<b>5,317</b>	<b>2,811,072</b>

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

<sup>2</sup> Increase in total exposures was in line with the balance sheet growth during the period.

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

### c. Changes in defaulted loans and debt securities (CR2)

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

	(a) HK\$'M
<b>1 Defaulted loans and debt securities at end of the previous reporting period (30 June 2020)</b>	6,129
2 Loans and debt securities that have defaulted since the last reporting period	2,550
3 Returned to non-defaulted status	(59)
4 Amounts written off	(846)
5 Other changes <sup>1</sup>	(447)
<b>6 Defaulted loans and debt securities at end of the current reporting period (31 December 2020)</b>	<b>7,327</b>

<sup>1</sup> Other changes included repayment, foreign exchange movement and the net increase in defaulted loans and debt securities.

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

The following tables set out an additional qualitative and quantitative information on the credit quality of exposures to supplement the quantitative information provided under templates CR1 and CR2.

Please refer to note 2(k) of the consolidated financial statements for the approach for determining credit-impairment provisions and the definition of “credit impaired” and “forborne loans”.

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

At 31 December 2020	Gross carrying amount HK\$'M
1 Hong Kong	1,006,638
2 South Korea	618,077
3 Mainland China	463,555
4 Others <sup>1</sup>	728,691
<b>5 Total</b>	<b>2,816,961</b>

Exposures increased across geographical location was mainly driven by the growth in balance sheet.

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

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

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

At 31 December 2020		<i>Gross carrying amount</i> HK\$'M
1	Individuals	880,289
2	Financial concerns	600,357
3	Manufacturing	282,724
4	Wholesales and retail trade	197,279
5	Others <sup>1</sup>	856,312
<b>6</b>	<b>Total</b>	<b>2,816,961</b>

Exposures increased across industries was mainly driven by the growth in balance sheet.

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

At 31 December 2020		<i>Repayable on demand to 1 year</i> HK\$'M	<i>Due between 1 year to 5 years</i> HK\$'M	<i>Due after 5 years</i> HK\$'M	<i>Total</i> HK\$'M
1	Loans	670,929	235,546	506,741	1,413,216
2	Debt securities	263,373	225,557	8,962	497,892
3	Off-balance sheet exposures	551,108	296,124	58,621	905,853
<b>4</b>	<b>Total</b>	<b>1,485,410</b>	<b>757,227</b>	<b>574,324</b>	<b>2,816,961</b>

Increase in exposures due between 1 year to 5 years was mainly due to the increase in undrawn facilities and debt securities over 1 year.

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

At 31 December 2020		<i>Gross impaired advances</i> HK\$'M	<i>Specific provisions<sup>2</sup></i> HK\$'M	<i>Advances written-off in a year</i> HK\$'M
1	Hong Kong	3,358	1,455	887
2	Mainland China	767	436	779
3	Taiwan	1,050	224	151
4	South Korea	1,605	826	589
5	United Arab Emirates	255	29	–
6	Others <sup>1</sup>	292	80	–
<b>7</b>	<b>Total</b>	<b>7,327</b>	<b>3,050</b>	<b>2,406</b>

<sup>1</sup> "Others" constitutes geographical locations less than 10% of total RWA and is disclosed on an aggregated basis.

<sup>2</sup> Please refer to note 9(b) for the classification of specific provisions.

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

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

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

At 31 December 2020		<i>Gross impaired advances</i>	<i>Specific provisions<sup>2</sup></i>	<i>Advances written-off in a year</i>
		<i>HK\$'M</i>	<i>HK\$'M</i>	<i>HK\$'M</i>
1	Individuals	2,781	1,071	1,275
2	Wholesale and retail trade	1,816	910	329
3	Manufacturing	1,525	763	467
4	Others <sup>1</sup>	1,205	306	335
5	<b>Total</b>	<b>7,327</b>	<b>3,050</b>	<b>2,406</b>

<sup>1</sup> "Others" constitutes segment less than 10% of total RWA and is disclosed on an aggregated basis.

<sup>2</sup> Please refer to note 9(b) for the classification of specific provisions.

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

Please refer to note 20 for aging analysis of past due exposures.

#### VII. Breakdown of restructured exposures (CRB7)

At 31 December 2020	<i>HK\$'M</i>
Impaired	1,493
Not impaired	322
	<b>1,815</b>

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

Potential credit losses from any given account, customer or portfolio are mitigated using a range of tools such as collateral, netting agreements, credit insurance, credit derivatives and guarantees. The reliance that can be placed on these mitigants is carefully assessed in light of issues such as legal certainty and enforceability, market valuation, correlation and credit risk of the guarantor. The requirement for risk mitigation is, however, not a substitute for the ability to pay, which is the primary consideration for any lending decisions.

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

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

Collateral types which are eligible for risk mitigation include: cash; account receivables; residential, commercial and industrial property; fixed assets such as motor vehicles, aircraft, plant and machinery; marketable securities; commodities; risk participations; guarantees; credit insurance; and standby letters of credit. The Group also enters into collateralised reverse repurchase agreements. Physical collateral, such as property, fixed assets and commodities, and financial collateral must be independently valued and an active secondary resale market must exist. The collateral must be valued prior to drawdown and regularly thereafter. The valuation frequency is at minimum annual and more frequent valuations are driven by the level of price volatility of each type of collateral and the nature of the underlying product or risk exposure. For financial collateral to be eligible for recognition the collateral must be sufficiently liquid, and its value over time sufficiently stable, to provide appropriate certainty as to the credit protection achieved. Risk mitigation benefits may be reduced or removed where the collateral value is not supported by a recent independent valuation.

Our approach to credit risk mitigation can be found in the Risk management approach section in notes 34(a) on pages 107 to 108 of the 2020 consolidated financial statements.

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

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

At 31 December 2020	(a) <i>Exposures unsecured: carrying amount HK\$'M</i>	(b1) <i>Exposures to be secured HK\$'M</i>	(b) <i>Exposures secured by recognized collateral HK\$'M</i>	(d) <i>Exposures secured by recognized guarantees HK\$'M</i>	(f) <i>Exposures secured by recognized credit derivative contracts HK\$'M</i>
1 Loans	763,573	644,066	544,279	47,905	–
2 Debt securities	477,788	20,078	16,776	–	–
<b>3 Total</b>	<b>1,241,361</b>	<b>664,144</b>	<b>561,055</b>	<b>47,905</b>	<b>–</b>
4 – Of which defaulted	5,073	2,254	1,461	341	–

Please refer to note 9(b) for the driver of increase in total exposures. No material change on the split between secured exposures and unsecured exposures during the period.

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

External ratings, where available, are used to assign risk-weights for standardized approach (SA) exposures under the following exposure classes: Multilateral development bank exposures, certain Bank and Corporate exposures are which exempt from application of IRB Approach.

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

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

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

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

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

At 31 December 2020	(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	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
	HK\$'M	HK\$'M	HK\$'M	HK\$'M	HK\$'M	%
<i>Exposure classes</i>						
1 Sovereign exposures	3	20	179	–	–	0%
2 PSE exposures	177	–	531	–	106	20%
2a – Of which: domestic PSEs	177	–	–	–	–	0%
2b – Of which: foreign PSEs	–	–	531	–	106	20%
3 Multilateral development bank exposures <sup>1</sup>	29,981	–	29,981	–	–	0%
4 Bank exposures	2,376	–	2,381	–	476	20%
5 Securities firm exposures <sup>1</sup>	–	–	–	–	–	0%
6 Corporate exposures	38,928	5,354	25,419	418	22,942	89%
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	10,891	35,943	7,047	1	5,285	75%
11 Residential mortgage loans	18,254	142	18,254	28	7,074	39%
12 Other exposures which are not past due exposures <sup>1</sup>	21,487	38,798	7,266	729	7,995	100%
13 Past due exposures	1,296	63	1,296	–	1,803	139%
14 Significant exposures to commercial entities	–	–	–	–	–	0%
<b>15 Total<sup>1</sup></b>	<b>123,393</b>	<b>80,320</b>	<b>92,354</b>	<b>1,176</b>	<b>45,681</b>	<b>49%</b>

<sup>1</sup> Increase in total exposures post-CCF and post-CRM was mainly driven by increase in holdings on securities issued by multilateral development bank and increase in corporate exposures due to balance sheet growth, partially offset by the decrease in other exposures which are not past due exposures.

