



Standard Chartered Bank
(Hong Kong) Limited

Supplementary Notes to
Consolidated Financial Statements (unaudited)

For period ended
31 December 2021

Standard Chartered Bank (Hong Kong) Limited

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Supplementary Notes to Consolidated Financial Statement (unaudited)

These notes are supplementary to and should be read in conjunction with the 2021 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 on or before 31 March 2022.

1 Basis of consolidation and preparation

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

The basis of consolidation for accounting purposes is in accordance with Hong Kong Financial Reporting Standards. The principal subsidiaries of the Bank for accounting purposes are Standard Chartered Bank (China) Limited (“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 and 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 2021	
		Total assets HK\$'M	Total equity HK\$'M
Prunelli Asset Purchaser HK Limited	Asset-backed securitization	5,274	–
Standard Chartered Securities Korea Limited	Provision of security trading, underwriting and brokerage transactions	2,080	2,021
Standard Chartered Securities (Hong Kong) Limited	Equity capital markets, corporate finance and institutional brokerage	134	133
Standard Chartered Trust (HK) Limited	Trustee services	13	11
Standard Chartered Nominees (Western Samoa) Limited	Nominees services	–	–
Horsford Nominees Limited	Nominees services	–	–
		7,501	2,165

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. For counterparty credit risk, the Group uses the standardized (counterparty credit risk) approach ("SA-CCR") to calculate its default risk exposures. 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 the internal models approach ("IMM approach") to calculate majority of its general market risk capital charge in respect of the risk categories of interest rates and foreign exchange (including gold) and uses the standardised (market risk) approach to calculate the general market risk capital charge for its equity exposures and commodity exposures, market risk capital charge on exempted foreign exchange exposures and the specific risk capital charge for its interest rate exposures and equity exposures. The Group also uses a stochastic asset-liability model approach for two guaranteed retirement funds. In addition, the Group adopts the standardised (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 2021 ICAAP has been approved by the Regional Asset and Liability Committee ("RALCO"), the Asia Risk Committee ("ARC") 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.

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 2021. 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) At 31 December 2021 HK\$'M	(b) At 30 September 2021 HK\$'M	(c) At 30 June 2021 HK\$'M	(d) At 31 March 2021 HK\$'M	(e) At 31 December 2020 HK\$'M	
Regulatory capital (amount)						
1	Common Equity Tier 1 (CET1)	138,860	142,303	141,162	138,668	135,911
2	Tier 1	155,597	159,038	157,896	155,401	152,645
3	Total capital ¹	171,117	180,395	179,404	176,867	164,883
RWA (amount)						
4	Total RWA ²	894,188	976,793	974,962	924,003	924,779
Risk-based regulatory capital ratios (as a percentage of RWA)						
5	CET1 ratio (%) ³	15.5%	14.6%	14.5%	15.0%	14.7%
6	Tier 1 ratio (%) ³	17.4%	16.3%	16.2%	16.8%	16.5%
7	Total capital ratio (%) ³	19.1%	18.5%	18.4%	19.1%	17.8%
Additional CET1 buffer requirements (as a percentage of RWA)						
8	Capital conservation buffer requirement (%)	2.5%	2.5%	2.5%	2.5%	2.5%
9	Countercyclical capital buffer requirement (%)	0.4%	0.4%	0.4%	0.4%	0.4%
10	Higher loss absorbency requirements (%) (applicable only to G-SIBs or D-SIBs)	1.5%	1.5%	1.5%	1.5%	1.5%
11	Total AI-specific CET1 buffer requirements (%)	4.4%	4.4%	4.4%	4.4%	4.4%
12	CET1 available after meeting the AI's minimum capital requirements (%) ⁴	11.0%	10.1%	10.0%	10.5%	9.8%
Basel III leverage ratio						
13	Total leverage ratio (LR) exposure measure	2,685,208	2,686,851	2,658,272	2,630,556	2,599,481
14	LR (%)	5.8%	5.9%	5.9%	5.9%	5.9%
Liquidity Coverage Ratio (LCR) / Liquidity Maintenance Ratio (LMR)						
Applicable to category 1 institution only:						
15	Total high quality liquid assets (HQLA)	485,624	472,099	472,697	449,784	457,047
16	Total net cash outflows	337,600	303,470	309,495	309,374	314,247
17	LCR (%) ⁵	145%	156%	154%	147%	147%
Applicable to category 2 institution only:						
17a	LMR (%)	NA	NA	NA	NA	NA
Net Stable Funding Ratio (NSFR) / Core Funding Ratio (CFR)						
Applicable to category 1 institution only:						
18	Total available stable funding	1,397,715	1,374,773	1,371,478	1,359,574	1,349,740
19	Total required stable funding	1,118,863	1,111,539	1,102,249	1,102,879	1,079,812
20	NSFR (%)	125%	124%	124%	123%	125%
Applicable to category 2A institution only:						
20a	CFR (%)	NA	NA	NA	NA	NA

¹ Decrease in total capital was mainly due to redemption of subordinated loan.

² Decrease in RWA was mainly contributed by decrease in market risk RWA upon implementation of IMA at 31 December 2021.

³ Increase in risk-based regulatory capital ratios were mainly contributed by the decrease in RWA from market risk at 31 December 2021.

⁴ Increase in CET1 available after meeting the Bank's minimum capital requirements was due to increase in total capital ratio.

⁵ 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) At 31 December 2021 HK\$'M	(b) At 30 September 2021 HK\$'M	(c) At 30 June 2021 HK\$'M	(d) At 31 March 2021 HK\$'M	(e) At 31 December 2020 HK\$'M	
Of the material entity at LAC consolidation group level						
1	Internal loss-absorbing capacity available ¹	194,699	203,993	202,944	200,492	189,220
2	Risk-weighted amount under the LAC Rules ²	894,188	976,793	974,962	924,003	924,779
3	Internal LAC risk-weighted ratio ³	21.8%	20.9%	20.8%	21.7%	20.5%
4	Exposure measure under the LAC Rules ²	2,685,208	2,686,851	2,658,272	2,630,556	2,599,481
5	Internal LAC leverage ratio	7.3%	7.6%	7.6%	7.6%	7.3%
6a	Does the subordination exemption in the antepenultimate paragraph of Section 11 of the FSB TLAC Term Sheet apply? ⁴	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? ⁴	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 ⁴	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable

¹ Decrease in internal loss-absorbing capacity available was in line with the decrease in total capital.

² Decrease in risk-weighted amount and exposure measure under the LAC Rules were in line with the decrease in RWA and Leverage exposures.

³ Increase in internal LAC ratios were in line with the increase in capital ratios.

⁴ 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 2021 US\$'M	At 30 September 2021 US\$'M	At 30 June 2021 US\$'M	At 31 March 2021 US\$'M	At 31 December 2020 US\$'M
Of the non-HK resolution entity at resolution group level						
1	External loss-absorbing capacity available	85,860	85,833	88,844	86,604	83,040
2	Total risk-weighted amount under the relevant non-HK LAC regime	271,233	267,555	280,227	276,670	268,834
3	External loss-absorbing capacity as a percentage of risk-weighted amount	31.7%	32.1%	31.7%	31.3%	30.9%
4	Leverage ratio exposure measure under the relevant non-HK LAC regime	911,140	890,419	866,832	865,644	834,765
5	External loss-absorbing capacity as a percentage of leverage ratio exposure measure	9.4%	9.6%	10.2%	10.0%	9.9%
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 33 on pages 82 to 88 of the 2021 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) Consolidated RWA ¹	(b)	(c) Minimum capital requirements ²
	At 31 December 2021 HK\$'M	At 30 September 2021 HK\$'M	At 31 December 2021 HK\$'M
1 Credit risk for non-securitization exposures	628,506	639,684	53,052
2 Of which STC approach	51,186	51,491	4,095
2a Of which BSC approach	–	–	–
3 Of which foundation IRB approach	–	–	–
4 Of which supervisory slotting criteria approach	19,960	21,456	1,693
5 Of which advanced IRB approach	557,360	566,737	47,264
6 Counterparty default risk and default fund contributions	40,125	47,369	3,398
7 Of which SA-CCR	36,910	44,269	3,126
7a Of which CEM	–	–	–
8 Of which IMM(CCR) approach	–	–	–
9 Of which others	3,215	3,100	272
10 CVA risk	18,217	24,594	1,457
11 Equity positions in banking book under the simple risk-weight method and internal models method	–	–	–
12 Collective investment scheme (“CIS”) exposures – LTA*	N/A	N/A	N/A
13 CIS exposures – MBA*	N/A	N/A	N/A
14 CIS exposures – FBA*	N/A	N/A	N/A
14a CIS exposures – combination of approaches*	N/A	N/A	N/A
15 Settlement risk	202	255	17
16 Securitization exposures in banking book	6,346	5,895	508
17 Of which SEC-IRBA	–	–	–
18 Of which SEC-ERBA (including IAA)	6,346	5,895	508
19 Of which SEC-SA	–	–	–
19a Of which SEC-FBA	–	–	–
20 Market risk³	56,098	120,893	4,488
21 Of which STM approach	32,474	120,893	2,598
22 Of which IMM approach	23,624	–	1,890
23 Capital charge for switch between exposures in trading book and banking book (not applicable before the revised market risk framework takes effect)*	N/A	N/A	N/A
24 Operational risk	84,128	85,128	6,730
24a Sovereign concentration risk	1,242	1,218	99
25 Amounts below the thresholds for deduction (subject to 250% RW)	13,767	13,769	1,101
26 Capital floor adjustment	8,574	–	686
26a Deduction to RWA	23	75	2
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	23	75	2
27 Total⁴	857,182	938,730	71,534

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

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

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

³ The Group has adopted the internal models approach (“IMM approach”) in Dec 2021 to calculate majority of its general market risk capital charge.

⁴ Decrease in RWA was mainly contributed by decrease in market risk RWA upon implementation of IMA at 31 December 2021.

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 2021	(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	(d) subject to counterparty credit risk framework HK\$M	(e) Carrying values of items: subject to the securitization framework HK\$M	(f) subject to market risk framework HK\$M	(g) not subject to capital requirements or subject to deduction from capital HK\$M
Assets							
Cash and balances at central banks	83,419	83,419	83,419	-	-	-	-
Loans and advances to banks	112,146	111,936	109,335	2,601	-	-	-
Hong Kong SAR Government certificates of indebtedness	56,791	56,791	56,791	-	-	-	-
Financial assets at fair value through profit or loss	215,747	215,747	41,837	34,435	-	173,910	-
Investment securities	476,792	476,792	447,129	-	29,663	-	-
Loans and advances to customers	1,196,483	1,196,483	1,188,569	7,914	-	-	-
Amounts due from fellow subsidiaries	185,689	185,681	70,892	109,590	5,200	36,428	-
Amounts due from subsidiaries of the Bank	-	79	79	-	-	-	-
Investment in subsidiaries of the Bank	-	2,338	2,338	-	-	-	-
Interest in an associate	14,902	3,168	3,168	-	-	-	-
Property, plant and equipment	33,883	33,811	33,811	-	-	-	-
Goodwill and intangible assets	9,948	9,930	-	-	-	-	9,930
Current tax assets	958	958	-	-	-	-	-
Deferred tax assets	1,304	1,295	-	-	-	-	1,295
Other assets	91,197	91,163	88,177	2,632	-	-	354
Total assets	2,479,259	2,469,591	2,125,545	157,172	34,863	210,338	11,579

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 (LI1) (continued)

At 31 December 2021	(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	(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	(g) not subject to capital requirements or subject to deduction from capital HK\$M
Liabilities							
Hong Kong SAR currency notes in circulation	56,791	56,791	-	-	-	-	56,791
Deposits by banks	50,352	50,352	-	3,093	-	-	47,259
Customers accounts	1,820,815	1,820,815	-	13,367	-	-	1,807,448
Financial liabilities at fair value through profit of loss	112,258	112,258	-	48,395	-	68,893	34,937
Debt securities in issue	42,987	42,987	-	-	-	-	42,987
Amounts due to immediate holding company	43,279	43,279	-	421	-	-	42,858
Amounts due to fellow subsidiaries	82,074	76,836	-	46,201	-	34,854	30,635
Amount due to subsidiaries of the Bank	-	7,150	-	-	-	-	7,150
Current tax liabilities	30	20	-	-	-	-	20
Deferred tax liabilities	1,022	1,022	-	-	-	-	1,022
Other liabilities	86,183	86,148	-	-	-	-	86,148
Subordinated liabilities	-	-	-	-	-	-	-
Total Liabilities	2,295,791	2,297,658	-	111,477	-	103,747	2,157,255

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 2021		(a)	(b)	(c)	(d)	(e)
		Total HK\$'M	credit risk framework HK\$'M	Items subject to: 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)	2,458,012	2,125,545	157,172	34,863	210,338
2	Liabilities Carrying value amount under scope of regulatory consolidation (as per template LI1)	140,403	–	111,477	–	103,747
3	Total net amount under regulatory scope of consolidation	2,317,609	2,125,545	45,695	34,863	106,591
4	Off balance sheet amounts and potential future exposures for counterparty credit risk	1,014,845	270,117	202,793	–	–
5	Difference due to financial collateral on standardized approach	(29,449)	(29,449)	–	–	–
6	Difference due to impairments on exposures under IRB approach	6,112	6,112	–	–	–
7	Difference due to regulatory exposure adjustments	(3,166)	(3,166)	–	–	–
8	Exposure amounts considered for regulatory purposes	3,305,951	2,369,159	248,488	34,863	106,591

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.

4 Linkages between financial statements and regulatory exposures (continued)

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

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.