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

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

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

	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(ha)	(i)	(j)
											Total credit risk exposures amount (post CCF and post CRM)
At 31 December 2020											
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	179	-	-	-	-	-	-	-	-	-	179
2 PSE exposures	-	-	531	-	-	-	-	-	-	-	531
2a – Of which: domestic PSEs	-	-	-	-	-	-	-	-	-	-	-
2b – Of which: foreign PSEs	-	-	531	-	-	-	-	-	-	-	531
3 Multilateral development bank exposures	29,981	-	-	-	-	-	-	-	-	-	29,981
4 Bank exposures	-	-	2,381	-	-	-	-	-	-	-	2,381
5 Securities firm exposures	-	-	-	-	-	-	-	-	-	-	-
6 Corporate exposures	-	-	1,186	-	3,892	-	20,759	-	-	-	25,837
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	-	-	-	-	-	7,048	-	-	-	-	7,048
11 Residential mortgage loans	-	-	-	16,834	-	1,064	384	-	-	-	18,282
12 Other exposures which are not past due exposures	-	-	-	-	-	-	7,995	-	-	-	7,995
13 Past due exposures	9	-	94	-	2	-	6	1,185	-	-	1,296
14 Significant exposures to commercial entities	-	-	-	-	-	-	-	-	-	-	-
<b>15 Total</b>	<b>30,169</b>	<b>-</b>	<b>4,192</b>	<b>16,834</b>	<b>3,894</b>	<b>8,112</b>	<b>29,144</b>	<b>1,185</b>	<b>-</b>	<b>-</b>	<b>93,530</b>

Please refer to note 9(h) for the main drivers of the change in total exposures post-CCF and post-CRM.

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

### j. Qualitative disclosures related to internal models for measuring credit risk under IRB approach (CRE)

#### **Model Governance**

All IRB models are developed by Enterprise Risk Analytics (ERA), following internal standards for model development, validation and performance monitoring approved by the Group Credit Model Assessment Committee (CMAC). New models, changes to new models and existing models (periodically) are subject to independent validation by Group Model Validation (GMV). Standards and models are approved by the Regional Executive Risk Committee (RERC), on recommendation from the SCBHK Model Assessment Forum (MAF). ERA and GMV are separate departments within Group Risk. The Regional Model Risk Management (SCBHK MRM) team provides independent oversight of model risk management and of adherence to HKMA requirements.

The performance of existing IRB models, including actual against predicted metrics, is monitored regularly by the model owners based on the internal standards and regulatory requirements and is reported through the SCBHK MAF to the RERC. In addition, existing models are subject to annual independent validation by GMV.

Group Internal Audit is responsible for carrying out independent audit reviews of IRB models' development, validation, approval and monitoring.

#### **Probability of Default**

Probability of Default (PD) is estimated based on one of three industry standard approaches, namely the good-bad approach where a sufficient number of internal defaults is available, the shadow-bond approach where there are no sufficient internal defaults but there are external ratings for a large number of obligors, or the constrained expert judgement approach where neither internal defaults nor external ratings are available.

In Corporate & Institutional Banking (CIB) and Commercial Banking (CB), the largest portfolios are rated based on the shadow bond approach (Sovereigns, Banks, Large Corporates) or the good-bad approach (Mid Corporates). Central governments and central banks are rated using the Sovereign model. Non-bank financial institutions are rated using one of six constrained expert judgement models depending on their line of business, with the largest being Funds, Finance & Leasing, and Broker Dealers. Corporate clients are differentiated by their annual sales turnover and rated using one of the corporate models, unless they are commodity buyers and traders (for which a separate model has been developed) or are classified under specialised lending. Excluding the Sovereign model, the CIB and CB internal rating-based (IRB) PD models are subject to the 0.03 per cent regulatory floor.

PD models for retail clients under each asset class are developed following the good-bad approach. The same PD modelling approach is taken across the four key retail client product types: Residential Mortgages, Credit Cards (Qualifying Revolving Retail), Personal Instalment Loans (Other Retail) and Retail SME (Small Business Retail). The approach is based on using the country and product specific application scores for new to bank clients and behaviour scores for existing clients. The scorecards are built using demographic information, financial information, observed client performance data (for behaviour scores), and where available, credit bureau data. Statistical techniques are used to develop a relationship between this information and the probability of default. The scorecards are used to make credit decisions. In addition, the PD models are segmented by delinquency status. All retail client PD models are built and validated using internal default data and are subject to the 0.03 per cent regulatory floor.

Estimates of PD were computed as of 31 December 2019 and are compared with default observations through 31 December 2020.

Our historical default experience for sovereigns or banks is minimal, so the predicted PD reflects a particularly low number of defaults. Realised default rates for 'Bank', 'Corporates', 'Residential mortgages', 'Qualifying revolving retail', 'Small Business Retail' and 'Other retail' asset classes in 2020 remain within model predictions, based on the arithmetic average PD by obligors.

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

### j. Qualitative disclosures related to internal models for measuring credit risk under IRB approach (CRE) (continued)

#### **Loss Given Default**

The CIB and CB loss given default (LGD) model is a component-based model reflecting the Group's recovery and workout process, which takes into account risk drivers such as portfolio segment, jurisdiction, product, and collateral associated to the exposure. Model calibration is based on downturn experience, if that is more conservative than the long-run experience.

The comparison of realised versus predicted LGD is affected by the fact that the workout process may take years to complete. As such, an observed recovery value cannot be assigned to the majority of the 2020 defaults, making it statistically challenging to compare realised versus predicted outcomes in a manner similar to that for PD and exposure at default (EAD).

To address this, for 'Sovereign', 'Banks' and 'Corporates' asset classes, we have adopted an approach based on a four-year rolling period of predicted and realised LGD, which for the current reporting year includes 2017 to 2020 defaults that have completed their workout process as at the end of 2020. This approach compares the four-year rolling predicted LGD, providing the predicted outcome of these resolved defaults one year prior to default, against the realised LGD for the same set of defaults. These two figures are fully comparable, thereby providing a meaningful assessment of the LGD model's performance. There were no defaults in the previous four years for 'Sovereign' and 'Banks'. The realised LGD values for 'Corporates' are lower than the predicted LGD values. This is explained by the regulatory guidance to calibrate LGD models to downturn conditions.

LGDs for retail portfolios follow two approaches:

- LGDs for unsecured products are based on historical loss experience of defaults during a downturn; these are portfolio-specific LGD estimates segmented by default status (including restructuring).
- LGDs for secured products are parameter-based estimates mainly driven by how the default is resolved (cure, sale or charge-off). Key LGD parameters are differentiated by segments such as loan- to-value, property type and default status. These parameters are calibrated based on the portfolio's downturn experience.

Retail LGD model development considers defaults from a cohort and the actual recoveries up to the end of the workout window which is typically two to three years. For workout window of 2 years, the observed LGD from the December 2017 cohort (existing defaults and those defaulted in the next 12 months) was calculated based on actual recoveries observed from January 2018 until December 2020. This is compared to the predicted outcome of the same set of defaults.

Under this approach, realised LGD values for all retail asset classes except 'Small business retail', are lower than predicted LGD values, primarily due to the regulatory guidance to calibrate LGD models to downturn conditions. For 'Small business retail', the underlying model has acceptable performance at model level and the figure seen at exposure level is affected by the very low volume of defaults involved and not a material issue.

#### **Exposure At Default**

EAD takes into consideration the potential drawdown of a commitment as an obligor moves towards default by estimating the Credit Conversion Factor (CCF) of undrawn commitments.

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

### j. Qualitative disclosures related to internal models for measuring credit risk under IRB approach (CRE) (continued)

#### *Exposure At Default (continued)*

The CIB and CB EAD model has adopted the momentum approach to estimate the CCF, with the type of facility and the level of utilisation being key drivers of CCF. The model is calibrated based on the Group's internal downturn experience.

EAD for retail portfolios differs between revolving products and term products. For revolving products, EAD is computed by estimating the CCF of undrawn commitments. For term products, EAD is set at the outstanding balance plus any undrawn portion. All the retail client EAD models are built and validated using internal default data.

The comparison of realised versus predicted EAD is summarised as ratio of the sum of outstanding amount at time of default to the sum of predicted EAD of assets of each defaulted client in 2020. The ratios for all models are smaller than one, indicating that the predicted EAD is higher than the realised outstanding amount at default. This is explained by the regulatory guidance to assign conservatism to the CCF of certain exposure types and to calibrate the models to downturn conditions, as well as by the impact of management action leading to a reduction in actual exposure prior to default.

At 31 December 2020, the portion of exposure at default ("EAD") and RWA within the Group covered by IRB approach are summarised in the following table. The remaining portions not covered by IRB approach are under STC approach.

Percentage of total EAD and RWA covered by IRB approach

At 31 December 2020 Portfolio	<i>Percentage of total EAD under IRB approach</i>	<i>Percentage of total RWA under IRB approach</i>
Corporate exposures (includes SME and other corporates and specialised lending)	95%	91%
Sovereign exposures	94%	100%
Bank exposures (including securities firms)	99%	99%
Residential mortgage loans	96%	91%
Other retail exposures	94%	89%
Equity exposures	0%	0%
Other exposures	98%	98%

The above table covers credit risk for non-securitization exposures excluding counterparty credit risk.

For counterparty credit risk, the percentage of total RWA covered by models is 98% for corporate exposures and nearly 100% for bank exposures.

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

### k. 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 31 December 2020 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	447,459	5,290	35.99%	467,208	0.02%	65	46.13%	1.54	40,542	9%	51	
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	399	269	37.00%	–	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	447,858	5,559	36.04%	467,208	0.02%	65	46.13%	1.54	40,542	9%	51	357
Portfolio (ii) – Bank												
0.00 to < 0.15	334,529	103,283	10.31%	354,908	0.04%	181	44.13%	1.36	52,482	15%	68	
0.15 to < 0.25	7,971	6,312	24.58%	9,473	0.22%	36	40.58%	0.99	3,295	35%	8	
0.25 to < 0.50	7,790	7,261	9.76%	8,267	0.39%	28	43.15%	0.93	4,324	52%	14	
0.50 to < 0.75	7,412	15,668	21.72%	8,557	0.58%	65	41.08%	1.31	5,173	60%	21	
0.75 to < 2.50	3,011	6,279	21.15%	4,092	1.43%	104	36.68%	1.29	3,276	80%	22	
2.50 to < 10.00	611	626	67.66%	898	4.60%	42	23.99%	0.21	678	76%	10	
10.00 to < 100.00	11	32	57.36%	27	25.64%	10	22.61%	0.45	32	118%	1	
100.00 (Default)	–	–	0.00%	–	0.00%	–	0.00%	–	–	0%	–	
Sub-total	361,335	139,461	12.97%	386,222	0.09%	466	43.83%	1.34	69,260	18%	144	610
Portfolio (iii) – Corporate – Other												
0.00 to < 0.15	152,436	166,972	24.69%	211,445	0.08%	859	47.48%	1.29	43,560	21%	81	
0.15 to < 0.25	41,623	50,051	20.97%	57,987	0.22%	526	47.57%	1.23	22,257	38%	61	
0.25 to < 0.50	40,737	55,545	26.68%	54,153	0.39%	499	44.68%	1.47	28,190	52%	93	
0.50 to < 0.75	58,435	89,110	20.15%	71,837	0.57%	745	43.56%	1.42	41,635	58%	174	
0.75 to < 2.50	73,361	53,115	23.79%	77,055	1.37%	954	34.72%	1.39	49,528	64%	329	
2.50 to < 10.00	31,236	26,483	26.47%	25,135	4.53%	553	38.02%	1.16	25,425	101%	373	
10.00 to < 100.00	24,255	14,370	16.44%	10,454	18.86%	420	33.73%	1.78	14,428	138%	436	
100.00 (Default)	6,610	465	20.20%	6,614	100.00%	100	44.06%	1.68	8,848	134%	1,973	
Sub-total	428,693	456,111	23.37%	514,680	2.27%	4,656	43.95%	1.34	233,871	45%	3,520	4,212

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

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

At 31 December 2020 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	–	6	88.25%	5	0.07%	3	54.08%	1.27	1	16%	–	
0.15 to < 0.25	1,268	1,117	57.91%	1,937	0.22%	271	33.93%	1.77	537	28%	1	
0.25 to < 0.50	964	649	23.37%	1,114	0.33%	290	26.83%	1.64	305	27%	1	
0.50 to < 0.75	2,680	1,884	14.16%	2,909	0.59%	310	19.25%	1.22	686	24%	3	
0.75 to < 2.50	8,225	2,862	17.45%	8,597	1.38%	1,536	27.53%	1.56	4,134	48%	33	
2.50 to < 10.00	6,371	1,368	25.64%	6,365	4.70%	546	20.63%	1.28	3,077	48%	60	
10.00 to < 100.00	2,360	247	26.44%	1,760	15.79%	81	24.48%	1.24	1,658	94%	78	
100.00 (Default)	700	81	21.12%	464	100.00%	61	32.70%	1.76	550	119%	143	
Sub-total	22,568	8,214	24.39%	23,151	5.12%	3,098	24.97%	1.44	10,948	47%	319	267
Portfolio (v) – Retail – QRRE												
0.00 to < 0.15	4,946	107,780	49.54%	58,343	0.07%	1,030,058	88.36%	–	2,316	4%	37	
0.15 to < 0.25	342	3,440	81.60%	3,149	0.18%	98,024	78.85%	–	239	8%	4	
0.25 to < 0.50	928	11,161	52.77%	6,817	0.31%	108,476	87.98%	–	901	13%	18	
0.50 to < 0.75	1,645	23,661	49.21%	13,290	0.68%	175,876	89.27%	–	3,357	25%	80	
0.75 to < 2.50	1,159	7,588	52.55%	5,147	1.49%	78,363	88.54%	–	2,339	45%	68	
2.50 to < 10.00	1,904	2,733	62.62%	3,615	5.18%	44,323	89.15%	–	3,841	106%	167	
10.00 to < 100.00	572	284	69.80%	770	24.79%	9,785	88.95%	–	1,634	212%	172	
100.00 (Default)	145	7	0.52%	145	100.00%	5,551	65.68%	–	178	123%	81	
Sub-total	11,641	156,654	50.83%	91,276	0.83%	1,550,456	88.15%	–	14,805	16%	627	145
Portfolio (vi) – Retail – Residential mortgage exposures												
0.00 to < 0.15	236,619	1,300	100.53%	237,926	0.08%	112,923	13.16%	–	37,634	16%	27	
0.15 to < 0.25	152,723	10,653	100.17%	163,395	0.18%	94,305	14.34%	–	18,497	11%	44	
0.25 to < 0.50	33,255	590	101.22%	33,852	0.44%	26,989	13.77%	–	3,697	11%	20	
0.50 to < 0.75	10,845	13	100.68%	10,858	0.55%	8,513	17.41%	–	2,086	19%	10	
0.75 to < 2.50	22,212	448	100.43%	22,661	1.18%	17,178	13.49%	–	4,487	20%	36	
2.50 to < 10.00	4,975	83	100.31%	5,059	3.86%	4,404	12.95%	–	1,848	37%	25	
10.00 to < 100.00	639	7	100.20%	646	31.21%	890	15.17%	–	483	75%	32	
100.00 (Default)	724	–	100.00%	724	100.00%	1,022	16.73%	–	738	102%	63	
Sub-total	461,992	13,094	100.26%	475,121	0.44%	266,224	13.73%	–	69,470	15%	257	639

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

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

At 31 December 2020 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	121	25	84.55%	122	0.08%	9	63.06%	–	14	12%	–	
0.15 to < 0.25	278	16	32.78%	211	0.20%	148	60.13%	–	51	24%	–	
0.25 to < 0.50	665	24	62.05%	373	0.37%	107	39.13%	–	88	24%	1	
0.50 to < 0.75	606	21	21.47%	306	0.62%	169	53.46%	–	133	43%	1	
0.75 to < 2.50	2,754	103	8.45%	1,868	1.52%	795	71.85%	–	1,564	84%	21	
2.50 to < 10.00	1,482	37	9.28%	1,045	4.31%	303	80.35%	–	1,216	116%	36	
10.00 to < 100.00	224	6	2.58%	143	24.24%	86	85.96%	–	237	166%	30	
100.00 (Default)	29	1	0.00%	27	100.00%	17	83.91%	–	76	281%	17	
Sub-total	6,159	233	25.01%	4,095	3.39%	1,634	69.37%	–	3,379	83%	106	54
Portfolio (viii) – Other retail exposures to individuals												
0.00 to < 0.15	2,579	15,200	85.64%	15,598	0.06%	68,365	80.27%	–	2,084	13%	8	
0.15 to < 0.25	2,503	3,206	80.87%	5,096	0.16%	23,682	80.91%	–	1,448	28%	7	
0.25 to < 0.50	14,360	5,174	63.72%	17,657	0.34%	53,535	76.46%	–	7,693	44%	46	
0.50 to < 0.75	7,601	3,037	55.74%	9,294	0.67%	36,774	78.23%	–	6,112	66%	49	
0.75 to < 2.50	20,884	6,124	35.97%	23,087	1.35%	82,594	60.90%	–	15,852	69%	192	
2.50 to < 10.00	36,254	6,895	63.22%	40,611	4.68%	129,272	53.85%	–	31,292	77%	889	
10.00 to < 100.00	3,215	625	39.68%	3,463	22.78%	22,192	73.22%	–	5,050	146%	576	
100.00 (Default)	1,265	3	0.00%	1,265	100.00%	21,911	63.04%	–	1,502	119%	677	
Sub-total	88,661	40,264	68.08%	116,071	3.80%	438,325	66.06%	–	71,033	61%	2,444	1,014
<b>Total (all portfolios subject to the IRB approaches)</b>	<b>1,828,907</b>	<b>819,590</b>	<b>30.37%</b>	<b>2,077,824</b>	<b>1.00%</b>	<b>2,264,924</b>	<b>40.52%</b>	<b>1.41</b>	<b>513,308</b>	<b>25%</b>	<b>7,468</b>	<b>7,298</b>

Increase in exposures was in line with the balance sheet growth during the period.