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)
	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
At 31 December 2021								
1 Closeout uncertainty, of which	153	946	30	84	39	1,252	499	753
2 Mid-market value ¹	25	329	27	76	12	469	205	264
3 Closeout cost ¹	-	207	3	-	7	217	217	-
4 Concentration	128	410	-	8	20	566	77	489
5 Early termination	-	-	-	-	-	-	-	-
6 Model risk	-	2	2	-	-	4	4	-
7 Operational risk	2	54	3	8	2	69	43	26
8 Investing and funding costs	-	1	-	-	-	1	1	-
9 Unearned credit spreads	-	-	-	25	-	25	25	-
10 Future administrative costs	3	14	-	21	-	38	21	17
11 Other adjustments ²	-	-	-	259	-	259	-	259
12 Total adjustment	158	1,017	35	397	41	1,648	593	1,055

¹ The increase in mid-market value and closeout cost was due to a lower diversification benefit from 66% to 50%. The Official Journal of EU 2020/866 allowed institution to set the diversification benefit to 66% until 31 December 2020.

² The increase in other adjustments was due to MPU AVA for Loan Syndications, to capture the element of valuation uncertainty surrounding the mark for year end, in light of the increasing macroeconomic uncertainty in Q4.

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 2021		(a)	(b)
		HK\$'M	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation in note 5b (CC2)
CET1 capital: instruments and reserves			
1	Directly issued qualifying CET1 capital instruments plus any related share premium	65,025	(12)
2	Retained earnings	83,413	(22)
3	Disclosed reserves	6,398	(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)	178	(25)
6	CET1 capital before regulatory adjustments	155,014	
CET1 capital: regulatory deductions			
7	Valuation adjustments	1,648	
8	Goodwill (net of associated deferred tax liabilities)	6,143	(4)
9	Other intangible assets (net of associated deferred tax liabilities)	3,162	(5)+(6)
10	Deferred tax assets (net of associated deferred tax liabilities)	1,945	(8)
11	Cash flow hedge reserve	(83)	(14)
12	Excess of total EL amount over total eligible provisions under the IRB approach	-	
13	Credit-enhancing interest-only strip, and any gain-on-sale and other increase in the CET1 capital arising from securitization transactions	-	
14	Gains and losses due to changes in own credit risk on fair valued liabilities	15	(10)
15	Defined benefit pension fund net assets (net of associated deferred tax liabilities)	329	(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 2021		(a)	(b)
		HK\$'M	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation in note 5b (CC2)
21	Deferred tax assets arising from temporary differences (net of associated deferred tax liabilities)	–	Not applicable
22	Amount exceeding the 15% threshold	–	Not applicable
23	of which: significant investments in the ordinary share of financial sector entities	–	Not applicable
24	of which: mortgage servicing rights	–	Not applicable
25	of which: deferred tax assets arising from temporary differences	–	Not applicable
26	National specific regulatory adjustments applied to CET1 capital	2,995	
26a	Cumulative fair value gains arising from the revaluation of land and buildings (own-use and investment properties)	42	(23)
26b	Regulatory reserve for general banking risks	2,953	(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	Total regulatory deductions to CET1 capital	16,154	
29	CET1 capital	138,860	
AT1 capital: instruments			
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)	4	(26)
35	<i>of which: AT1 capital instruments issued by subsidiaries subject to phase-out arrangements</i>	–	
36	AT1 capital before regulatory deductions	16,737	
AT1 capital: regulatory deductions			
37	Investments in own AT1 capital instruments	–	
38	Reciprocal cross-holdings in AT1 capital instruments	–	
39	Insignificant LAC investments in AT1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	–	

5 Composition of regulatory capital (continued)

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

At 31 December 2021		(a)	(b)
		HK\$'M	<i>Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation in note 5b (CC2)</i>
40	Significant LAC investments in AT1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	-	
41	National specific regulatory adjustments applied to AT1 capital	-	
42	Regulatory deductions applied to AT1 capital due to insufficient Tier 2 capital to cover deductions	-	
43	Total regulatory deductions to AT1 capital	-	
44	AT1 capital	16,737	
45	Tier 1 capital (T1 = CET1 + AT1)	155,597	
Tier 2 capital: instruments and provisions			
46	Qualifying Tier 2 capital instruments plus any related share premium	14,135	(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)	5	(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	1,361	(29)+(30)
51	Tier 2 capital before regulatory deductions	15,501	
Tier 2 capital: regulatory deductions			
52	Investments in own Tier 2 capital instruments	-	
53	Reciprocal cross-holdings in Tier 2 capital instruments and non-capital LAC liabilities	-	
54	Insignificant LAC investments in Tier 2 capital instruments issued by, and non-capital LAC liabilities of, financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold and, where applicable, 5% threshold)	-	
54a	Insignificant LAC investments in non-capital LAC liabilities of financial sector entities that are outside the scope of regulatory consolidation (amount formerly designated for the 5% threshold but no longer meets the conditions) (for institutions defined as "section 2 institution" under §2(1) of Schedule 4F to BCR only)	-	
55	Significant LAC investments in Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-	
55a	Significant LAC investments in non-capital LAC liabilities of financial sector entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-	
56	National specific regulatory adjustments applied to Tier 2 capital	(19)	(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 2021	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	(19)	(23)x45%
57 Total regulatory adjustments to Tier 2 capital	(19)	
58 Tier 2 capital (T2)	15,520	
59 Total regulatory capital (TC = T1 + T2)	171,117	
60 Total RWA	894,188	
Capital ratios (as a percentage of RWA)		
61 CET1 capital ratio	15.53%	
62 Tier 1 capital ratio	17.40%	
63 Total capital ratio	19.14%	
64 Institution-specific buffer requirement (capital conservation buffer plus countercyclical capital buffer plus higher loss absorbency requirements)	4.44%	
65 of which: capital conservation buffer requirement	2.50%	
66 of which: bank specific countercyclical capital buffer requirement	0.44%	
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	11.03%	
National minima (if different from Basel 3 minimum)		
69 National CET1 minimum ratio	Not applicable	Not applicable
70 National Tier 1 minimum ratio	Not applicable	Not applicable
71 National Total capital minimum ratio	Not applicable	Not applicable
Amounts below the thresholds for deduction (before risk weighting)		
72 Insignificant LAC investments in CET1, AT1 and Tier 2 capital instruments issued by, and non-capital LAC liabilities of, financial sector entities that are outside the scope of regulatory consolidation	526	
73 Significant LAC investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	5,506	(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
Applicable caps on the inclusion of provisions in Tier 2 capital		
76 Provisions eligible for inclusion in Tier 2 in respect of exposures subject to the BSC approach, or the STC approach and SEC-ERBA, SEC-SA and SEC-FBA (prior to application of cap)	667	(29)

5 Composition of regulatory capital (continued)

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

		(a)	(b)
At 31 December 2021		HK\$'M	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation in note 5b (CC2)
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	901	
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)	694	(30)
79	Cap for inclusion of provisions in Tier 2 under the IRB approach and SEC-IRBA	3,923	
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2018 to 1 Jan 2022)			
80	Current cap on CET1 capital instruments subject to phase-out arrangements	Not applicable	Not applicable
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	Not applicable	Not applicable
82	Current cap on AT1 capital instruments subject to phase-out arrangements	-	
83	Amount excluded from AT1 capital due to cap (excess over cap after redemptions and maturities)	-	
84	Current cap on Tier 2 capital instruments subject to phase-out arrangements	-	
85	Amount excluded from Tier 2 capital due to cap (excess over cap after redemptions and maturities)	-	

Notes to the Template:

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

Description	At 31 December 2021	
	Hong Kong basis HK\$'M	Basel III basis HK\$'M
9 Other intangible assets (net of associated deferred tax liabilities)	3,162	3,162

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 2021	
	Hong Kong basis HK\$'M	Basel III basis HK\$'M
10 Deferred tax assets (net of associated deferred tax liabilities)	1,945	82

Explanation

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

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

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)	–	–
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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.

5 Composition of regulatory capital (continued)

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

Description	At 31 December 2021	
	Hong Kong basis HK\$'M	Basel III basis HK\$'M
39 Insignificant LAC investments in AT1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	–	–

Explanation

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

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)	–	–
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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 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 (30) 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) Consolidated balance sheet as in published financial statements (At 31 December 2021) HK\$'M	(b) Under regulatory scope of consolidation (At 31 December 2021) HK\$'M	(c) Cross reference to note 5a (CC1)
Assets			
Cash and balances at central banks	83,419	83,419	
Loans and advances to banks	112,146	111,936	
Hong Kong SAR Government certificates of indebtedness	56,791	56,791	
Financial assets at fair value through profit or loss	215,747	215,747	
Investment securities	476,792	476,792	
Loans and advances to customers	1,196,483	1,196,483	
Amounts due from fellow subsidiaries	185,689	185,681	
Amounts due from immediate holding company	–	–	
Amounts due from subsidiaries of the Bank	–	79	
of which: significant capital investments in financial sector entities that are outside the scope of regulatory consolidation	–	–	(1)
Investment in subsidiaries of the Bank	–	2,338	
of which: significant capital investments in financial sector entities that are outside the scope of regulatory consolidation	–	2,338	(2)
Interest in an associate	14,902	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	33,883	33,811	
Goodwill and intangible assets	9,948	9,930	
of which: goodwill	–	6,143	(4)
of which: other intangible assets	–	3,787	(5)
Current tax assets	958	958	
Deferred tax assets	1,304	1,295	
of which: deferred tax liabilities relating to intangible assets	–	(625)	(6)
of which: deferred tax liabilities related to defined benefit pension fund net assets	–	(25)	(7)
of which: other deferred tax assets	–	1,945	(8)
Other assets	91,197	91,163	
of which: defined benefit pension fund net assets	–	354	(9)
	2,479,259	2,469,591	

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 2021) HK\$'M</i>	(b) <i>Under regulatory scope of consolidation (At 31 December 2021) HK\$'M</i>	(c) <i>Cross reference to note 5a (CC1)</i>
Liabilities			
Hong Kong SAR currency notes in circulation	56,791	56,791	
Deposits by banks	50,352	50,352	
Customer accounts	1,820,815	1,820,815	
Financial liabilities at fair value through profit or loss	112,258	112,258	
of which: gains or losses due to changes in own credit risk	–	(15)	(10)
Debt securities in issue	42,987	42,987	
Amounts due to immediate holding company	43,279	43,279	
of which: subordinated liabilities eligible for inclusion in regulatory capital	–	14,135	(11)
Amounts due to fellow subsidiaries	82,074	76,836	
Amounts due to subsidiaries of the Bank	–	7,150	
Current tax liabilities	30	20	
Deferred tax liabilities	1,022	1,022	
Other liabilities	86,183	86,148	
Subordinated liabilities	–	–	
of which: subordinated liabilities eligible for inclusion in regulatory capital (subject to phase out arrangements)	–	–	
	2,295,791	2,297,658	
Equity			
Share capital	65,025	65,025	
of which: amount eligible for CET1	–	65,025	(12)
of which: amount eligible for AT1	–	–	
Other equity instruments	16,733	16,733	
of which: amount eligible for AT1	–	16,733	(13)
Reserves	101,345	89,810	
of which: Cumulative cash flow hedge reserve that relate to the hedging of financial instruments that are not fair valued on the balance sheet	–	(83)	(14)
of which: Cumulative cash flow hedge reserve that relate to the hedging of financial instruments that are fair valued on the balance sheet	–	(6)	(15)
of which: FVOCI reserve – Equity	–	254	(16)
of which: FVOCI reserve – Debt	–	426	(17)
of which: Exchange reserve	–	(6,716)	(18)
of which: Share option equity reserve	–	557	(19)
of which: Own credit adjustment reserve	–	15	(20)
of which: Other reserves	–	11,951	(21)
of which: Retained profits	–	83,413	(22)
of which: Cumulative fair value gains arising from the revaluation of land and buildings (audited)	–	42	(23)
of which: Regulatory reserve for general banking risks	–	2,953	(24)
Non-controlling interests	365	365	
of which: portion allowable in CET1 capital	–	178	(25)
of which: portion allowable in AT1 capital	–	4	(26)
of which: portion allowable in T2 capital	–	5	(27)
Total equity	183,468	171,933	
Total liabilities and equity	2,479,259	2,469,591	

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 2021		
	Total amount	Amount recognised in regulatory capital HK\$'M	Amount recognised in loss-absorbing capacity HK\$'M
(i) Both regulatory capital and LAC requirements			
CET1 capital instruments			
Ordinary shares:			
5,289 million issued and fully paid ordinary shares	HK\$65,025m	65,025	65,025
AT1 capital instruments			
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
Tier 2 capital instruments			
Floating rate Tier 2 Notes due 2029, callable from 2024	US\$450m	3,508	3,508
Floating rate Tier 2 Notes due 2031, callable from 2025	US\$250m	1,949	1,949
Fixed rate (1.20%) Tier 2 Notes due 2031, callable from 2026	EUR1,000m	8,678	8,678
(ii) Only LAC (but not regulatory capital) requirements			
Non-capital LAC Debt Instruments			
US\$600 million Floating Rate Notes due 2023 ¹	US\$600m	Nil	4,678
US\$200 million 3.15 per cent Notes due 2023 ²	US\$200m	Nil	1,559
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	4,678
US\$1,500 million 1.456 per cent Notes due 2027	US\$1,500m	Nil	11,586
US\$1,250 million 2.608 per cent Notes due 2028 ³	Nil	Nil	Nil

¹ On 20 January 2022, the Group exercised the call option to redeem the US\$600 million floating rate notes due 2023.

² On 25 January 2022, the Group exercised the call option to redeem the US\$200 million 3.150 per cent notes due 2023.

³ On 19 January 2022, the Group issued a non-capital LAC debt instrument amounting to US\$1,250 million (HK\$9,735 million).

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.