Provisions in this table represent the eligible provisions as defined under Division 1, Part 6 of the BCR which include the regulatory reserves for general banking risks under IRB approach, which increases as customer loan increases.

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

### I. 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 31 December 2020		(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)	10,782	10,782
3	Corporate – Specialized lending under supervisory slotting criteria approach (commodities finance)	–	–
4	Corporate – Specialized lending under supervisory slotting criteria approach (income-producing real estate)	8,432	8,432
5	Corporate – Specialized lending (high-volatility commercial real estate)	–	–
6	Corporate – Small-and-medium sized corporates	10,948	10,948
7	Corporate – Other corporates	233,871	233,871
8	Sovereigns	32,876	32,876
9	Sovereign foreign public sector entities	7,666	7,666
10	Multilateral development banks	–	–
11	Bank exposures – Banks	59,002	59,002
12	Bank exposures – Securities firms	7,804	7,804
13	Bank exposures – Public sector entities (excluding sovereign foreign public sector entities)	2,454	2,454
14	Retail – Small business retail exposures	3,379	3,379
15	Retail – Residential mortgages to individuals	67,347	67,347
16	Retail – Residential mortgages to property-holding shell companies	2,123	2,123
17	Retail – Qualifying revolving retail exposures (QRRE)	14,805	14,805
18	Retail – Other retail exposures to individuals	71,033	71,033
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)	–	–
24a	Equity – Equity exposures associated with equity investments in funds (CIS exposures)	–	–
25	Other – Cash items	373	373
26	Other – Other items	40,884	40,884
<b>27</b>	<b>Total</b>	<b>573,779</b>	<b>573,779</b>

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

Increase in RWA was in line with balance sheet growth.

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

### m. 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
<b>1 RWA as at end of previous reporting period (30 September 2020)</b>	<b>574,005</b>
2 Asset size	(11,172)
3 Asset quality	345
4 Model updates	–
5 Methodology and policy	–
6 Acquisitions and disposals	–
7 Foreign exchange movements	10,229
8 Other	–
<b>9 RWA as at end of reporting period (31 December 2020)</b>	<b>573,407</b>

RWA decrease from asset size was driven by the decrease in short term corporate loan exposures mainly in Hong Kong.

RWA increase from foreign exchange movements were mainly due to appreciation of CNY and KRW.

### n. Back-testing of PD per portfolio – for IRB approach (CR9)

The following table sets out the comparison between observed and predicted PD, LGD and EAD.

#### Observed vs. Predicted PD, LGD and EAD

2020	Asset Class	PD (%)		LGD (%)		EAD Ratio Observed /Predicted)
		Observed	Predicted	Observed	Predicted	
	Sovereigns	0.00	0.16	N/A	N/A	N/A
	Banks	0.13	0.75	N/A	N/A	0.45
	Corporates	1.42	3.11	35.94	44.59	0.84
	Qualifying revolving retail exposures (QRRE)	0.24	0.61	65.81	75.83	0.82
	Residential mortgages	0.12	0.46	12.85	20.30	0.97
	Small business retail exposures	2.35	3.40	88.84	86.27	0.89
	Other retail exposures to individuals	2.09	3.31	58.02	60.71	0.97
2019	Asset Class	PD (%)		LGD (%)		EAD Ratio Observed /Predicted)
		Observed	Predicted	Observed	Predicted	
	Sovereigns	0.00	0.24	N/A	N/A	N/A
	Banks	0.00	0.49	N/A	N/A	N/A
	Corporates	1.81	3.57	26.12	46.90	0.82
	Qualifying revolving retail exposures (QRRE)	0.27	0.63	64.11	74.38	0.82
	Residential mortgages	0.17	0.54	19.30	21.87	0.98
	Small business retail exposures	2.89	3.26	86.18	85.80	0.83
	Other retail exposures to individuals	2.10	3.40	41.00	59.89	0.94

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

### n. Back-testing of PD per portfolio – for IRB approach (CR9) (continued)

The following table sets out back-testing data to validate the reliability of PD calculations, including a comparison of the PD used to calculate capital requirements with the effective default rates of obligors under the IRB approach.

(a)	(b) PD Range (as of 31 December 2019)	(c) External rating equivalent	(d) Weighted average PD	(e) Arithmetic average PD by obligors	(f) Number of obligors		(g) Defaulted obligors in the year	(h) Of which: new defaulted obligors in the year	(i) Average historical annual default rate
					31 December 2019	31 December 2020			
Portfolio (i) –			0.02%	0.16%	100	104	0	0	0.00%
Sovereign	0.00 to < 0.15	AAA to BBB-			99	87			
	0.15 to < 0.25	BBB, BBB-			0	0			
	0.25 to < 0.50	BBB-, BB+, BB			0	0			
	0.50 to < 0.75	BB+, BB			0	0			
	0.75 to < 2.50	BB, BB-, B+, B			0	0			
	2.50 to < 10.00	B, B-, CCC, C			0	0			
	10.00 to < 100.00	CCC, C			1	1			
	New obligors acquired during the year	D				16			
Portfolio (ii) –			0.08%	0.75%	798	974	1	0	0.03%
Bank	0.00 to < 0.15	AAA to BBB-			359	273			
	0.15 to < 0.25	BBB, BBB-			64	49			
	0.25 to < 0.50	BBB-, BB+, BB			59	47			
	0.50 to < 0.75	BB+, BB			88	63			
	0.75 to < 2.50	BB, BB-, B+, B			196	137			
	2.50 to < 10.00	B, B-, CCC, C			24	9			
	10.00 to < 100.00	CCC, C			8	4			
	New obligors acquired during the year	D				392			
Portfolio (iii) –			0.64%	0.61%	112	147	0	0	0.00%
Corporate -	0.00 to < 0.15	AAA to BBB-			15	15			
Specialized	0.15 to < 0.25	BBB, BBB-			15	4			
Lending under	0.25 to < 0.50	BBB-, BB+, BB			12	12			
supervisory	0.50 to < 0.75	BB+, BB			33	33			
slotting	0.75 to < 2.50	BB, BB-, B+, B			37	30			
criteria	2.50 to < 10.00	B, B-, CCC, C			0	0			
approach	10.00 to < 100.00	CCC, C			0	0			
(object									
finance)									
	New obligors acquired during the year	D				53			

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

### n. Back-testing of PD per portfolio – for IRB approach (CR9) (continued)

(a)	(b) PD Range (as of 31 December 2019)	(c) External rating equivalent	(d) Weighted average PD	(e) Arithmetic average PD by obligors	(f) Number of obligors		(g) Defaulted obligors in the year	(h) Of which: new defaulted obligors in the year	(i) Average historical annual default rate
					December 2019	December 2020			
Portfolio (iv) –			3.00%	4.31%	6,299	7,090	136	2	3.01%
Corporate –	0.00 to < 0.15	AAA to BBB-			1	1			
Small-and- medium sized corporates	0.15 to < 0.25	BBB, BBB-			398	326			
	0.25 to < 0.50	BBB-, BB+, BB			196	168			
	0.50 to < 0.75	BB+, BB			893	755			
	0.75 to < 2.50	BB, BB-, B+, B			1,772	1,514			
	2.50 to < 10.00	B, B-, CCC, C			2,117	1,676			
	10.00 to < 100.00	CCC, C			922	605			
	New obligors acquired during the year	D				2,045			
Portfolio (v) –			0.85%	2.05%	6,052	7,137	41	1	0.70%
Corporate –	0.00 to < 0.15	AAA to BBB-			1,243	1,061			
Other corporates	0.15 to < 0.25	BBB, BBB-			819	637			
	0.25 to < 0.50	BBB-, BB+, BB			721	587			
	0.50 to < 0.75	BB+, BB			947	736			
	0.75 to < 2.50	BB, BB-, B+, B			1,106	809			
	2.50 to < 10.00	B, B-, CCC, C			779	511			
	10.00 to < 100.00	CCC, C			437	206			
	New obligors acquired during the year	D				2,590			
Portfolio (vi) –			0.76%	0.61%	1,625,586	1,556,648	4,055	133	0.36%
Retail –	0.00 to < 0.15				1,068,771	913,189			
Qualifying revolving retail exposures	0.15 to < 0.25				94,512	80,848			
	0.25 to < 0.50				130,340	112,848			
	0.50 to < 0.75				181,050	166,502			
	0.75 to < 2.50				82,643	75,370			
	2.50 to < 10.00				55,123	49,117			
	10.00 to < 100.00				13,147	10,534			
	New obligors acquired during the year					148,240			
Portfolio (vii) –			0.43%	0.46%	255,582	290,231	318	8	0.16%
Retail –	0.00 to < 0.15				126,243	105,155			
Residential mortgage exposures	0.15 to < 0.25				70,152	58,177			
	0.25 to < 0.50				25,113	20,459			
	0.50 to < 0.75				9,265	8,049			
	0.75 to < 2.50				17,999	14,783			
	2.50 to < 10.00				5,508	4,470			
	10.00 to < 100.00				1,302	1,097			
	New obligors acquired during the year					78,041			

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

### n. Back-testing of PD per portfolio – for IRB approach (CR9) (continued)

(a)	(b)	(c)	(d)	(e)	(f)		(g)	(h)	(i)
	PD Range (as of 31 December 2019)	External rating equivalent	Weighted average PD	Arithmetic average PD by obligors	Number of obligors 31 December 2019      31 December 2020		Defaulted obligors in the year	Of which: new defaulted obligors in the year	Average historical annual default rate
Portfolio (viii)			2.95%	3.40%	21,207	18,422	518	19	2.75%
– Retail –	0.00 to < 0.15				1,004	658			
Small	0.15 to < 0.25				1,002	600			
business retail	0.25 to < 0.50				2,397	1,466			
exposures	0.50 to < 0.75				2,218	1,401			
	0.75 to < 2.50				8,117	5,727			
	2.50 to < 10.00				5,233	3,876			
	10.00 to < 100.00				1,236	708			
	New obligors acquired during the year					3,986			
Portfolio (ix) –			4.31%	3.31%	455,888	466,967	9,931	385	2.15%
– Retail –	0.00 to < 0.15				71,637	62,901			
Other retail	0.15 to < 0.25				24,132	21,119			
exposures	0.25 to < 0.50				59,705	49,062			
to individuals	0.50 to < 0.75				40,890	33,032			
	0.75 to < 2.50				88,238	65,362			
	2.50 to < 10.00				144,274	114,140			
	10.00 to < 100.00				27,012	18,507			
	New obligors acquired during the year					102,844			

Please refer to note 9j (CRE) for the explanation on back-testing results.

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

### o. Specialized lending under supervisory slotting criteria approach and equities under simple risk-weight method – 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 31 December 2020		(a)	(b)	(c)	(d) EAD amount					(e)	(f)
Regulatory Categories	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 <sup>^</sup>	Less than 2.5 years	1,108	31	50%	–	777	–	340	1,117	559	–
Strong	Equal to or more than 2.5 years	3,150	188	70%	–	3,221	–	–	3,221	2,255	13
Good <sup>^</sup>	Less than 2.5 years	1,154	393	70%	–	230	–	932	1,162	813	5
Good	Equal to or more than 2.5 years	2,373	667	90%	–	2,087	–	494	2,581	2,323	21
Satisfactory		9,108	4,664	115%	–	5,304	–	6,230	11,534	13,264	322
Weak		–	–	250%	–	–	–	–	–	–	–
Default		–	–	0%	–	–	–	–	–	–	–
<b>Total</b>		<b>16,893</b>	<b>5,943</b>		<b>–</b>	<b>11,619</b>	<b>–</b>	<b>7,996</b>	<b>19,615</b>	<b>19,214</b>	<b>361</b>

Increase in total exposures and RWA was in line with the balance sheet growth during the period.

<sup>^</sup> Use of preferential risk-weights.

## 10 Counterparty Credit risk

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

Counterparty credit risk (CCR) is the risk that a counterparty in foreign exchange, interest rate, commodity, equity or credit derivative or repo contract defaults prior to the maturity date of the contract, and that the Group at the time has a claim on the counterparty. CCR arises predominantly in the trading book, but also arises in the non-trading book when hedging with external counterparties is required.

CCR is managed within the overall credit risk appetite for corporate and financial institutions. CCR limits are set for individual counterparties, including central clearing counterparties, and for specific portfolios. Individual limits are calibrated to the credit grade and business model of the counterparties. Portfolio limits are set to contain concentration risk across multiple dimensions, and are set on PFE or other equivalent measures.

The Group reduces its credit exposures to counterparties by entering into contractual netting agreements where feasible. This results in a single amount owed by or to the counterparty. The amount is calculated by netting the Mark-To-Market (MTM) owed by the counterparty to the Group and the MTM owed by the Group to the counterparty on the transactions covered by the netting agreement. In line with the International Accounting Standard (IAS) 32 principles, the Group's balance sheet will present assets and liabilities on a net basis provided there is a legally enforceable right to set off assets and liabilities, and the Group intends to settle on a net basis or realise the asset and liability simultaneously.

## 10 Counterparty Credit risk (continued)

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

The Group seeks to negotiate Credit Support Annexes (CSAs) with counterparties when collateral is deemed a necessary or desirable mitigant to the exposure.

The MTM of all trades captured under CSAs is calculated daily. Additional collateral will be called from the counterparty if total uncollateralised MTM exposure exceeds the threshold and minimum transfer amount specified in the CSA. Additional collateral may be required from the counterparty to provide an extra buffer to the daily variation margin process.

In line with market convention, the Group negotiates CSA terms for certain counterparties where the thresholds related to each party are dependent on their ECAI long-term rating. Such clauses are typically mutual in nature. As a result, a downgrade in the Group's rating would result in some counterparties seeking additional collateral calls to cover negative MTM portfolios where thresholds are lowered. As of 31 Dec 2020, the Group was not required to provide additional collateral in the case of an one-notch credit rating downgrade.

#### Wrong-way risk

Wrong-way risk occurs when an exposure increase is coupled with a decrease in the credit quality of the obligor. Specifically, as the MTM on a derivative or repo contract increases in favour of the Group, the driver of this MTM change also reduces the ability of the counterparty to meet its payment, margin call or collateral posting requirements. Wrong-way risk mostly arises from FX transactions and financing transactions. The Group employs various policies and procedures to ensure that wrong-way risk exposures are recognised upfront, monitored, and where required, contained by limits on country, tenor, collateral type and counterparty.

#### Stress Testing

Stress testing is an integral part of CCR management, complementing PFE or other portfolio limits. Single and multi-factor scenarios are regularly applied to the CCR portfolio to identify and quantify exposures that could become a concern for the Group. The stressed exposures are monitored monthly at regional and global counterparty credit risk exposure forums. The relevance and severity of the stress scenarios are periodically reviewed with cross functional stakeholders.

#### Exposure value calculation

Exposure calculation used for risk management is based on PFE. The PFE is mostly calculated from simulation models, and from PFE add-ons for the non-simulated products.

Derivatives exposures are calculated using the Mark-to-Market Method. Individual transactions are measured using the sum of current replacement cost and potential future credit exposure, and the benefit of master netting agreements is applied using the Net-Gross Ratio. Exposure for repurchase transactions and securities lending or borrowing transactions is calculated using the Financial Collateral Comprehensive Method. Supervisory volatility adjustments are applied to both collateral and exposure legs and the benefit of master netting agreements is taken into consideration.

The Group has credit policies and procedures setting out the criteria for collateral to be recognised as a credit risk mitigant, including requirements concerning legal certainty, priority, concentration, correlation, liquidity and valuation parameters such as frequency of review and independence.

The Group also has policies and procedures in place setting out the criteria for guarantees to be recognised as a credit risk mitigant. Where guarantees meet regulatory criteria, the Group treats the exposure as guarantor risk from counterparty credit risk capital standpoint.

#### Credit valuation adjustments

Credit valuation adjustments (CVA) measures potential MTM loss associated with the deterioration in the creditworthiness of the counterparty. The Group applies standardized approach to calculate CVA capital charge on over-the-counter derivative contracts.

## 10 Counterparty Credit risk (continued)

### b. 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.

	(a)	(b)	(c)	(d)	(e)	(f)
	Replacement cost (RC)	PFE	Effective EPE	Alpha ( $\alpha$ ) used for computing default risk exposure	Default risk exposure after CRM	RWA
At 31 December 2020	HK\$'M		%		HK\$'M	HK\$'M
1 SA-CCR (for derivative contracts)	–	–		1.4	–	–
1a CEM	50,761	63,291		N/A	114,043	29,241
2 IMM (CCR) approach			–	0.0	–	–
3 Simple Approach (for SFTs)					–	–
4 Comprehensive Approach (for SFTs)					100,906	2,206
5 VaR (for SFTs)					–	–
<b>6 Total</b>						<b>31,447</b>

Increase in default risk exposure after CRM was mainly driven by the increase in volume and positive mark-to-market on foreign exchange derivative contracts, partially offset by the decrease in volume of Repo transactions.

### c. 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.

	(a)	(b)
At 31 December 2020	EAD post CRM HK\$'M	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	95,392	19,120
<b>4 Total</b>	<b>95,392</b>	<b>19,120</b>

Increase in CVA capital charge was in line with the increase in default risk exposure in respective of derivative contracts.