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 ¹	N/A
5	Post-transitional Basel III rules ²	Common Equity Tier 1
6	Eligible at solo ³ /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

Footnote:

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

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

³ Include solo-consolidated

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)

23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion trigger (s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, specify instrument type convertible into	N/A
29	If convertible, specify issuer of instrument it converts into	N/A
30	Write-down feature	No
31	If write-down, write-down trigger(s)	N/A
32	If write-down, full or partial	N/A
33	If write-down, permanent or temporary	N/A
34	If temporary write-down, description of write-up mechanism	N/A
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:

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

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

³ Include solo-consolidated

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 ¹	N/A
5	Post-transitional Basel III rules ²	Additional Tier 1
6	Eligible at solo ³ /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:

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

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

³ Include solo-consolidated

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:

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

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

³ Include solo-consolidated

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 ¹	N/A
5	Post-transitional Basel III rules ²	Additional Tier 1
6	Eligible at solo ³ /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 <i>Coupons / dividends</i>	Each dividend payment date
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:

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

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

³ Include solo-consolidated

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:

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

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

³ Include solo-consolidated

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:

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

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

³ Include solo-consolidated

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 ¹	N/A
5	Post-transitional Basel III rules ²	Additional Tier 1
6	Eligible at solo ³ /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	Each reset date
<i>Coupons / dividends</i>		
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:

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

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

³ Include solo-consolidated

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:

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

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

³ Include solo-consolidated

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:

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

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

³ Include solo-consolidated

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 ¹	N/A
5	Post-transitional Basel III rules ²	Tier 2
6	Eligible at solo ³ /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 3,508 Million
8a	Amount recognised in loss-absorbing capacity (currency in millions, as of most recent reporting date)	HKD 3,508 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 <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 + 2.08 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:

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

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

³ Include solo-consolidated

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:

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

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

³ Include solo-consolidated

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:

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

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

³ Include solo-consolidated

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 ¹	N/A
5	Post-transitional Basel III rules ²	Tier 2
6	Eligible at solo ³ /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 1,949 Million
8a	Amount recognised in loss-absorbing capacity (currency in millions, as of most recent reporting date)	HKD 1,949 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:

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

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

³ Include solo-consolidated

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:

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

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

³ Include solo-consolidated

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:

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

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

³ Include solo-consolidated

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 (1.20%) Tier 2 Notes due 2031, callable from 2026

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 ¹	N/A
5	Post-transitional Basel III rules ²	Tier 2
6	Eligible at solo ³ /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)	HKD8,678 Million
8a	Amount recognised in loss-absorbing capacity (currency in millions, as of most recent reporting date)	HKD8,678 Million
9	Par value of instrument	Issue price at 100 per cent of the Aggregate Nominal Amount of EUR1,000 Million
10	Accounting classification	Liability – amortised cost
11	Original date of issuance	23 March 2021
12	Perpetual or dated	Dated
13	Original maturity date	23 September 2031
14	Issuer call subject to prior supervisory approval	Yes
15	Optional call date, contingent call dates and redemption amount	Optional call date: 23 September 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. EUR 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	1.2 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:

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

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

³ Include solo-consolidated

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 (1.20%) Tier 2 Notes due 2031, callable from 2026 (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 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:

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

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

³ Include solo-consolidated

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 (1.20%) Tier 2 Notes due 2031, callable from 2026 (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:

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

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

³ Include solo-consolidated

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\$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 ¹	N/A
5	Post-transitional Basel III rules ²	Ineligible
6	Eligible at solo ³ /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 4,678 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 <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 + 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

Footnote:

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

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

³ Include solo-consolidated

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)

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:

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

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

³ Include solo-consolidated

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 ¹	N/A
5	Post-transitional Basel III rules ²	Ineligible
6	Eligible at solo ³ /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 1,559 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:

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

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

³ Include solo-consolidated

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:

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

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

³ Include solo-consolidated

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 ¹	N/A
5	Post-transitional Basel III rules ²	Ineligible
6	Eligible at solo ³ /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:

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

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

³ Include solo-consolidated

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:

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

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

³ Include solo-consolidated

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:

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

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

³ Include solo-consolidated

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 ¹	N/A
5	Post-transitional Basel III rules ²	Ineligible
6	Eligible at solo ³ /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 4,678 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 <i>Coupons / dividends</i>	Each interest payment date
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:

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

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

³ Include solo-consolidated

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:

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

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

³ Include solo-consolidated

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 ¹	N/A
5	Post-transitional Basel III rules ²	Ineligible
6	Eligible at solo ³ /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 11,586 Million
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:

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

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

³ Include solo-consolidated

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.

“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

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:

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

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

³ Include solo-consolidated

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\$1,250 million 2.608 per cent Notes due 2028

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 ¹	N/A
5	Post-transitional Basel III rules ²	Ineligible
6	Eligible at solo ³ /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 9,735 Million from 19 January 2022) ⁴
9	Par value of instrument	Issue price at 100 per cent of the Aggregate Nominal Amount of USD1,250 Million
10	Accounting classification	Liability – amortised cost
11	Original date of issuance	19 January 2022
12	Perpetual or dated	Dated
13	Original maturity date	12 January 2028
14	Issuer call subject to prior supervisory approval	Yes
15	Optional call date, contingent call dates and redemption amount	Optional call date: 12 January 2027 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 interest payment date
17	Fixed or floating dividend/coupon	Fixed
18	Coupon rate and any related index	2.608 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:

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

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

³ Include solo-consolidated

⁴ On 19 January 2022, the Group issued a non-capital LAC debt instrument amounting to US\$1,250 million (HK\$9,735 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\$1,250 million 2.608 per cent Notes due 2028

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:

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

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

³ Include solo-consolidated

5 Composition of regulatory capital (continued)

d. LAC composition of the bank (at LAC consolidation group level) (TLAC1(A))

The following table provides details of the composition of internal loss-absorbing capacity, at LAC consolidation group level, of the Bank.

		(a) HK\$'M
Regulatory capital elements of internal loss-absorbing capacity and adjustments		
1	Common Equity Tier 1 ("CET1") capital	138,860
2	Additional Tier 1 ("AT1") capital before LAC adjustments	16,737
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	16,737
6	Tier 2 ("T2") capital before LAC adjustments	15,520
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	15,520
11	Internal loss-absorbing capacity arising from regulatory capital	171,117
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	23,582
17	Internal loss-absorbing capacity arising from non-capital LAC debt instruments before adjustments	23,582
Non-regulatory capital elements of internal loss-absorbing capacity: adjustments		
18	Internal loss-absorbing capacity before deductions	194,699
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	Internal loss-absorbing capacity after deductions	194,699

5 Composition of regulatory capital (continued)

d. LAC composition of the bank (at LAC consolidation group level) (TLAC1(A)) (continued)

The following table provides details of the composition of internal loss-absorbing capacity, at LAC consolidation group level, of the Bank.

		(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	894,188
24	Exposure measure under the LAC Rules	2,685,208
Internal LAC ratios and buffers		
25	Internal LAC risk-weighted ratio	21.8%
26	Internal LAC leverage ratio	7.3%
27	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	9.8%
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. Creditor ranking of the bank at legal entity level (TLAC2)

The following table sets out the creditor ranking, at legal entity level, of the Bank.

		Creditor ranking				Total
		1 (most junior)	2	3	4 (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 ¹	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	14,135	23,582	119,475
4	Subset of row 3 that are excluded liabilities	-	-	-	-	-
5	Total capital and liabilities less excluded liabilities	65,025	16,733	14,135	23,582	119,475
6	Subset of row 5 that are eligible as internal loss-absorbing capacity	65,025	16,733	14,135	23,582	119,475
7	Subset of row 6 with 1 year ≤ residual maturity < 2 years	-	-	-	11,996	11,996
8	Subset of row 6 with 2 years ≤ residual maturity < 5 years	-	-	-	-	-
9	Subset of row 6 with 5 years ≤ residual maturity < 10 years	-	-	14,135	11,586	25,721
10	Subset of row 6 with residual maturity ≥ 10 years, but excluding perpetual securities	-	-	-	-	-
11	Subset of row 6 that is perpetual securities	65,025	16,733	-	-	81,758

¹ Issued and fully paid ordinary shares. Includes preference shares held by Standard Chartered Bank which have been redeemed 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 2021

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%	277,972		
2	Luxembourg	0.500%	2,337		
3	Norway	1.000%	357		
4	Sum ¹		280,666		
5	Total²		635,855	0.440%	3,931

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

² The total RWAs used in the computation of the CCyB ratio in row (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.

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 2021		(a)
		Value under the Leverage Ratio framework (HK\$'M)
1	Total consolidated assets as per published financial statements	2,479,259
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	(9,668)
2a	Adjustment for securitised exposures that meet the operational requirements for the recognition of risk transference	-
3	Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting standard but excluded from the leverage ratio exposure measure	-
3a	Adjustments for eligible cash pooling transactions	-
4	Adjustments for derivative contracts	44,806
5	Adjustment for securities financing transactions (i.e. repos and similar secured lending)	50,192
6	Adjustment for off-balance sheet ("OBS") items (i.e. conversion to credit equivalent amounts of OBS exposures)	197,943
6a	Adjustment for prudent valuation adjustments and specific and collective provisions that are allowed to be excluded from exposure measure	(8,306)
7	Other adjustments	(69,018)
8	Leverage ratio exposure measure	2,685,208

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 HKMA requirements specified in Part 1C of the BCR.

7 Leverage Ratio (continued)

b. Leverage ratio (LR2)

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

	(a)	(b)	
	At 31 December 2021 HK\$'M	At 30 September 2021 HK\$'M	
On-balance sheet exposures			
1	On-balance sheet items (excluding derivatives and SFTs, but including collateral)	2,184,454	2,152,475
2	Less: Asset amounts deducted in determining Basel III Tier 1 capital	(16,138)	(16,084)
3	Total on-balance sheet exposures (excluding derivatives and SFTs)	2,168,316	2,136,391
Exposure arising from derivative contracts			
4	Replacement cost associated with all derivatives contracts (where applicable net of eligible cash variation margin and / or with bilateral netting)	28,281	37,952
5	Add-on amounts for PFE associated with all derivatives contracts	89,225	100,296
6	Gross-up for collateral provided in respect of derivative contracts where deducted from the balance sheet assets pursuant to the applicable accounting framework	-	-
7	Less: Deductions of receivables assets for cash variation margin provided under derivatives contracts	(4,166)	(3,320)
8	Less: Exempted CCP leg of client-cleared trade exposures	-	-
9	Adjusted effective notional amount of written credit-related derivative contracts	9,965	1,622
10	Less: Adjusted effective notional offsets and add-on deductions for written credit-related derivative contracts	(8,998)	(234)
11	Total exposures arising from derivative contract	114,307	136,316
Exposure arising from SFTs			
12	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	170,257	176,063
13	Less: Netted amounts of cash payables and cash receivables of gross SFT assets	-	-
14	CCR exposure for SFT assets	41,043	43,249
15	Agent transaction exposures	-	-
16	Total exposures arising from SFTs	211,300	219,312
Other off-balance sheet exposures			
17	Off-balance sheet exposure at gross notional amount	1,014,844	978,315
18	Less: Adjustments for conversion to credit equivalent amounts	(816,901)	(778,456)
19	Off-balance sheet items	197,943	199,859
Capital and total exposures			
20	Tier 1 capital	155,597	159,038
20a	Total exposures before adjustments for specific and collective provisions	2,691,866	2,691,878
20b	Adjustments for specific and collective provisions	(6,658)	(5,027)
21	Total exposures after adjustments for specific and collective provisions	2,685,208	2,686,851
Leverage ratio			
22	Leverage ratio	5.79%	5.92%

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 2021 SCB (Hong Kong) Limited Directors' Report and Consolidated Financial Statements.

LCRs and NSFRs of Hong Kong Office and Consolidated basis	LCR	NSFR
As at 31 Dec 2021	%	%
Hong Kong Office	142%	123%
Consolidated	155%	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)	2021					Balancing amount
	Within 1 month	1 - 3 months	3 months - 1 year	1 - 5 years	Over 5 years	
On-balance sheet assets						
Currency notes and coins	4,586	-	-	-	-	-
Amount receivable arising from securities financing transactions	100,460	9,096	291	-	-	-
Amount receivable arising from derivative contracts	36,549	62,642	237,217	399,474	33,512	-
Due from MA for a/c of Exchange Fund	23,227	-	-	-	-	-
Due from overseas central banks	41,325	-	-	-	-	14,355
Due from banks	98,296	13,204	11,881	50,356	6,737	462
Debt securities, prescribed instruments and structured financial instruments held (net of short positions)	394,308	13,892	55,495	87,485	19,930	2,034
Acceptances and bills of exchange held	12,317	14,139	15,701	1,180	-	12
Loans and advances to non-bank customers	202,965	103,689	195,854	235,550	418,922	30,641
Other assets (including provisions)	61,706	11,699	3,121	301	1,285	116,951
Total	975,739	228,361	519,560	774,346	480,386	164,455
On-balance sheet liabilities						
Deposits from non-bank customers						
Pledged deposits	11,634	1,748	2,245	2,124	233	-
Demand, savings and current account deposits	1,427,876	-	-	-	-	-
Term, call and notice deposits	187,720	115,322	27,820	3,275	38	-
Amount payable arising from securities financing transactions	29,307	9,008	4,392	-	-	-
Amount payable arising from derivative contracts	36,850	57,155	224,407	387,367	61,329	-
Due to MA for a/c of Exchange Fund	14,451	-	-	-	-	-
Due to overseas central banks	10,439	6,838	43	-	-	-
Due to banks	64,016	22,209	7,262	1,492	-	-
Debt securities, prescribed instruments and structured financial instruments issued and outstanding	209	6,007	13,554	29,264	153	-
Other liabilities (including provisions)	64,284	15,897	4,755	2,152	1,248	60,570
Capital and reserves	6,425	-	5,759	47,625	5,486	155,604
Total	1,853,211	234,184	290,237	473,299	68,487	216,174
Off-balance sheet claims						
Irrevocable loan commitments or facilities received	2,807	-	-	-	-	-
Off-balance sheet obligations						
Irrevocable loan commitments or facilities granted	343,907	-	-	-	-	-
Other off-balance sheet obligations	73,602	-	-	-	-	-
Total	417,509	-	-	-	-	-
Funding gaps						
Contractual Maturity Mismatch	(1,292,174)	(5,823)	229,323	301,047	411,899	
Cumulative Contractual Maturity Mismatch	(1,292,174)	(1,297,997)	(1,068,674)	(767,627)	(355,728)	

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 2021 and 31 December 2021 are 77 and 75.