## 10 Counterparty Credit risk (continued)

### d. 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 31 December 2020	(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 <sup>1</sup>	351	-	-	-	-	-	-	-	-	-	351
4 Bank exposures	-	-	-	-	-	-	-	-	-	-	-
5 Securities firm exposures	-	-	-	-	-	-	-	-	-	-	-
6 Corporate exposures <sup>1</sup>	-	-	78	-	-	-	481	-	-	-	559
7 CIS exposures	-	-	-	-	-	-	-	-	-	-	-
8 Regulatory retail exposures <sup>1</sup>	-	-	-	-	-	22	-	-	-	-	22
9 Residential mortgage loans	-	-	-	-	-	-	-	-	-	-	-
10 Other exposures which are not past due exposures	-	-	-	-	-	-	-	-	-	-	-
11 Significant exposures to commercial entities	-	-	-	-	-	-	-	-	-	-	-
<b>12 Total<sup>1</sup></b>	<b>351</b>	<b>-</b>	<b>78</b>	<b>-</b>	<b>-</b>	<b>22</b>	<b>481</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>932</b>

<sup>1</sup> Increase in total default risk exposure after CRM was mainly due to increase in multilateral development bank exposures and corporate exposures partially offset by the decrease in regulatory retail exposures.

## 10 Counterparty Credit risk (continued)

### e. 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 31 December 2020 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
<b>Portfolio (i) – Sovereign</b>							
0.00 to < 0.15	27,829	0.03%	20	15.67%	0.64	780	2.80%
0.15 to < 0.25	–	0.00%	–	0.00%	–	–	0.00%
0.25 to < 0.50	–	0.00%	–	0.00%	–	–	0.00%
0.50 to < 0.75	–	0.00%	–	0.00%	–	–	0.00%
0.75 to < 2.50	–	0.00%	–	0.00%	–	–	0.00%
2.50 to < 10.00	–	0.00%	–	0.00%	–	–	0.00%
10.00 to < 100.00	–	0.00%	–	0.00%	–	–	0.00%
100.00 (Default)	–	0.00%	–	0.00%	–	–	0.00%
<b>Sub-total</b>	<b>27,829</b>	<b>0.03%</b>	<b>20</b>	<b>15.67%</b>	<b>0.64</b>	<b>780</b>	<b>2.80%</b>
<b>Portfolio (ii) – Bank</b>							
0.00 to < 0.15	142,994	0.05%	92	24.00%	0.83	12,174	8.51%
0.15 to < 0.25	6,625	0.22%	31	30.44%	1.01	1,999	30.17%
0.25 to < 0.50	3,921	0.39%	17	22.85%	0.69	1,255	32.00%
0.50 to < 0.75	4,905	0.55%	32	9.22%	0.62	618	12.59%
0.75 to < 2.50	2,514	1.21%	16	7.42%	0.98	340	13.52%
2.50 to < 10.00	52	2.67%	2	5.00%	1.00	6	11.74%
10.00 to < 100.00	73	13.77%	1	73.38%	1.56	244	334.87%
100.00 (Default)	–	0.00%	–	0.00%	–	–	0.00%
<b>Sub-total</b>	<b>161,084</b>	<b>0.11%</b>	<b>191</b>	<b>23.55%</b>	<b>0.83</b>	<b>16,636</b>	<b>10.33%</b>
<b>Portfolio (iii) – Corporate</b>							
0.00 to < 0.15	6,917	0.09%	294	47.19%	1.87	2,077	30.03%
0.15 to < 0.25	2,898	0.22%	370	51.29%	1.79	1,514	52.25%
0.25 to < 0.50	3,421	0.39%	201	51.28%	1.50	2,043	59.72%
0.50 to < 0.75	6,156	0.60%	207	35.59%	0.84	2,871	46.63%
0.75 to < 2.50	4,841	1.09%	161	38.09%	1.38	3,343	69.08%
2.50 to < 10.00	742	3.47%	49	65.27%	1.01	1,243	167.43%
10.00 to < 100.00	121	14.04%	22	73.10%	2.30	424	350.35%
100.00 (Default)	8	100.00%	1	5.00%	4.57	3	30.86%
<b>Sub-total</b>	<b>25,104</b>	<b>0.66%</b>	<b>1,305</b>	<b>44.27%</b>	<b>1.44</b>	<b>13,518</b>	<b>53.85%</b>
<b>Total (all portfolios subject to the IRB approaches)</b>	<b>214,017</b>	<b>0.16%</b>	<b>1,516</b>	<b>24.95%</b>	<b>0.87</b>	<b>30,934</b>	<b>14.45%</b>

Increase in EAD post-CRM was mainly due to the increase in exposures under bank portfolios partially offset by the decrease in exposures under corporate portfolios.

## 10 Counterparty Credit risk (continued)

### f. 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.

At 31 December 2020	(a) (b) (c) (d)				(e) (f)	
	Derivative contracts				SFTs	
	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	received	collateral
	HK\$'M	HK\$'M	HK\$'M	HK\$'M	HK\$'M	HK\$'M
Cash – domestic currency	–	–	–	27	–	5,451
Cash – other currencies	–	11,323	–	10,702	30,315	59,798
Domestic sovereign debt	–	–	–	–	–	–
Other sovereign debt	–	–	–	–	27,214	33,371
Government agency debt	–	–	–	–	7,335	–
Corporate bonds	–	5,233	–	–	18,146	2,286
Equity securities	–	–	–	–	5,897	–
Other collateral	–	949	–	–	–	–
<b>Total</b>	<b>–</b>	<b>17,505</b>	<b>–</b>	<b>10,729</b>	<b>88,907</b>	<b>100,906</b>

Increase in unsegregated collateral received for derivative contracts were mainly driven by the increase in positive fair value of derivative contracts, while the decrease in SFT received and posted collaterals was in line with the decrease in reverse repos during the period.

### g. 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 31 December 2020	(a)	(b)
	Protection bought	Protection sold
	HK\$'M	HK\$'M
<b>Notional amounts</b>		
Single-name credit default swaps	–	–
Index credit default swaps	–	–
Total return swaps	41,600	–
Credit-related options	–	–
Other credit-related derivative contracts	7,099	6,501
<b>Total notional amounts</b>	<b>48,699</b>	<b>6,501</b>
<b>Fair values</b>		
Positive fair value (asset)	215	36
Negative fair value (liability)	(10,428)	–

Increase in notional amount was mainly driven by the increase in transaction volume for total return swaps.

## 10 Counterparty Credit risk (continued)

### h. 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 31 December 2020	(a) Exposure after CRM HK\$'M	(b) RWA HK\$'M
<b>1 Exposures of the AI as clearing member or client to qualifying CCPs (total)</b>		<b>4,157</b>
2 Default risk exposures to qualifying CCPs (excluding items disclosed in rows 7 to 10), of which:	33,505	670
3 (i) OTC derivative transactions	–	–
4 (ii) Exchange-traded derivative contracts	33,505	670
5 (iii) Securities financing transactions	–	–
6 (iv) Netting sets subject to valid cross-product netting agreements	–	–
7 Segregated initial margin	–	
8 Unsegregated initial margin	531	11
9 Funded default fund contributions	278	3,476
10 Unfunded default fund contributions	–	–
<b>11 Exposures of the AI as clearing member or client to non-qualifying CCPs (total)</b>		<b>–</b>
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 driven by higher transaction volume and increase in customer demands.

## 11 Securitization exposures

### a. Qualitative disclosures related to securitization exposure (SECA)

Securitization activities are undertaken by the Group for risk-taking purpose by various businesses acting as investors. The Group 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 Group was an originating institution under the regulatory consolidation scope.

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

The Group's securitization exposures are measured in accordance with the accounting policy described in note 2(i) of the 2020 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 Banking and Commercial Banking clients, there is an internal credit model in place to measure any change in the performance of the underlying collateral pools.

### b. 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:	-	-	-	-	-	-	<b>22,701</b>	-	<b>22,701</b>
2 residential mortgage	-	-	-	-	-	-	14,959	-	14,959
3 credit card	-	-	-	-	-	-	714	-	714
4 other retail exposures	-	-	-	-	-	-	7,028	-	7,028
5 re-securitization exposures	-	-	-	-	-	-	-	-	-
6 Wholesale (total) – of which:	-	-	-	-	-	-	<b>5,314</b>	-	<b>5,314</b>
7 loans to corporates	-	-	-	-	-	-	-	-	-
8 commercial mortgage	-	-	-	-	-	-	-	-	-
9 lease and receivables	-	-	-	-	-	-	-	-	-
10 other wholesale	-	-	-	-	-	-	5,314	-	5,314
11 re-securitization exposures	-	-	-	-	-	-	-	-	-

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



## 12 Market risk

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

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

Further information regarding market risk governance and management is set out in note 34 (c) traded risk on pages 124 to 129 of the 2020 consolidated financial statements.

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

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

At 31 December 2020		(a) RWA HK\$'M
Outright product exposures		
1	Interest rate exposures (general and specific risk)	89,737
2	Equity exposures (general and specific risk)	–
3	Foreign exchange (including gold) exposures	10,154
4	Commodity exposures	3,178
Option exposures		
5	Simplified approach	–
6	Delta-plus approach	1,188
7	Other approach	–
8	Securitization exposures	4,936
9	<b>Total</b>	<b>109,193</b>

Increase in RWA from interest rate exposures is mainly driven by the increase in interest rate positions for CNY and KRW. Increase in RWA from foreign exchange exposures is mainly driven by CNY net open position. RWA from securitization exposures increased due to increase in unrated positions.

### c. Market risk exposures on guaranteed retirement funds

The capital requirement for the Group'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 31 December 2020, the accounting provisions exceed the potential shortfalls, hence there are no additional capital requirements.

## 13 Interest rate risk

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

#### Overview

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

IRRBB is managed at country level by the ALCO and at regional level by the RALCO, and is independently monitored by Treasury Risk and Finance. IRRBB is also subject to Group Internal Audit and model governance. IRRBB models are independently validated and approved by a designated model approval body.

#### Measurement of IRRBB

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

#### Methodology

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

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

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

The NII is computed based on the assumption of a constant balance sheet excluding non-rate-sensitive items. The non-maturing deposits (NMD) are repriced based on the NMD behavioral model while the managed rate asset is repriced after the first business day. Non-maturing positions (which are not subject to any behavioral assumptions / models) are 100% repriced after the first business day.

The average repricing maturity of NMD has been determined based on the relationship between market interest rate and interest rate offered to the customer with consideration of the historical run off behavior.

As at 31 December 2020, the Group's average and longest repricing maturity assigned to non-maturing deposits are 0.32 year and 4.5 years respectively.

Prepayment model has been used to forecast prepayment rates on retail fixed rate loans and floating rate mortgage portfolios without prime rate cap. The redemption rates of the term deposits have been determined via the parametric time series model.

### 13 Interest rate risk (continued)

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

##### Methodology (continued)

The Group has identified certain automatic options positions in the banking book. Statistical models have been used for computing the values of the automatic options for EVE calculation. The optionality is split out and priced in isolation using applicable method.

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

##### Management of IRRBB

The Group uses Funds Transfer Pricing (FTP) to transfer repricing risk from the business to Treasury Markets, including that arising from structural positions such as the investment of equity and non-maturity deposit balances. For non-maturity deposits, the assumed duration is dependent on the portion that can be considered stable and the degree to which these balances are considered price sensitive. The repricing risk transferred to Treasury Markets is managed on an integrated basis with a securities portfolio maintained for liquidity and investment management purposes. Any basis risk that is not transferred and cannot be hedged by Treasury Markets is reported and overseen at ALCO and RALCO.

Repricing risk arising within Treasury Markets is managed using a combination of on-balance sheet and derivative hedges; derivative hedges are subject to Fair Value and Cash Flow Hedge accounting treatment where available under Hong Kong Financial Reporting Standards. Treasury Markets' interest rate risk positions and limits are independently monitored by the Traded Risk Management (TRM) function.

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

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

HK\$'M	Period	$\Delta EVE$		$\Delta NII$	
		Change in economic value of equity At 31 December 2020	At 31 December 2019	Change in net interest income At 31 December 2020	At 31 December 2019
1	Parallel up	8,056	6,372	1,511	1,536
2	Parallel down	92	2,553	1,427	1,512
3	Steeper	456	794		
4	Flattener	5,611	4,097		
5	Short rate up	4,333	4,058		
6	Short rate down	27	1,621		
7	<b>Maximum</b>	8,056	6,372	1,511	1,536
	<b>Period</b>	<b>T</b>		<b>T-1</b>	
8	<b>Tier 1 capital</b>	152,645		138,097	

### 13 Interest rate risk (continued)

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

As of 31 December 2020, the most adverse of the six HKMA interest rate scenarios with regard to EVE was the “Parallel up” scenario (a constant parallel shock up across all time buckets), resulting in an adverse change of economic value of equity of HK\$ 8,056 million (2019: HK\$ 6,372 million), representing an effect equal to 5.3% (2019: 4.6%) of Tier 1 capital.

The more adverse of the two parallel interest rate scenarios with regard to NII over the next 12 months was the “Parallel up” scenario, resulting in a potential loss of HK\$ 1,511 million (2019: HK\$ 1,536 million).

Most of the Central Banks adopted expansionary monetary policy in 2020 in view of Covid-19 outbreak. Market interest rates such as HIBOR dropped significantly in 2020 resulting in an increase in EVE.

### 14 Remuneration (REMA/REM1/REM2/REM3)

Pursuant to Section 3 of CG-5 on Guideline on a Sound Remuneration System of the Supervisory Policy manual issued by the HKMA and to comply with the Banking (Disclosure) Rules Section 16ZS-16ZV, the following disclosures are required:

- a) Information relating to the governance structure of the remuneration system
- b) Information relating to the design and structure of the remuneration processes
- c) Description of the ways in which current and future risks are taken into account in the remuneration processes
- d) Description of the ways in which the Group seeks to link performance during a performance measurement period with levels of remuneration
- e) Description of the ways in which the Group seeks to adjust remuneration to take account of longer-term performance
- f) Description of the different forms of variable remuneration that the Group utilises and the rationale for using these different forms
- g) Number of meetings held by the Board Remuneration Committee during the financial year and remuneration paid to the staff

The Group adopts the remuneration policy and systems of SC PLC. Please refer to the Directors’ Remuneration Report in the Annual Report of SC PLC for details of the Board Remuneration Committee, the major characteristics of the remuneration system, and how risks are taken into account in the remuneration processes.

- h) Aggregate quantitative information on remuneration for Senior Management and Key Personnel (Note 1) for the years ended 31 December 2020 and 31 December 2019 are as follows:

**14 Remuneration (REMA/REM1/REM2/REM3) (continued)****Analysis of remuneration split between fixed and variable remuneration<sup>2</sup>**

	2020		2019	
	Senior Management <sup>1</sup> HK\$'000	Key Personnel <sup>1</sup> HK\$'000	Senior Management <sup>1</sup> HK\$'000	Key Personnel <sup>1</sup> HK\$'000
Fixed remuneration				
– Cash-based <sup>3</sup>	87,346	94,197	62,672	71,777
– Shares and shared-linked instruments	–	–	–	–
– Others	–	–	–	–
Variable remuneration				
– Up front cash <sup>3</sup>	34,129	40,697	31,018	29,236
– Up front shares	16,933	16,932	13,958	15,119
– Deferred cash	23,372	21,395	19,655	19,662
– Deferred shares				
Restricted shares	35,413	23,448	28,455	20,645
Performance shares	–	–	–	–
– Others	–	–	–	–
Total remuneration <sup>3</sup>	<u>197,193</u>	<u>196,669</u>	<u>155,758</u>	<u>156,439</u>
Number of staff at 31 December <sup>4</sup>	16	25	13	26

**Analysis of deferred remuneration<sup>5</sup>**

	2020		2019	
	Senior Management <sup>1</sup> HK\$'000	Key Personnel <sup>1</sup> HK\$'000	Senior Management <sup>1</sup> HK\$'000	Key Personnel <sup>1</sup> HK\$'000
At 1 January	144,099	103,754	63,524	64,186
Dividends granted during the year	414	192	508	593
Awarded during the year	58,785	44,843	48,110	40,307
Paid out during the year	(28,698)	(28,988)	(29,503)	(29,512)
Vested and lapsed during the year	(654)	(2,495)	(125)	(1,890)
Non vested due to performance adjustment	(642)	–	(2,249)	(2,238)
Impact of changes to the population during the year <sup>4</sup>	<u>2,063</u>	<u>198</u>	<u>44,170</u>	<u>35,148</u>
At 31 December	<u>175,367</u>	<u>117,504</u>	<u>124,435</u>	<u>106,594</u>
Vested during the year	<u>28,889</u>	<u>28,118</u>	<u>29,192</u>	<u>30,025</u>

**14 Remuneration (REMA/REM1/REM2/REM3) (continued)****Analysis of total amount of outstanding deferred remuneration<sup>5</sup>**

	2020		2019	
	Senior Management <sup>1</sup> HK\$'000	Key Personnel <sup>1</sup> HK\$'000	Senior Management <sup>1</sup> HK\$'000	Key Personnel <sup>1</sup> HK\$'000
At 31 December				
– Vested	4,092	13,630	1,426	14,570
– Not-vested	171,275	103,874	123,009	92,024
	<u>175,367</u>	<u>117,504</u>	<u>124,435</u>	<u>106,594</u>
At 31 December				
– Cash	55,970	40,437	38,125	34,720
– Shares	119,397	77,067	86,310	71,874
– Cash-linked instruments	–	–	–	–
– Others	–	–	–	–
	<u>175,367</u>	<u>117,504</u>	<u>124,435</u>	<u>106,594</u>
Total amount of remuneration exposed to ex post explicit and / or implicit adjustments <sup>6</sup>				
– Deferred remuneration (outstanding)	175,367	117,504	124,435	106,594
– Retained remuneration	12,987	15,232	18,727	18,712