		Q4 2021 Currency: (HK\$mil)		Q3 2021 Currency: (HK\$mil)	
Basis of disclosure: Consolidated		UNWEIGHTED AMOUNT (Average Value)	WEIGHTED AMOUNT (Average Value)	UNWEIGHTED AMOUNT (Average Value)	WEIGHTED AMOUNT (Average Value)
A. HIGH QUALITY LIQUID ASSETS					
1	Total high quality liquid assets (HQLA)		485,624		472,099
B. CASH OUTFLOWS					
2	Retail deposits and small business funding, of which:	765,788	61,841	759,386	61,198
3	Stable retail deposits and stable small business funding	247,604	12,380	246,485	12,324
4	Less stable retail deposits and less stable small business funding	471,029	47,103	464,581	46,458
4a	Retail term deposits and small business term funding	47,155	2,358	48,320	2,416
5	Unsecured wholesale funding (other than small business funding) and debt securities and prescribed instruments issued by the institution, of which:	980,696	412,431	978,862	407,929
6	Operational deposits	505,686	125,262	508,536	125,752
7	Unsecured wholesale funding (other than small business funding) not covered in Row 6	473,137	285,296	468,176	280,027
8	Debt securities and prescribed instruments issued by the institution and redeemable within the LCR period	1,873	1,873	2,150	2,150
9	Secured funding transactions (including securities swap transactions)		2,241		5,547
10	Additional requirements, of which:	370,847	64,346	362,973	62,911
11	Cash outflows arising from derivative contracts and other transactions, and additional liquidity needs arising from related collateral requirements	26,265	26,265	29,071	29,071
12	Cash outflows arising from obligations under structured financing transactions and repayment of funding obtained from such transactions	2,438	2,438	55	55
13	Potential drawdown of undrawn committed facilities (including committed credit facilities and committed liquidity facilities)	342,144	35,643	333,847	33,785
14	Contractual lending obligations (not otherwise covered in Section B) and other contractual cash outflows	47,683	47,682	47,986	47,985
15	Other contingent funding obligations (whether contractual or non-contractual)	622,158	2,334	582,755	2,346
16	TOTAL CASH OUTFLOWS		590,875		587,917
C. CASH INFLOWS					
17	Secured lending transactions (including securities swap transactions)	86,999	6,000	83,763	5,626
18	Secured and unsecured loans (other than secured lending transactions covered in Row 17) and operational deposits placed at other financial institutions	303,834	181,375	332,295	210,542
19	Other cash inflows	72,922	65,900	74,052	68,278
20	TOTAL CASH INFLOWS	463,755	253,275	490,110	284,446
D. LIQUIDITY COVERAGE RATIO			ADJUSTED VALUE		ADJUSTED VALUE
21	TOTAL HQLA		485,624		472,099
22	TOTAL NET CASH OUTFLOWS		337,600		303,470
23	LCR (%)		145%		156%

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 well above the regulatory requirement of 100% throughout Q4 of 2021. The quarterly average of LCR was 145% for the quarter ending 31 December 2021 (30 September 2021: 156%), mainly as a result of decrease in FI loan inflows, partially offset by higher high quality liquid assets ("HQLA").

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.

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.

8 Liquidity (continued)

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 2021

		(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	
A. Available stable funding (“ASF”) item						
1	Capital:	173,522	7,318	4,678	36,226	212,086
2	Regulatory capital	173,522	–	–	14,136	187,657
2a	Minority interests not covered by row 2	–	–	–	–	–
3	Other capital instruments	–	7,318	4,678	22,090	24,429
4	Retail deposits and small business funding:	–	769,466	8,544	808	713,050
5	Stable deposits		237,997	2,652	324	228,941
6	Less stable deposits		531,469	5,892	484	484,109
7	Wholesale funding:		1,142,008	20,003	13,138	440,601
8	Operational deposits		495,425	–	–	247,713
9	Other wholesale funding	–	646,583	20,003	13,138	192,888
10	Liabilities with matching interdependent assets	56,791	–	–	–	–
11	Other liabilities:	84,612	43,107	3,550	30,202	31,978
12	Net derivative liabilities	–				
13	All other funding and liabilities not included in the above categories	84,612	43,107	3,550	30,202	31,978
14	Total ASF					1,397,715
B. Required stable funding (“RSF”) item						
15	Total HQLA for NSFR purposes				583,963	51,600
16	Deposits held at other financial institutions for operational purposes	–	9,434	–	–	4,717
17	Performing loans and securities:	59,989	598,364	158,346	789,872	952,466
18	Performing loans to financial institutions secured by Level 1 HQLA	–	58,312	–	–	5,831
19	Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	18,560	176,661	21,422	59,801	115,571
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:	41,429	328,695	85,287	141,132	487,115
21	With a risk-weight of less than or equal to 35% under the STC approach	–	–	–	11,649	11,649
22	Performing residential mortgages, of which:	–	15,627	12,564	521,526	257,577
23	With a risk-weight of less than or equal to 35% under the STC approach	–	9,784	7,121	383,079	257,453

8 Liquidity (continued)

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

Table 1: LIQ2 for Quarter ending 31 December 2021 (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)						
24	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	–	19,069	39,073	67,413	86,372
25	Assets with matching interdependent liabilities	56,791	–	–	–	–
26	Other assets:	122,346	50,214	–	84	91,332
27	Physical traded commodities, including gold	547				465
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs	5,223				4,913
29	Net derivative assets	1,871				1,871
30	Total derivative liabilities before adjustments for deduction of variation margin posted	31,068				1,553
31	All other assets not included in the above categories	83,637	50,214	–	84	84,083
32	Off-balance sheet items				980,496	17,195
33	Total RSF					1,118,863
34	Net Stable Funding Ratio (%)					125%

Table 2: LIQ2 for Quarter ending 30 September 2021

		(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)						
A. Available stable funding (“ASF”) item						
1	Capital:	176,257	12,460	1,081	41,062	217,860
2	Regulatory capital	176,257	6,230	–	14,423	190,680
2a	Minority interests not covered by row 2	–	–	–	–	–
3	Other capital instruments	–	6,230	1,081	26,639	27,180
4	Retail deposits and small business funding:	–	750,786	10,528	1,083	698,200
5	Stable deposits		236,166	2,514	482	227,228
6	Less stable deposits		514,620	8,014	601	470,972
7	Wholesale funding:		1,110,550	16,757	17,290	422,343
8	Operational deposits		482,188	–	–	241,094
9	Other wholesale funding	–	628,362	16,757	17,290	181,249
10	Liabilities with matching interdependent assets	56,081	–	–	–	–
11	Other liabilities:	84,323	43,689	11,867	30,438	36,371
12	Net derivative liabilities	–				
13	All other funding and liabilities not included in the above categories	84,323	43,689	11,867	30,438	36,370
14	Total ASF					1,374,773

8 Liquidity (continued)

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

Table 2: LIQ2 for Quarter ending 30 September 2021 (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		
B. Required stable funding (“RSF”) item						
15	Total HQLA for NSFR purposes			578,598	52,755	
16	Deposits held at other financial institutions for operational purposes	–	9,318	–	4,659	
17	Performing loans and securities:	56,175	619,204	143,455	781,115	944,818
18	Performing loans to financial institutions secured by Level 1 HQLA	–	64,812	–	–	6,481
19	Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	20,068	178,352	24,530	60,585	119,671
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:	36,107	339,968	75,534	156,508	493,573
21	With a risk-weight of less than or equal to 35% under the STC approach	–	49	135	15,850	14,467
22	Performing residential mortgages, of which:	–	17,629	9,470	501,693	245,931
23	With a risk-weight of less than or equal to 35% under the STC approach	–	11,188	6,845	364,298	245,810
24	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	–	18,443	33,921	62,329	79,162
25	Assets with matching interdependent liabilities	56,081	–	–	–	–
26	Other assets:	125,688	33,148	–	92	90,491
27	Physical traded commodities, including gold	509				432
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs	2,498				2,369
29	Net derivative assets	3,729				3,729
30	Total derivative liabilities before adjustments for deduction of variation margin posted	35,406				1,770
31	All other assets not included in the above categories	83,546	33,148	–	92	83,963
32	Off-balance sheet items				923,605	17,044
33	Total RSF					1,111,539
34	Net Stable Funding Ratio (%)					124%

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 compliment 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 2021, and well above the regulatory requirement minimum of 100%. NSFR remained stable with a slight increase from 124% in Q3 to 125% in Q4 of 2021.

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 33 on pages 89 to 103 of the 2021 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 ¹ on STC approach exposures	Allocated in regulatory category of specific provisions	Of which ECL accounting provisions for credit losses on IRB approach exposures	Net values (a+b-c)
At 31 December 2021	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	6,239	1,455,421	6,353	261	313	5,779	1,455,307
2 Debt securities	–	447,091	23	–	–	23	447,068
3 Off-balance sheet exposures	595	1,014,249	235	–	26	209	1,014,609
4 Total²	6,834	2,916,761	6,611	261	339	6,011	2,916,984

¹ 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.

² 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
1 Defaulted loans and debt securities at end of the previous reporting period (30 June 2021)	6,461
2 Loans and debt securities that have defaulted since the last reporting period	1,546
3 Returned to non-defaulted status	(25)
4 Amounts written off	(797)
5 Other changes ¹	(946)
6 Defaulted loans and debt securities at end of the current reporting period (31 December 2021)	<u>6,239</u>

¹ 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".

Financial assets are considered to be credit impaired where the obligors are unlikely to pay on the occurrence of one or more observable events that have a detrimental impact on the estimated future cash flows of the financial asset or it was past due for more than 90 days in respect of principal and / or interest.

Financial assets that are credit impaired but not past due for more than 90 days will not be reported as defaulted exposures in CR1, CR2 and CR3.

I. Exposures by geographical location (CRB1)

At 31 December 2021	Gross carrying amount HK\$'M
1 Hong Kong	1,048,583
2 South Korea	595,884
3 Mainland China	469,675
4 Others ¹	809,453
5 Total	<u>2,923,595</u>

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

II. Exposures by Industry (CRB2)

At 31 December 2021	Gross carrying amount HK\$'M
1 Individuals	913,976
2 Financial concerns	577,564
3 Manufacturing	316,583
4 Wholesales and retail trade	224,747
5 Others ¹	890,725
6 Total	<u>2,923,595</u>

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

9 Credit risk for non-securitization exposures (continued)

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

III. Exposures by residual maturity (CRB3)

At 31 December 2021		Repayable on demand to 1 year HK\$'M	Due between 1 year to 5 years HK\$'M	Due after 5 years HK\$'M	Total HK\$'M
1	Loans	683,650	249,682	528,328	1,461,660
2	Debt securities	205,239	216,466	25,386	447,091
3	Off-balance sheet exposures	611,827	340,532	62,485	1,014,844
4	Total	1,500,716	806,680	616,199	2,923,595

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 2021		Gross impaired advances HK\$'M	Specific provisions ² HK\$'M	Advances written-off in a year HK\$'M
1	Hong Kong	5,929	2,287	505
2	Mainland China	958	556	558
3	Taiwan	952	210	135
4	South Korea	1,204	462	634
5	Others ¹	295	96	10
6	Total	9,338	3,611	1,842

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

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

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

At 31 December 2021		Gross impaired advances HK\$'M	Specific provisions ² HK\$'M	Advances written-off in a year HK\$'M
1	Property Development	3,363	883	16
2	Individuals	2,449	782	1,370
3	Wholesale and retail trade	1,400	979	250
4	Manufacturing	1,302	675	106
5	Others ¹	824	292	100
6	Total	9,338	3,611	1,842

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

² 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)

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

Please refer to note 19 for aging analysis of past due exposures.

VII. Breakdown of restructured exposures (CRB7)

At 31 December 2021	HK\$'M
Impaired	704
Not impaired	274
	<u>978</u>

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.

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 33(a) on pages 91 of the 2021 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 2021	(a) Exposures unsecured: carrying amount HK\$'M	(b1) Exposures to be secured HK\$'M	(b) Exposures secured by recognized collateral HK\$'M	(d) Exposures secured by recognized guarantees HK\$'M	(f) Exposures secured by recognized credit derivative contracts HK\$'M
1 Loans	774,812	680,495	586,351	45,416	–
2 Debt securities	432,948	14,120	7,649	–	–
3 Total	<u>1,207,760</u>	<u>694,615</u>	<u>594,000</u>	<u>45,416</u>	<u>–</u>
4 Of which defaulted	<u>4,363</u>	<u>1,876</u>	<u>1,177</u>	<u>300</u>	<u>–</u>

9 Credit risk for non-securitization exposures (continued)

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.

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 2021	(a) Exposures pre-CCF and pre-CRM		(b) Exposures post-CCF and post-CRM		(c) RWA and RWA density	
	On-balance sheet amount HK\$'M	Off-balance sheet amount HK\$'M	On-balance sheet amount HK\$'M	Off-balance sheet amount HK\$'M	RWA HK\$'M	RWA density %
	(d)	(e)	(f)	(g)	(h)	(i)
<i>Exposure classes</i>						
1 Sovereign exposures	2	18	273	–	–	0%
2 PSE exposures	61	–	723	–	145	20%
2a <i>Of which: domestic PSEs</i>	61	–	–	–	–	0%
2b <i>Of which: foreign PSEs</i>	–	–	723	–	145	20%
3 Multilateral development bank exposures	40,541	–	40,541	–	–	0%
4 Bank exposures	2,166	–	2,166	–	433	20%
5 Securities firm exposures	–	–	–	–	–	0%
6 Corporate exposures	41,555	6,581	28,125	714	24,761	86%
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	12,461	35,619	9,738	14	7,314	75%
11 Residential mortgage loans	18,774	293	18,774	59	7,243	38%
12 Other exposures which are not past due exposures	22,141	40,514	8,436	1,547	9,983	100%
13 Past due exposures	893	306	893	1	1,307	146%
14 Significant exposures to commercial entities	–	–	–	–	–	0%
15 Total	138,594	83,331	109,669	2,335	51,186	46%

Increase in total exposures was mainly driven by increase in multilateral development bank exposures and regulatory retail exposures as a result of balance sheet growth.

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 2021											
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	273	-	-	-	-	-	-	-	-	-	273
2 PSE exposures	-	-	723	-	-	-	-	-	-	-	723
2a Of which: domestic PSEs	-	-	-	-	-	-	-	-	-	-	-
2b Of which: foreign PSEs	-	-	723	-	-	-	-	-	-	-	723
3 Multilateral development bank exposures	40,541	-	-	-	-	-	-	-	-	-	40,541
4 Bank exposures	-	-	2,166	-	-	-	-	-	-	-	2,166
5 Securities firm exposures	-	-	-	-	-	-	-	-	-	-	-
6 Corporate exposures	-	-	2,485	-	4,180	-	22,174	-	-	-	28,839
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	-	-	-	-	-	9,752	-	-	-	-	9,752
11 Residential mortgage loans	-	-	-	17,381	-	1,171	281	-	-	-	18,833
12 Other exposures which are not past due exposures	-	-	-	-	-	-	9,983	-	-	-	9,983
13 Past due exposures	4	-	20	-	-	-	4	866	-	-	894
14 Significant exposures to commercial entities	-	-	-	-	-	-	-	-	-	-	-
15 Total	40,818	-	5,394	17,381	4,180	10,923	32,442	866	-	-	112,004

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 Asia Risk Committee (Asia RC), upon challenge and 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 metrics on actual against predicted, is monitored regularly by the model owners based on the internal standards and regulatory requirements and is reported through the SCBHK MAF to the Asia RC. In addition, existing models are subject to annual independent validation by GMV.

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

Probability of Default (PD)

Probability of Default (PD) is estimated based on one of three industry standard approaches, namely the good-bad approach (when sufficient number of internal defaults is available for modelling), the shadow-bond approach (used in the case there are no sufficient internal defaults but there are external ratings for a large number of obligors), or the constrained expert judgement approach (used when limited internal defaults or external ratings are available).

In Corporate, Commercial & Institutional Banking (CCIB), the largest portfolios are rated based on the shadow bond approach (Sovereigns and Large Corporates) or the good-bad approach (Banks and 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 according to their respective 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 and used, or are classified under specialised lending. Excluding the Sovereign model, the CCIB internal rating-based (IRB) PD models are subject to the regulatory floor of 0.03 per cent.

PD models for retail clients under each asset class are developed following the good-bad approach. The same PD modelling approach is adopted across the four key retail client product types: Residential Mortgages, Credit Cards (Qualifying Revolving Retail), Personal Loans (Other Retail) and Retail SME (Small Business Retail). The approach employs country and product-specific application scorecards for new to bank clients and behaviour scorecards for existing clients. 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 and PD models are used to make credit decisions. 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 2020 and are compared with default observations through 31 December 2021.

Our historical default experience for sovereigns is minimal, so the predicted PD reflects a particularly low number of defaults. There are no defaults for sovereigns or banks during 2021. Realised default rates for 'Corporates', 'Residential mortgages', 'Qualifying revolving retail', 'Small business retail' and 'Other retail' asset classes in 2021 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 CCIB loss given default (LGD) model is a component-based model reflecting the Group's recovery and workout process, which considers 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 should consider that the workout process may take years to complete. As such, an observed (or "empirical") recovery value cannot be assigned to the majority of the 2021 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 2018 to 2021 defaults that have completed their workout process as at the end of 2021. 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 thus 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' while realised LGD values for 'Corporates' are lower than the respective predicted LGD values, demonstrating conservatism of predictions. This conservativeness is driven by the regulatory guidance to calibrate LGD models to economic 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), due to the very low volume of defaults observed historically. 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 2018 cohort (existing defaults and those defaulted in the next 12 months) was calculated based on actual recoveries observed from January 2019 until December 2021. 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 their respective 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 the effect of reporting LGD at exposure-weighted view gives the impression of underestimation as unsecured products comprise a larger part of the exposure and risk in this asset class and tend to skew the average. When considered in the larger context, however, the issue is seen as not material due to the satisfactory performance at count-weighted view and has been validated by model validation team.

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, resulting in the amount expected to be outstanding when default takes place.

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 CCIB 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 (instalment) 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 2021. The ratios for all models are smaller than one, indicating that the predicted EAD amount 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.

At 31 December 2021, 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 2021 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%	92%
Sovereign exposures	91%	100%
Bank exposures (including securities firms)	99%	99%
Residential mortgage loans	96%	91%
Other retail exposures	93%	85%
Equity exposures	0%	0%
Other exposures	96%	100%

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 96% 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 2021 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	420,788	7,677	23.8%	440,310	0.02%	66	46.0%	1.62	37,365	8%	45	
0.15 to < 0.25	–	–	0.0%	–	0.00%	–	0.0%	–	–	0%	–	
0.25 to < 0.50	–	–	0.0%	–	0.00%	–	0.0%	–	–	0%	–	
0.50 to < 0.75	–	–	0.0%	–	0.00%	–	0.0%	–	–	0%	–	
0.75 to < 2.50	1,634	–	0.0%	1,634	0.89%	1	45.0%	1.00	1,134	69%	7	
2.50 to < 10.00	599	202	0.0%	–	0.00%	1	0.0%	–	–	0%	–	
10.00 to < 100.00	–	–	0.0%	–	0.00%	–	0.0%	–	–	0%	–	
100.00 (Default)	–	–	0.0%	–	0.00%	–	0.0%	–	–	0%	–	
Sub-total	423,021	7,879	23.8%	441,944	0.03%	68	46.0%	1.62	38,499	9%	52	357
Portfolio (ii) – Bank												
0.00 to < 0.15	279,664	133,227	7.9%	299,310	0.04%	171	43.9%	1.03	37,507	13%	56	
0.15 to < 0.25	4,933	6,461	28.6%	6,683	0.22%	41	40.3%	0.85	2,203	33%	6	
0.25 to < 0.50	2,070	8,762	8.7%	2,576	0.39%	26	40.5%	1.00	1,307	51%	4	
0.50 to < 0.75	7,665	19,628	24.2%	10,605	0.56%	63	32.3%	1.05	4,830	46%	19	
0.75 to < 2.50	5,069	6,492	30.3%	5,115	1.43%	88	30.7%	1.12	3,522	69%	25	
2.50 to < 10.00	435	1,216	39.2%	804	2.87%	48	23.7%	0.27	521	65%	6	
10.00 to < 100.00	179	74	72.0%	152	20.86%	19	23.2%	0.32	186	122%	6	
100.00 (Default)	–	–	0.0%	–	0.00%	–	0.0%	–	–	0%	88	
Sub-total	300,015	175,860	11.5%	325,245	0.10%	456	43.1%	1.02	50,076	15%	210	532
Portfolio (iii) – Corporate – Other												
0.00 to < 0.15	192,088	202,542	21.6%	256,191	0.07%	894	47.1%	1.30	47,730	19%	88	
0.15 to < 0.25	47,511	76,596	21.9%	64,619	0.22%	767	46.5%	1.18	24,028	37%	66	
0.25 to < 0.50	51,350	67,030	21.1%	63,246	0.39%	682	47.7%	1.44	33,707	53%	118	
0.50 to < 0.75	58,214	78,528	22.0%	72,267	0.57%	840	45.2%	1.06	41,319	57%	181	
0.75 to < 2.50	68,176	63,442	23.8%	72,158	5.69%	1,492	38.7%	1.25	48,621	67%	347	
2.50 to < 10.00	34,348	24,868	23.5%	34,218	4.15%	627	43.1%	1.39	39,526	116%	506	
10.00 to < 100.00	26,294	13,619	11.2%	11,305	15.73%	537	30.5%	2.26	12,358	109%	312	
100.00 (Default)	4,472	223	19.9%	4,457	100.00%	99	48.1%	1.43	6,073	136%	2,060	
Sub-total	482,453	526,848	21.8%	578,461	2.20%	5,938	45.3%	1.29	253,362	44%	3,678	5,171

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 2021 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	522	172	14.3%	547	0.09%	2	54.1%	2.62	145	27%	–	
0.15 to < 0.25	733	1,222	48.8%	1,340	0.23%	234	31.4%	1.04	275	20%	1	
0.25 to < 0.50	786	802	24.7%	974	0.32%	279	26.1%	1.97	260	27%	1	
0.50 to < 0.75	2,361	1,551	9.1%	2,473	0.61%	277	24.3%	1.21	727	29%	4	
0.75 to < 2.50	7,511	3,141	20.4%	8,023	1.35%	1,238	27.1%	1.37	3,568	44%	29	
2.50 to < 10.00	6,567	935	15.2%	6,395	4.59%	364	17.9%	1.21	2,648	41%	52	
10.00 to < 100.00	2,510	485	18.4%	2,256	16.60%	80	23.0%	1.16	1,916	85%	86	
100.00 (Default)	564	54	1.5%	323	100.00%	63	39.5%	1.80	344	106%	146	
Sub-total	21,554	8,362	21.2%	22,331	5.02%	2,537	24.8%	1.33	9,883	44%	319	255
Portfolio (v) – Retail – QRRE												
0.00 to < 0.15	5,302	104,180	49.6%	56,922	0.07%	931,714	88.5%	–	2,282	4%	36	
0.15 to < 0.25	336	3,136	81.7%	2,897	0.18%	92,242	78.9%	–	227	8%	4	
0.25 to < 0.50	1,056	11,142	53.0%	6,955	0.31%	105,760	88.1%	–	918	13%	19	
0.50 to < 0.75	2,023	23,715	49.5%	13,768	0.68%	174,826	89.3%	–	3,482	25%	83	
0.75 to < 2.50	1,414	7,914	52.2%	5,545	1.53%	76,594	89.0%	–	2,587	47%	76	
2.50 to < 10.00	1,857	2,861	60.6%	3,592	5.12%	41,061	89.3%	–	3,787	105%	164	
10.00 to < 100.00	475	333	60.7%	677	27.59%	7,462	89.6%	–	1,487	220%	168	
100.00 (Default)	110	7	0.1%	110	100.00%	2,655	59.0%	–	96	87%	57	
Sub-total	12,573	153,288	50.8%	90,466	0.80%	1,432,314	88.3%	–	14,866	16%	607	138
Portfolio (vi) – Retail – Residential mortgage exposures												
0.00 to < 0.15	254,270	1,186	100.5%	255,462	0.09%	115,063	13.0%	–	42,708	17%	29	
0.15 to < 0.25	152,161	15,120	100.1%	167,295	0.19%	92,388	13.9%	–	21,033	13%	45	
0.25 to < 0.50	37,974	643	100.9%	38,624	0.45%	30,255	12.5%	–	3,856	10%	21	
0.50 to < 0.75	11,884	7	100.5%	11,891	0.55%	8,266	17.0%	–	2,309	19%	11	
0.75 to < 2.50	21,431	379	100.3%	21,810	1.14%	16,631	12.1%	–	3,862	18%	30	
2.50 to < 10.00	3,995	63	100.3%	4,058	4.01%	3,746	11.6%	–	1,352	33%	19	
10.00 to < 100.00	432	4	100.0%	436	28.84%	667	14.0%	–	312	71%	17	
100.00 (Default)	722	4	100.0%	726	100.00%	995	13.4%	–	513	71%	56	
Sub-total	482,869	17,406	100.2%	500,302	0.41%	268,011	13.3%	–	75,945	15%	228	722

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 2021 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	128	18	84.7%	129	0.07%	9	63.1%	–	15	11%	–	
0.15 to < 0.25	221	11	46.6%	168	0.20%	76	41.3%	–	28	16%	–	
0.25 to < 0.50	652	9	61.7%	404	0.38%	82	27.8%	–	68	17%	–	
0.50 to < 0.75	626	13	25.3%	356	0.62%	91	34.5%	–	100	28%	1	
0.75 to < 2.50	2,234	47	13.7%	1,472	1.50%	374	64.2%	–	1,101	75%	14	
2.50 to < 10.00	1,160	12	42.6%	803	4.29%	130	75.9%	–	883	110%	27	
10.00 to < 100.00	180	2	2.1%	109	25.03%	54	84.5%	–	174	160%	23	
100.00 (Default)	36	–	0.0%	34	100.00%	16	83.6%	–	76	224%	23	
Sub-total	5,237	112	36.8%	3,475	3.50%	832	59.3%	–	2,445	70%	88	44
Portfolio (viii) – Other retail exposures to individuals												
0.00 to < 0.15	4,977	14,345	84.3%	17,069	0.07%	65,687	80.2%	–	2,522	15%	10	
0.15 to < 0.25	2,547	3,180	81.5%	5,138	0.16%	23,713	80.8%	–	1,458	28%	7	
0.25 to < 0.50	13,625	5,251	60.8%	16,817	0.34%	52,399	77.4%	–	7,476	44%	45	
0.50 to < 0.75	7,081	2,776	55.1%	8,611	0.68%	35,092	77.7%	–	5,675	66%	46	
0.75 to < 2.50	23,391	6,180	35.9%	25,606	1.36%	80,448	57.1%	–	16,508	64%	200	
2.50 to < 10.00	39,784	7,132	65.3%	44,440	4.78%	125,853	51.1%	–	32,511	73%	925	
10.00 to < 100.00	2,828	560	42.0%	3,063	21.79%	18,307	74.7%	–	4,536	148%	489	
100.00 (Default)	924	2	0.0%	924	100.00%	15,561	62.2%	–	821	89%	509	
Sub-total	95,157	39,426	67.2%	121,668	3.45%	417,060	63.9%	–	71,507	59%	2,231	896
Total (all portfolios subject to the IRB approaches)	1,822,879	929,181	28.1%	2,083,892	1.03%	2,127,216	40.2%	1.34	516,583	25%	7,413	8,115

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 and the impairment allowances reported under IRB approach, which increases as customer loan increases.

Decrease in exposures was in line with the balance sheet movement during the period.