**Analysis of adjustments of deferred remuneration<sup>5</sup>**

	2020		2019	
	Senior Management <sup>1</sup> HK\$'000	Key Personnel <sup>1</sup> HK\$'000	Senior Management <sup>1</sup> HK\$'000	Key Personnel <sup>1</sup> HK\$'000
Total amount of adjustments during the financial year due to:				
– ex post explicit adjustments	(642)	–	(2,249)	(2,238)
– ex post implicit adjustments	<u>(50,145)</u>	<u>(31,865)</u>	<u>14,160</u>	<u>11,322</u>

## 14 Remuneration (REMA/REM1/REM2/REM3) (continued)

### Analysis of guaranteed bonuses, sign-on awards and severance payments during the year<sup>5</sup>

	2020		2019	
	Senior Management <sup>1</sup> HK\$'000	Key Personnel <sup>1</sup> HK\$'000	Senior Management <sup>1</sup> HK\$'000	Key Personnel <sup>1</sup> HK\$'000
Guaranteed bonuses awarded	-	-	-	-
Sign-on awards made	-	-	-	-
Severance payments awarded and made	-	-	625	439
Highest severance payments awarded	-	-	625	439
Number of beneficiaries of guaranteed bonuses awarded	-	-	-	-
Number of beneficiaries of sign-on awards made	-	-	-	-
Number of beneficiaries of severance payments awarded and made	-	-	1	1

<sup>1</sup> As defined in the CG-5 Guideline on a Sound Remuneration System issued by the HKMA, Senior Management are those who are responsible for oversight of either the Group's company-wide strategy or activities, or those of the Group's material business lines. Key Personnel are individual employees whose duties or activities in the course of their employment involve the assumption of material risk or the taking on of material exposures on behalf of the Group. The lists of Senior Management and Key Personnel are reviewed annually as per CG-5 requirement.

<sup>2</sup> 2019 amounts are not directly comparable to 2020 as remuneration disclosure for most of the Senior Management and Key Personnel were prorated for 2019 to reflect changes to roles and responsibilities following the consolidation of SCB China and SC NEA Group during 2019.

<sup>3</sup> Certain 2019 amounts have been re-stated to capture revised proration for six Senior Management and Key Personnel. Impact on disclosure for 2019 Senior Management and Key Personnel total remuneration was less than 3% and 0.1% respectively.

<sup>4</sup> Changes to the population include leavers, joiners and roles identified subsequent to the structure change in 2019.

<sup>5</sup> The population of Senior Management and Key Personnel in 2020 differs from that of 2019.

<sup>6</sup> Ex post adjustments are adjustments made after the awards are granted.

## 15 Operational risk

The Group adopts the standardized (operational risk) approach for assessing capital requirements for operational risk.

Further information regarding operational risk governance and management is set out in note 34(g) on pages 139 to 140 of the 2020 consolidated financial statements.

## 16 Analysis of fee and commission income

The products constituting not less than 10% of the total amount of fee and commission income are as follows:

	2020 HK\$'M
Financial market products	3,076
Investment services	2,137
Insurance services	1,555
Credit cards related fees	1,156
	<u>11,924</u>

## 17 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 31 December 2020	<i>Banks</i> HK\$'M	<i>Official sector</i> HK\$'M	<i>Non-bank financial institution</i> HK\$'M	<i>Non-financial private sector</i> HK\$'M	<i>Total</i> HK\$'M
Developed countries	214,852	74,778	27,738	40,825	358,193
– of which United Kingdom (excluding Guernsey, Isle of Man and Jersey)	145,962	628	611	3,989	151,190
Offshore centres	22,169	2,021	31,206	96,862	152,258
– of which Hong Kong SAR	9,203	1,633	25,530	76,961	113,327
Developing Asia and Pacific	192,204	38,555	21,051	125,755	377,565
– of which China	147,832	15,611	13,383	75,012	251,838

## 18 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 31 December 2020 HK\$'M	% of advances covered by collateral or other securities
Gross advances for use in Hong Kong		
<i>Industrial, commercial and financial</i>		
– Property development	19,729	42%
– Property investment	24,705	84%
– Financial concerns	49,269	29%
– Stockbrokers	8,503	44%
– Wholesale and retail trade	13,261	23%
– Manufacturing	11,551	16%
– Transport and transport equipment	10,604	52%
– Recreational activities	25	0%
– Information technology	5,213	1%
– Others	24,539	7%
<i>Individuals</i>		
– Advances for the purchase of flats in the Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme	884	100%
– Advances for the purchase of other residential properties	235,408	100%
– Credit card advances	21,385	0%
– Others	31,718	38%
<i>Total gross advances for use in Hong Kong</i>	456,794	
Trade finance	85,025	8%
Trade bills	2,634	6%
Gross advances for use outside Hong Kong	552,754	58%
Gross advances to customers	1,097,207	58%

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

## 18 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:

	<i>Impaired advances to customers</i> HK\$'M	<i>Overdue advances to customers</i> HK\$'M	<i>Stage 3 expected credit loss provision</i> HK\$'M	<i>Stage 1 &amp; 2 expected credit loss provision</i> HK\$'M	<i>Provision charge</i> HK\$'M
At 31 December 2020					
Advances for the purchase of other residential properties	143	62	2	8	–
Gross advances for use outside Hong Kong	3,705	1,041	1,582	1,293	1,385

## 19 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.

	<i>Total gross loans and advances to customers</i> HK\$'M	<i>Impaired advances to customers</i> HK\$'M	<i>Overdue advances to customers</i> HK\$'M	<i>Stage 3 expected credit loss provision</i> HK\$'M	<i>Stage 1 &amp; 2 expected credit loss provision</i> HK\$'M
At 31 December 2020					
Hong Kong	451,858	3,358	1,724	1,455	1,054
Mainland China	165,465	767	765	436	654
South Korea	330,498	1,605	177	826	400
Taiwan	78,371	1,050	71	224	219
Others	71,015	547	36	109	174
<b>Total</b>	<b>1,097,207</b>	<b>7,327</b>	<b>2,773</b>	<b>3,050</b>	<b>2,501</b>

**20 Overdue advances to customers**

	<i>At 31 December 2020</i>	
	<i>HK\$'M</i>	<i>% of advances to customers</i>
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	1,045	0.09%
1 year or less but over 6 months	675	0.06%
Over 1 year	1,053	0.10%
	<u>2,773</u>	<u>0.25%</u>

	<i>At 31 December 2020</i>
	<i>HK\$'M</i>
Fair value of collateral held against the covered portion of overdue advances to customers	<u>1,506</u>
Covered portion of overdue advances to customers	666
Uncovered portion of overdue advances to customers	<u>2,107</u>

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.

	<i>At 31 December 2020</i>
	<i>HK\$'M</i>
Stage 3 expected credit loss provision against advances to customers overdue more than 3 months	<u>1,553</u>

As at 31 December 2020, there were no overdue advances to banks and other financial institutions, debt securities and other assets.

## 21 Rescheduled advances to customers

	At 31 December 2020	
	HK\$'M	% of advances to customers
Rescheduled advances to customers	1,600	0.15%

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 Group. 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 20.

As at 31 December 2020, there were no rescheduled advances to banks and other financial institutions, debt securities and other assets.

## 22 Mainland Activities

	On-balance sheet exposure HK\$'M	Off-balance sheet exposure HK\$'M	Total HK\$'M
At 31 December 2020			
(i) Central government, central government-owned entities and their subsidiaries and joint ventures ("JVs")	113,255	30,879	144,134
(ii) Local governments, local government-owned entities and their subsidiaries and JVs	8,797	1,033	9,830
(iii) PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	153,182	30,763	183,945
(iv) Other entities of central government not reported in item (i) above	7,315	878	8,193
(v) Other entities of local governments not reported in item (ii) above	1,256	80	1,336
(vi) PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	24,579	7,106	31,685
(vii) Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	24,298	2,148	26,446
<b>Total</b>	<b>332,682</b>	<b>72,887</b>	<b>405,569</b>
Total assets after provision	1,850,751		
On-balance sheet exposures as percentage of total assets	17.98%		

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

The note is compiled in accordance with the completion instructions of the return of Mainland activities ("MA(BS)20"), and hence only relates to the Bank and SCB China.

## **23 Off-balance sheet exposures**

### **Contingent liabilities and commitments**

Note 33(a) on page 95 of the 2020 consolidated financial statements list out a summary of the contractual amounts of each significant contingent liability and commitment.

The total credit risk weighted amount (before 1.06 scaling factor) of contingent liabilities and commitments is: HK\$73,370m.

**Acronyms**

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