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 2021		(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)	13,462	13,462
3	Corporate – Specialized lending under supervisory slotting criteria approach (commodities finance)	-	-
4	Corporate – Specialized lending under supervisory slotting criteria approach (income-producing real estate)	6,498	6,498
5	Corporate – Specialized lending (high-volatility commercial real estate)	-	-
6	Corporate – Small-and-medium sized corporates	9,883	9,883
7	Corporate – Other corporates	253,362	253,362
8	Sovereigns	30,572	30,572
9	Sovereign foreign public sector entities	7,927	7,927
10	Multilateral development banks	-	-
11	Bank exposures – Banks	41,939	41,939
12	Bank exposures – Securities firms	5,978	5,978
13	Bank exposures – Public sector entities (excluding sovereign foreign public sector entities)	2,159	2,159
14	Retail – Small business retail exposures	2,445	2,445
15	Retail – Residential mortgages to individuals	73,910	73,910
16	Retail – Residential mortgages to property-holding shell companies	2,035	2,035
17	Retail – Qualifying revolving retail exposures (QRRE)	14,866	14,866
18	Retail – Other retail exposures to individuals	71,507	71,507
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	202	202
26	Other – Other items	40,777	40,777
27	Total	577,522	577,522

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

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
1 RWA as at end of previous reporting period (30 September 2021)	588,193
2 Asset size	(11,622)
3 Asset quality	698
4 Model updates	(680)
5 Methodology and policy	–
6 Acquisitions and disposals	–
7 Foreign exchange movements	731
8 Other	–
9 RWA as at end of reporting period (31 December 2021)	577,320

The decrease in RWA during the quarter were mainly due to the following items:

- RWA decrease from asset size which is in line with balance sheet movement,
- RWA increase from asset quality mainly due to slight credit migration during the period.
- RWA decrease from model update on risk parameter refinements for bank counterparties,
- RWA increase from foreign exchange rate movement mainly due to the appreciation of CNY and TWD in relation to HKD during the period.

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

2021	Asset Class	PD (%)		LGD (%)		EAD Ratio (Observed /Predicted)
		Observed	Predicted	Observed	Predicted	
	Sovereigns	0.00	0.02	N/A	N/A	N/A
	Banks	0.00	1.07	N/A	N/A	N/A
	Corporates	0.90	3.01	35.70	53.94	0.89
	Qualifying revolving retail exposures (QRRE)	0.19	0.55	65.81	77.63	0.82
	Residential mortgages	0.09	0.40	9.45	20.60	0.99
	Small business retail exposures	1.86	2.84	90.26	86.51	0.85
	Other retail exposures to individuals	1.66	3.15	51.09	59.14	0.96
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

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)	(c)	(d)	(e)	(f)		(g)	(h)	(i)
	PD Range (as of 31 December 2020)	External rating equivalent	Weighted average PD	Arithmetic average PD by obligors	31 December 2020	31 December 2021	Defaulted obligors in the year	Of which: new defaulted obligors in the year	Average historical annual default rate
Portfolio (i) – Sovereign			0.02%	0.02%	106	111	0	0	0.00%
	0.00 to < 0.15	AAA to BBB-			105	91			
	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			1	1			
	10.00 to < 100.00	CCC, C			0	0			
New obligors acquired during the year	D					19			
Portfolio (ii) – Bank			0.10%	1.07%	837	991	0	0	0.03%
	0.00 to < 0.15	AAA to BBB-			364	278			
	0.15 to < 0.25	BBB, BBB-			70	55			
	0.25 to < 0.50	BBB-, BB+, BB			52	42			
	0.50 to < 0.75	BB+, BB			105	82			
	0.75 to < 2.50	BB, BB-, B+, B			162	133			
	2.50 to < 10.00	B, B-, CCC, C			72	48			
	10.00 to < 100.00	CCC, C			12	7			
New obligors acquired during the year	D					346			
Portfolio (iii) – Corporate – Specialized Lending under supervisory slotting criteria approach (object finance)			0.89%	0.70%	145	159	0	0	0.00%
	0.00 to < 0.15	AAA to BBB-			19	19			
	0.15 to < 0.25	BBB, BBB-			17	13			
	0.25 to < 0.50	BBB-, BB+, BB			2	2			
	0.50 to < 0.75	BB+, BB			43	34			
	0.75 to < 2.50	BB, BB-, B+, B			64	46			
	2.50 to < 10.00	B, B-, CCC, C			0	0			
	10.00 to < 100.00	CCC, C			0	0			
New obligors acquired during the year	D					45			
Portfolio (iv) – Corporate – Small-and- medium sized corporates			3.17%	3.73%	7,222	7,035	96	3	2.56%
	0.00 to < 0.15	AAA to BBB-			3	3			
	0.15 to < 0.25	BBB, BBB-			508	445			
	0.25 to < 0.50	BBB-, BB+, BB			339	300			
	0.50 to < 0.75	BB+, BB			1,009	890			
	0.75 to < 2.50	BB, BB-, B+, B			2,376	2,098			
	2.50 to < 10.00	B, B-, CCC, C			2,121	1,768			
	10.00 to < 100.00	CCC, C			866	638			
New obligors acquired during the year	D					893			

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 2020)	(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 2020	31 December 2021			
Portfolio (v) –			0.98%	2.54%	6,227	7,828	32	3	0.58%
Corporate –	0.00 to < 0.15	AAA to BBB-			1,164	1,000			
Other	0.15 to < 0.25	BBB, BBB-			898	764			
corporates	0.25 to < 0.50	BBB-, BB+, BB			697	605			
	0.50 to < 0.75	BB+, BB			933	767			
	0.75 to < 2.50	BB, BB-, B+, B			1,090	893			
	2.50 to < 10.00	B, B-, CCC, C			737	559			
	10.00 to < 100.00	CCC, C			708	439			
	New obligors acquired during the year	D				2,801			
Portfolio (vi) –			0.68%	0.55%	1,544,910	1,454,796	3,088	132	0.30%
Retail –	0.00 to < 0.15				1,030,062	848,996			
Qualifying	0.15 to < 0.25				98,025	83,563			
revolving retail	0.25 to < 0.50				108,476	95,752			
exposures	0.50 to < 0.75				175,876	163,299			
	0.75 to < 2.50				78,363	71,890			
	2.50 to < 10.00				44,323	38,557			
	10.00 to < 100.00				9,785	7,859			
	New obligors acquired during the year					144,880			
Portfolio (vii) –			0.36%	0.40%	266,914	285,837	237	4	0.14%
Retail –	0.00 to < 0.15				133,133	111,959			
Residential	0.15 to < 0.25				75,291	65,305			
mortgage	0.25 to < 0.50				27,244	23,526			
exposures	0.50 to < 0.75				8,576	7,475			
	0.75 to < 2.50				17,343	14,778			
	2.50 to < 10.00				4,433	3,797			
	10.00 to < 100.00				894	712			
	New obligors acquired during the year					58,285			
Portfolio (viii) –			2.75%	2.84%	17,284	16,052	328	6	2.45%
Retail – Small	0.00 to < 0.15				692	530			
business retail	0.15 to < 0.25				735	551			
exposures	0.25 to < 0.50				1,982	1,614			
	0.50 to < 0.75				1,817	1,499			
	0.75 to < 2.50				7,117	5,868			
	2.50 to < 10.00				4,173	3,485			
	10.00 to < 100.00				768	563			
	New obligors acquired during the year					1,942			

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 2020)	External rating equivalent	Weighted average PD	Arithmetic average PD by obligors	31 December 2020	31 December 2021	Defaulted obligors in the year	Of which: new defaulted obligors in the year	Average historical annual default rate
Portfolio (ix) –			4.17%	3.15%	441,728	438,782	7,713	371	1.98%
Retail –	0.00 to < 0.15				69,817	63,744			
Other retail exposures to individuals	0.15 to < 0.25				24,285	21,721			
	0.25 to < 0.50				59,512	51,188			
	0.50 to < 0.75				39,921	32,699			
	0.75 to < 2.50				87,173	64,214			
	2.50 to < 10.00				136,172	104,660			
	10.00 to < 100.00				24,848	16,603			
	New obligors acquired during the year					83,953			

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

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 2021		(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 [^]	Less than 2.5 years	1,124	67	50%	–	372	–	764	1,136	568	–
Strong	Equal to or more than 2.5 years	4,885	586	70%	–	4,421	–	551	4,972	3,481	20
Good [^]	Less than 2.5 years	3,034	406	70%	–	418	–	2,746	3,164	2,215	13
Good	Equal to or more than 2.5 years	3,336	915	90%	–	1,654	–	2,048	3,702	3,331	30
Satisfactory		8,653	357	115%	–	7,305	–	1,450	8,755	10,069	245
Weak		119	–	250%	–	–	–	119	119	296	9
Default		–	–	0%	–	–	–	–	–	–	–
Total		21,151	2,331		–	14,170	–	7,678	21,848	19,960	317

[^] Use of preferential risk-weights.

Decrease in total exposure and RWA was in line with the balance sheet movement during the period.

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.

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 2021, 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 weekly and discussed 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.

10 Counterparty Credit risk (continued)

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

Exposure value calculation

Exposure calculation used for risk management is based on PFE and Cash out. 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.

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 (a) used for computing default risk exposure	Default risk exposure after CRM	RWA
At 31 December 2021	HK\$'M		%		HK\$'M	HK\$'M
1 SA-CCR (for derivative contracts)	17,365	54,201		1.4	98,292	36,910
1a CEM (for derivative contracts)	-	-		1.4	-	-
2 IMM (CCR) approach			-	0.0	-	-
3 Simple Approach (for SFTs)					-	-
4 Comprehensive Approach (for SFTs)					171,660	3,066
5 VaR (for SFTs)					-	-
6 Total						39,976

Decrease in default risk exposures was due to decrease in volume of derivative exposures.

10 Counterparty Credit risk (continued)

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.

At 31 December 2021	(a) EAD post CRM HK\$'M	(b) RWA HK\$'M
Netting sets for which CVA capital charge is calculated by the advanced CVA method	-	-
1 (i) VaR (after application of multiplication factor if applicable)	-	-
2 (ii) Stressed VaR (after application of multiplication factor if applicable)	-	-
3 Netting sets for which CVA capital charge is calculated by the standardized CVA method	97,106	18,217
4 Total	97,106	18,217

Decrease in CVA capital charge was mainly due to decrease in volume of derivative exposures.

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 2021	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k) Total default risk exposure after CRM
Risk Weight	0%	10%	20%	35%	50%	75%	100%	150%	250%	Others	HK\$'M
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	582	-	-	-	-	-	-	-	-	-	582
4 Bank exposures	-	-	-	-	-	-	-	-	-	-	-
5 Securities firm exposures	-	-	-	-	-	-	-	-	-	-	-
6 Corporate exposures	-	-	302	-	-	-	653	-	-	-	955
7 CIS exposures	-	-	-	-	-	-	-	-	-	-	-
8 Regulatory retail exposures	-	-	-	-	-	47	-	-	-	-	47
9 Residential mortgage loans	-	-	-	-	-	-	-	-	-	-	-
10 Other exposures which are not past due exposures	-	-	-	-	-	-	-	-	-	-	-
11 Significant exposures to commercial entities	-	-	-	-	-	-	-	-	-	-	-
12 Total	582	-	302	-	-	47	653	-	-	-	1,584

Decrease in total default risk exposure after CRM was mainly due to decrease in corporate and multilateral development bank 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 2021 PD scale	(a) EAD post-CRM HK\$'M	(b) Average PD	(c) Number of obligors	(d) Average LGD	(e) Average maturity	(f) RWA HK\$'M	(g) RWA density
Portfolio (i) – Sovereign							
0.00 to < 0.15	49,918	0.02%	20	30.9%	0.18	922	2%
0.15 to < 0.25	–	0.00%	–	0.0%	–	–	0%
0.25 to < 0.50	–	0.00%	–	0.0%	–	–	0%
0.50 to < 0.75	–	0.00%	–	0.0%	–	–	0%
0.75 to < 2.50	–	0.00%	–	0.0%	–	–	0%
2.50 to < 10.00	–	0.00%	–	0.0%	–	–	0%
10.00 to < 100.00	–	0.00%	–	0.0%	–	–	0%
100.00 (Default)	–	0.00%	–	0.0%	–	–	0%
Sub-total	49,918	0.02%	20	30.9%	0.18	922	2%
Portfolio (ii) – Bank							
0.00 to < 0.15	162,793	0.05%	166	18.8%	0.45	10,768	7%
0.15 to < 0.25	3,893	0.22%	27	44.9%	1.66	1,896	49%
0.25 to < 0.50	2,154	0.39%	16	14.6%	0.29	385	18%
0.50 to < 0.75	1,579	0.54%	28	13.6%	0.50	270	17%
0.75 to < 2.50	1,193	1.31%	15	34.0%	1.02	772	65%
2.50 to < 10.00	20	3.51%	2	6.6%	1.00	4	18%
10.00 to < 100.00	279	23.30%	2	25.2%	1.00	359	129%
100.00 (Default)	–	0.00%	–	0.0%	–	–	0%
Sub-total	171,911	0.11%	256	19.4%	0.48	14,454	8%
Portfolio (iii) – Corporate							
0.00 to < 0.15	16,071	0.10%	331	47.6%	1.21	4,475	28%
0.15 to < 0.25	9,786	0.22%	479	49.7%	1.41	4,597	47%
0.25 to < 0.50	3,798	0.39%	171	60.6%	1.86	2,973	78%
0.50 to < 0.75	9,265	0.53%	151	26.1%	0.65	3,208	35%
0.75 to < 2.50	5,816	1.06%	136	51.6%	1.13	5,218	90%
2.50 to < 10.00	1,362	3.99%	39	60.7%	1.47	2,244	165%
10.00 to < 100.00	56	14.07%	15	62.1%	2.68	179	322%
100.00 (Default)	385	100.00%	2	46.3%	1.07	957	249%
Sub-total	46,539	1.31%	1,324	45.7%	1.18	23,851	51%
Total (all portfolios subject to the IRB approaches)	268,368	0.30%	1,600	26.1%	0.55	39,227	15%

Decrease in EAD post-CRM was mainly due to the decrease in exposures under bank 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 2021	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 HK\$'M	Unsegregated HK\$'M	Segregated HK\$'M	Unsegregated HK\$'M	HK\$'M	HK\$'M
Cash – domestic currency	-	200	-	-	-	6,312
Cash – other currencies	-	6,036	-	8,209	42,643	110,315
Domestic sovereign debt	-	-	-	-	13	-
Other sovereign debt	-	4,054	-	5,021	47,309	36,472
Government agency debt	-	-	-	-	9,153	8
Corporate bonds	-	9,863	-	2,901	21,528	18,310
Equity securities	-	-	-	-	6,262	242
Other collateral	-	281	-	-	-	-
Total	-	20,434	-	16,131	126,908	171,659

Movement in unsegregated collateral received and posted for derivative contracts were mainly driven by the increase in positive fair value of derivative contracts, while the movement in collateral received and posted for SFT was in line with the decreased transactions of SFTs.

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 2021	(a) Protection bought HK\$'M	(b) Protection sold HK\$'M
Notional amounts		
Single-name credit default swaps	-	-
Index credit default swaps	-	-
Total return swaps	39,983	6,424
Credit-related options	-	-
Other credit-related derivative contracts	4,438	3,586
Total notional amounts	44,421	10,010
Fair values		
Positive fair value (asset)	540	63
Negative fair value (liability)	(270)	(1)

Increase in total notional amount were 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 2021	(a) Exposure after CRM HK\$'M	(b) RWA HK\$'M
1 Exposures of the AI as clearing member or client to qualifying CCPs (total)		149
2 Default risk exposures to qualifying CCPs (excluding items disclosed in rows 7 to 10), of which:	2,400	48
3 (i) OTC derivative transactions	-	-
4 (ii) Exchange-traded derivative contracts	2,400	48
5 (iii) Securities financing transactions	-	-
6 (iv) Netting sets subject to valid cross-product netting agreements	-	-
7 Segregated initial margin	-	
8 Unsegregated initial margin	1,723	34
9 Funded default fund contributions	404	67
10 Unfunded default fund contributions	-	-
11 Exposures of the AI as clearing member or client to non-qualifying CCPs (total)		-
12 Default risk exposures to non-qualifying CCPs (excluding items disclosed in rows 17 to 20), of which:	-	-
13 (i) OTC derivative transactions	-	-
14 (ii) Exchange-traded derivative contracts	-	-
15 (iii) Securities financing transactions	-	-
16 (iv) Netting sets subject to valid cross-product netting agreements	-	-
17 Segregated initial margin	-	-
18 Unsegregated initial margin	-	-
19 Funded default fund contributions	-	-
20 Unfunded default fund contributions	-	-

Decrease in total RWA was mainly due to decrease in volume in exchange-traded derivative contracts.

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 2021 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:	-	-	-	-	-	-	28,807	-	28,807
2 residential mortgage	-	-	-	-	-	-	17,221	-	17,221
3 credit card	-	-	-	-	-	-	1,640	-	1,640
4 other retail exposures	-	-	-	-	-	-	9,946	-	9,946
5 re-securitization exposures	-	-	-	-	-	-	-	-	-
6 Wholesale (total) – of which:	-	-	-	-	-	-	6,056	-	6,056
7 loans to corporates	-	-	-	-	-	-	858	-	858
8 commercial mortgage	-	-	-	-	-	-	-	-	-
9 lease and receivables	-	-	-	-	-	-	-	-	-
10 other wholesale	-	-	-	-	-	-	5,198	-	5,198
11 re-securitization exposures	-	-	-	-	-	-	-	-	-

The increase in exposures during the period was mainly driven by the increase in exposures under retail.

12 Market risk

a. Qualitative disclosures related to market risk (MRA, MRB)

Our approach to market risk can be found in the Risk Management approach section in note 33 (b) traded risk on pages 104 to 108 of the 2021 consolidated financial statements.

The primary categories of market risk for the Group are:

- Interest rate risk: arising from changes in yield curves, and implied volatilities on interest rate options
- Foreign exchange rate risk: arising from changes in currency exchange rates and implied volatilities on foreign exchange options
- Commodity Risk: arising from changes in commodity prices and implied volatilities on commodity options; covering energy, precious metals, base metals and agriculture as well as commodity baskets
- Credit spread risk: arising from changes in credit spreads. It represents the risk specific to the issuer or for the industry representing the issuer
- Equity Risk: arising from changes in the prices of equities, equity indices, equity baskets and implied volatilities on related options

Trading book

The Trading book contains positions held with trading intent or hedges for such positions. The Traded Risk Framework sets out the Group's standard systematic approach to risk managing market risk. The Trading Book Policy Statement identifies the policies and procedures determining the positions included in the Trading book and their risk management and valuation. All trading book desks are subject to market risk limits. Traded Risk Management, an independent risk control function, monitors the limits and reports daily to senior management.

Valuation framework

Valuation of financial assets and liabilities held at fair value is subject to an independent review by Valuation Control within the Finance function. For those financial assets and liabilities whose fair value is determined by reference to externally quoted prices or market observable pricing inputs or to a valuation model, an assessment is made by Valuation Control against external market data and consensus services. Valuation Control also ensures adherence to the valuation adjustment policies to incorporate bid/ask spreads, model risk and other reserves, and, where appropriate, to mark all positions in accordance with prevailing accounting and regulatory guidelines.

The HK Valuation Committee (VC) provides oversight and governance of valuation adjustments, price testing and valuation policies, and reviews the results of the valuation control process on a quarterly basis. In addition, the Hong Kong Benchmark Rates Review Committee governs the benchmark rates setting, submission, monitoring and review policies and provides the platform to which issues are escalated.

Management VaR

Management VaR is one of the tools used by management to monitor the total market risk within the trading and non-trading books.

12 Market risk (continued)

a. Qualitative disclosures related to market risk (MRA, MRB) (continued)

Regulatory VaR

Regulatory VaR is used to estimate the potential loss, from market movements, across trading book positions for which the Bank has received permission to apply the internal model approach (IMM). Regulatory VaR, including Stressed VaR and Risk-Not-in-VaR (RNIV) measures, is used to calculate market risk RWAs for positions falling under the IMM permission.

Regulatory VaR vs Management VaR

Variable	Regulatory VaR	Management VaR
Confidence level	99%	97.5%
Historical Observation	260 business days unweighted	260 business days unweighted
Liquidity Horizon	1 day scaled to 10-day VaR by multiplying by the square root of 10. A capital add-on will be applied if 10-day monitoring test shows that the square root of 10 multiplier is not sufficiently appropriate	1 day
Updating Frequency	1 day	1 day
Revaluation	Full revaluation except for some FX and simple cash flow positions	Full revaluation except for some FX, and simple cash flow positions
Returns	Mostly relative except for interest rates	Mostly relative except for interest rates
Scope	As approved by HKMA, under Internal Model Approval (IMM)	All non-structural market risk exposures across the trading and non-trading books

Hong Kong Monetary Authority has granted SCBHK permission to use the Internal Models Approach (IMM) to calculate its general market risk capital charge from December 2021 onwards in selected asset classes.

For December 2021, VaR contributed 7% and stressed VaR contributed 35% for SCBHK general market risk capital charge.

Backtesting

Backtesting is performed to ensure that the VaR model is fit for purpose. It measures the ability of the model to correctly reflect the potential level of losses under normal trading conditions, for a certain confidence level.

A backtesting breach is recorded when the net trading P&L loss in one day is greater than the estimated VaR for the same day.

HKMA regulation specifies that a model with fewer than five backtesting exceptions in the last 250 trading days is deemed to be in the 'green zone'.

Stressed VaR

Stressed VaR applies the same model as for regulatory VaR but using a one-year historical observation period from a stressed period relevant to the trading book portfolio.

For SCBHK the stressed period applied was the 260 business days ending 30 June 2009 reflecting the Global Financial Crisis. This is the same period used for the Group stressed VaR calculation.

12 Market risk (continued)

a. Qualitative disclosures related to market risk (MRA, MRB) (continued)

Risks-not-in-VaR framework

The Risks-not-in-VaR (RniV) framework is used to supplement the main VaR model in the context of estimating risks that are not captured in the model. An example of this is the use of proxies where market data is not available during the stressed period. In such instances, the RniV approach is used to quantify the capital requirement.

Stress testing

Stress testing supplements the use of VaR as the primary measure of risk. Group-wide stress testing is performed to measure the potential loss on a portfolio of financial positions due to low probability market events. The roles and responsibilities of the various functions are set out in the Traded Risk Stress Testing standard.

Market risk changes

Many countries started to launch free vaccination programmes for COVID-19 in the year of 2021, investors became optimistic as the global economy continued to open up. However, inflation concerns prompted Central Banks to quickly tighten monetary policy as surging prices for goods and energy pushed up expectations of future inflation.

In addition, lower volatility was observed in the market as COVID seems to be contained. This leads to a reduction in actual year end VaR numbers for both trading and Non-trading books.

The table below shows the Management VaR covering both the trading and non-trading books not limiting to IMM scope. Management VaR allows SCB to manage the market risk across the trading book and most of the fair valued non-trading books. The scope of instruments included in the Management VaR was changed in 2021 to exclude instruments held at amortised cost. The 2020 VaR numbers presented reflect the revised scope.

Trading and Non-trading (VaR at 97.5%, 1 day)

Value at risk:	2021				2020 (restated)			
	Average HK\$'M	High** HK\$'M	Low** HK\$'M	Actual* HK\$'M	Average HK\$'M	High** HK\$'M	Low** HK\$'M	Actual* HK\$'M
Total	136.4	271.3	90.0	124.0	185.0	248.2	96.8	221.2

Trading (VaR at 97.5%, 1 day)

Value at risk:	2021				2020 (restated)			
	Average HK\$'M	High** HK\$'M	Low** HK\$'M	Actual* HK\$'M	Average HK\$'M	High** HK\$'M	Low** HK\$'M	Actual* HK\$'M
Interest rate risk	35.2	57.1	20.3	23.6	34.1	56.3	18.9	44.7
Foreign exchange risk	13.9	33.0	7.2	9.0	13.9	32.3	6.0	12.9
Credit spread risk								
Total [^]	41.4	68.4	23.9	34.1	39.5	62.9	20.4	54.8

Non-trading (VaR at 97.5%, 1 day)

Value at risk:	2021				2020 (restated)			
	Average HK\$'M	High** HK\$'M	Low** HK\$'M	Actual* HK\$'M	Average HK\$'M	High** HK\$'M	Low** HK\$'M	Actual* HK\$'M
Interest rate risk ^{^^}	110.4	222.9	72.0	95.4	162.0	216.9	82.3	174.1

* Actual one day VaR at period end date.

** Highest and lowest VaR for each risk factor are independent and usually occur on different days.

[^] Total Trading VaR shown in the tables above is not a sum of the component risks due to offsets between them.

^{^^} Includes credit spread risk arising from fair value through profit or loss ("FVTPL") and fair value through other comprehensive income ("FVOCI") securities.

Total trading VaR includes Equity and Commodity risks which are immaterial in exposure.

12 Market risk (continued)

b. Market risk under STM approach (MR1)

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

At 31 December 2021		(a) RWA HK\$'M
Outright product exposures		
1	Interest rate exposures (general and specific risk)	17,930
2	Equity exposures (general and specific risk)	-
3	Foreign exchange (including gold) exposures	1,704
4	Commodity exposures	5,789
Option exposures		
5	Simplified approach	-
6	Delta-plus approach	-
7	Other approach	-
8	Securitization exposures	7,051
9	Total	32,474

Decrease in market risk RWA under STM approach was mainly due to implementation of IMA at 31 December 2021.

c. RWA flow statements of market risk exposures under IMM approach (MR2)

The table below show the RWA under IMM model as of December 2021. It shows only the end December 2021 result as SCBHK just obtained IMM approval.

	(a) VaR HK\$'M	(b) Stressed VaR HK\$'M	(c) IRC HK\$'M	(d) CRC HK\$'M	(e) Other HK\$'M	(f) Total RWA HK\$'M
1	RWA as at end of previous reporting period	N/A	N/A	N/A	N/A	N/A
2	Movement in risk levels	N/A	N/A	N/A	N/A	N/A
3	Model updates/changes	N/A	N/A	N/A	N/A	N/A
4	Methodology and policy	N/A	N/A	N/A	N/A	N/A
5	Acquisitions and disposals	N/A	N/A	N/A	N/A	N/A
6	Foreign exchange movements	N/A	N/A	N/A	N/A	N/A
7	Other	N/A	N/A	N/A	N/A	N/A
8	RWA as at end of reporting period	4,080	19,544	N/A	N/A	23,624

12 Market risk (continued)

d. IMM approach values for market risk exposures (MR3)

Internal Models Approach

The table below shows only the end December 2021 result as SCBHK just obtained IMM approval. The results reflect only the portfolio covered by the internal model approach and are calculated at a 99 per cent confidence level, excluding RNIV and Capital add-on that also contributes to the capital charge.

VaR in SCBHK was mainly driven by interest rates risk in RMB, HKD and KRW, and foreign exchange risk in RMB.

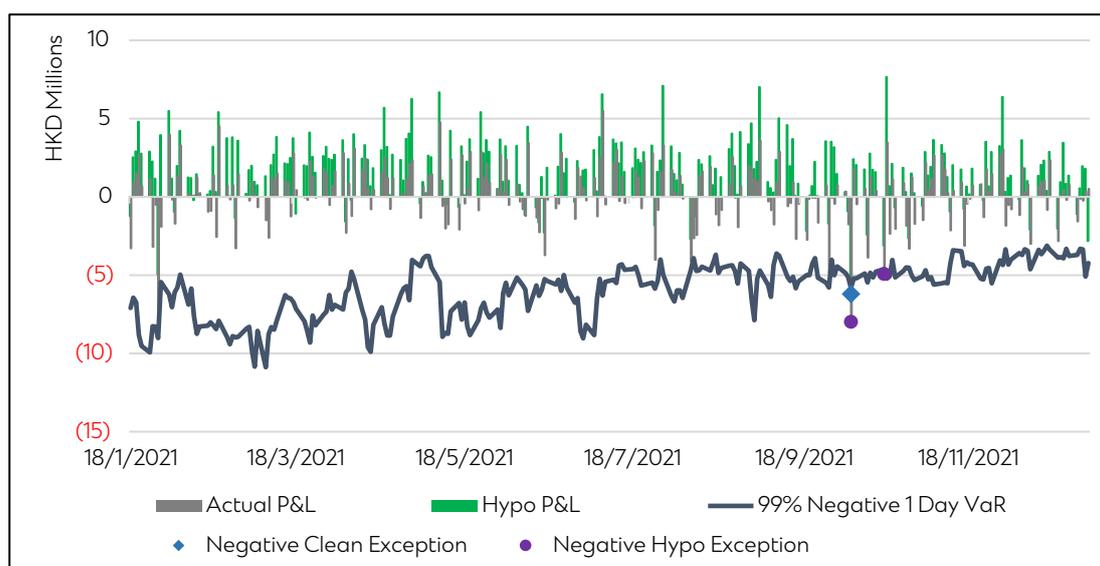
		(a) HK\$'M
VaR (10 days – one-tailed 99% confidence interval)		
1	Maximum Value	N/A
2	Average Value	N/A
3	Minimum Value	N/A
4	Period End	113
Stressed VaR (10 days – one-tailed 99% confidence interval)		
5	Maximum Value	N/A
6	Average Value	N/A
7	Minimum Value	N/A
8	Period End	346
Incremental risk charge (IRC) (99.9% confidence interval)		
9	Maximum Value	N/A
10	Average Value	N/A
11	Minimum Value	N/A
12	Period End	N/A
Comprehensive risk charge (CRC) (99.9% confidence interval)		
13	Maximum Value	N/A
14	Average Value	N/A
15	Minimum Value	N/A
16	Period End	N/A
17	Floor	N/A

12 Market risk (continued)

e. Comparison of VaR estimates with gains or losses (MR4)

The graphs below illustrate the performance of the VaR model used in the Group capital calculations. They compare the 99 percentile loss confidence level given by the VaR model with the Hypothetical and Actual P&L of each day given the real market movements. Actual backtesting P&L excludes from trading P&L: brokerage expense, fees & commissions, non-market-related accounting valuation adjustments and accounting debit valuation adjustments. Hypothetical backtesting P&L further excludes P&L from new deals and market operations.

Backtesting chart for Internal Model Approach regulatory trading book at SCBHK with profit and loss (P&L) versus VaR (99 per cent, one day)



In total, there have been two SCBHK exceptions in the previous 250 business days which is within the 'Green zone' applied according to HKMA's regulation. These exceptions occurred on:

- 6 October and 18 October: Strong US data drove Asian markets weaker and hawkish tone from government officials drove yields higher

f. 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 2021, 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 Regional Treasury. IRRBB is also subject to Group Internal Audit and model governance. IRRBB models are independently validated and approved by a designated model approval body.

13 Interest rate risk (continued)

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

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 2021, the Group's average and longest repricing maturity assigned to non-maturing deposits are 0.28 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.

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. Banking books' fair valued interest rate risk positions and limits are independently monitored by the Traded Risk Management (TRM) function.

13 Interest rate risk (continued)

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	Δ EVE		Δ NII	
	(a) Change in economic value of equity At 31 December 2021	(b) At 31 December 2020	(c) Change in net interest income At 31 December 2021	(d) At 31 December 2020
1 Parallel up	11,161	8,056	1,558	1,511
2 Parallel down	709	92	1,426	1,427
3 Steepener	747	456		
4 Flattener	5,079	5,611		
5 Short rate up	4,916	4,333		
6 Short rate down	87	27		
7 Maximum	11,161	8,056	1,558	1,511
Period	T		T-1	
8 Tier 1 capital	155,597		152,645	

As of 31 December 2021, 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\$ 11,161 million (2020: HK\$ 8,056 million), representing an effect equal to 7.2% (2020: 5.3%) 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\$1,558 million (2020: HK\$ 1,511 million).

With low interest rate environment continued in 2021, there was no significant change of adverse impact on NII. The key contributor to increase in EVE loss under parallel up worst case scenario was mainly due to certain structural balances approved by RALCO and ALCO under the SC PLC’s structural hedging programme.

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:

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

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

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 2021 and 31 December 2020 are as follows:

REM1: Analysis of remuneration split between fixed and variable remuneration

Remuneration amount and quantitative information			2021			
			Senior management ¹ HK\$'M	Key personnel ¹ HK\$'M	Senior management ¹ HK\$'M	Key personnel ¹ HK\$'M
1	Fixed remuneration	Number of employees	21	26	17	27
2		Total fixed remuneration	134	90	87	94
3		Of which: cash-based	134	90	87	94
4		Of which: deferred	–	–	–	–
5		Of which: shares or other share-linked instruments	–	–	–	–
6		Of which: deferred	–	–	–	–
7		Of which: other forms	–	–	–	–
8		Of which: deferred	–	–	–	–
9	Variable remuneration	Number of employees	21	26	17	27
10		Total variable remuneration	137	76	110	103
11		Of which: cash-based	74	49	58	62
12		Of which: deferred	22	13	23	21
13		Of which: shares or other share-linked instruments	63	27	52	41
14		Of which: deferred	40	15	35	23
15		Of which: other forms	–	–	–	–
16		Of which: deferred	–	–	–	–
17	Total remuneration		271	166	197	197

REM2: Analysis of guaranteed bonuses, sign-on awards and severance payments

2021

Special payments		Guaranteed bonuses		Sign-on awards		Severance payments	
		Number of employees	Total amount HK\$'M	Number of employees	Total amount HK\$'M	Number of employees	Total amount HK\$'M
1	Senior management ¹	–	–	–	–	2	8
2	Key personnel ¹	–	–	–	–	–	–

2020

Special payments		Guaranteed bonuses		Sign-on awards		Severance payments	
		Number of employees	Total amount HK\$'M	Number of employees	Total amount HK\$'M	Number of employees	Total amount HK\$'M
1	Senior management ¹	–	–	–	–	–	–
2	Key personnel ¹	–	–	–	–	–	–

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

REM3: Analysis of deferred remuneration

2021

	Deferred and retained remuneration	Total amount of outstanding deferred remuneration as of 31 Dec 2021 HK\$'M	Of which: Total amount of outstanding deferred and retained remuneration exposed to ex post explicit and/or implicit adjustment HK\$'M	Total amount of amendment during the year due to ex post explicit adjustments HK\$'M	Total amount of amendment during the year due to ex post implicit adjustments HK\$'M	Total amount of deferred remuneration paid out in the financial year HK\$'M
1	Senior management¹	238	238	(44)	(6)	63
2	Cash	86	86	-	-	25
3	Shares	152	152	(44)	(6)	38
4	Cash-linked instruments	-	-	-	-	-
5	Other	-	-	-	-	-
6	Key personnel¹	69	69	(11)	(2)	27
7	Cash	31	31	-	-	12
8	Shares	38	38	(11)	(2)	15
9	Cash-linked instruments	-	-	-	-	-
10	Other	-	-	-	-	-
11	Total	307	307	(55)	(8)	90

2020

	Deferred and retained remuneration	Total amount of outstanding deferred remuneration as of 31 Dec 2020 HK\$'M	Of which: Total amount of outstanding deferred and retained remuneration exposed to ex post explicit and/or implicit adjustment HK\$'M	Total amount of amendment during the year due to ex post explicit adjustments HK\$'M	Total amount of amendment during the year due to ex post implicit adjustments HK\$'M	Total amount of deferred remuneration paid out in the financial year HK\$'M
1	Senior management¹	175	175	(1)	(50)	26
2	Cash	56	56	-	-	13
3	Shares	119	119	(1)	(50)	13
4	Cash-linked instruments	-	-	-	-	-
5	Other	-	-	-	-	-
6	Key personnel¹	118	118	-	(32)	32
7	Cash	41	41	-	-	16
8	Shares	77	77	-	(32)	16
9	Cash-linked instruments	-	-	-	-	-
10	Other	-	-	-	-	-
11	Total	293	293	(1)	(82)	58

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

1 In the HKMA CG-5 module Guideline on a Sound Remuneration System published in July 2021, Senior Management is defined as individuals who are responsible for oversight of the Group's firm-wide strategy or activities or those of the Group's material business lines (including, but not limited to, the chief executive and alternate chief executive(s), executive directors, and other senior executives with a role in the Group's business who report directly to the chief executive). Key Personnel is defined as individuals 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 HKMA CG-5 requirement to reflect the prevailing organization structure.

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 33(F) on pages 116 to 117 of the 2021 consolidated financial statements.

16 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 2021	Banks HK\$'M	Official sector HK\$'M	Non-bank financial institution HK\$'M	Non-financial private sector HK\$'M	Total HK\$'M
Developed countries	195,628	83,085	36,076	51,775	366,564
– of which United Kingdom (excluding Guernsey, Isle of Man and Jersey)	142,401	522	1,154	4,637	148,714
Offshore centres	16,820	3,339	44,317	134,654	199,130
– of which Hong Kong SAR	5,941	2,473	38,115	101,363	147,892
Developing Asia and Pacific	152,675	50,224	39,564	145,337	387,800
– of which China	107,281	26,221	32,165	84,795	250,462

17 Loans and advances to customers analysed by industry sector

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

	At 31 December 2021 HK\$'M	% of loans and advances covered by collateral or other securities
Gross loans and advances for use in Hong Kong		
<i>Industrial, commercial and financial</i>		
– Property development	19,262	47%
– Property investment	24,675	76%
– Financial concerns	38,505	40%
– Stockbrokers	5,159	18%
– Wholesale and retail trade	14,237	17%
– Manufacturing	13,267	14%
– Transport and transport equipment	11,987	37%
– Recreational activities	20	0%
– Information technology	11,077	0%
– Others	27,902	9%
<i>Individuals</i>		
– Advances for the purchase of flats in the Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme	994	100%
– Advances for the purchase of other residential properties	256,993	100%
– Credit card advances	23,767	0%
– Others	34,104	36%
<i>Total gross loans and advances for use in Hong Kong</i>	481,949	68%
Trade finance	98,587	10%
Trade bills	4,480	4%
Gross loans and advances for use outside Hong Kong	617,715	56%
Gross loans and advances to customers	1,202,731	57%

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

17 Loans and advances to customers analysed by industry sector (continued)

The amount of impaired and overdue loans and advances to customers and expected credit loss 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 loans and advances to customers HK\$'M</i>	<i>Overdue loans and advances to customers HK\$'M</i>	<i>Stage 3 expected credit loss provision HK\$'M</i>	<i>Stage 1 & 2 expected credit loss provision HK\$'M</i>	<i>Provision charge HK\$'M</i>
At 31 December 2021					
Advances for the purchase of other residential properties	175	66	5	27	3
Gross loans and advances for use outside Hong Kong	5,818	1,225	1,954	1,790	1,485

18 Loans and advances to customers by geographical location

The analysis of gross loans and 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 HK\$'M</i>	<i>Impaired loans and advances to customers HK\$'M</i>	<i>Overdue loans and advances to customers HK\$'M</i>	<i>Stage 3 expected credit loss provision HK\$'M</i>	<i>Stage 1 & 2 expected credit loss provision HK\$'M</i>
At 31 December 2021					
Hong Kong	475,045	5,929	1,610	2,287	1,549
Mainland China	174,534	780	728	468	600
South Korea	360,359	1,204	357	462	353
Taiwan	96,353	952	52	210	200
Others	96,440	295	79	96	23
Total	1,202,731	9,160	2,826	3,523	2,725

19 Overdue loans and advances to customers

	<i>At 31 December 2021</i>	
	<i>HK\$'M</i>	<i>% of loans and advances to customers</i>
Gross loans and 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	607	0.05%
1 year or less but over 6 months	330	0.03%
Over 1 year	1,889	0.16%
	<u>2,826</u>	<u>0.24%</u>

	<i>At 31 December 2021</i>
	<i>HK\$'M</i>
Fair value of collateral held against the covered portion of overdue loans and advances to customers	<u>1,607</u>
Covered portion of overdue loans and advances to customers	892
Uncovered portion of overdue loans and advances to customers	<u>1,934</u>

The covered portion of overdue loans and 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 loans and advances to customers consists of cash, properties, securities and government guarantee.

	<i>At 31 December 2021</i>
	<i>HK\$'M</i>
Stage 3 expected credit loss provision against loans and advances to customers overdue more than 3 months	<u>1,678</u>

As at 31 December 2021, there were no loans and advances to banks, debt securities and other assets overdue more than 3 months.

20 Rescheduled loans and advances to customers

	<i>At 31 December 2021</i>	
	<i>HK\$'M</i>	<i>% of loans and advances to customers</i>
Rescheduled loans and advances to customers	769	0.06%

Rescheduled loans and advances are those loans and 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 loans and advances to customers are stated net of any loans and advances that have subsequently become overdue for over 3 months and reported as overdue loans and advances in note 19.

As at 31 December 2021, there were no rescheduled loans and advances to banks, debt securities and other assets.

21 Mainland Activities

	<i>On-balance sheet exposure HK\$'M</i>	<i>Off-balance sheet exposure HK\$'M</i>	<i>Total HK\$'M</i>
<i>At 31 December 2021</i>			
(i) Central government, central government-owned entities and their subsidiaries and joint ventures ("JVs")	110,213	16,116	126,329
(ii) Local governments, local government-owned entities and their subsidiaries and JVs	16,275	1,400	17,675
(iii) PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	178,674	42,413	221,087
(iv) Other entities of central government not reported in item (i) above	7,745	542	8,287
(v) Other entities of local governments not reported in item (ii) above	2,190	270	2,460
(vi) PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	21,353	1,657	23,010
(vii) Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	32,169	3,288	35,457
Total	368,619	65,686	434,305
Total assets after provision	1,877,425		
On-balance sheet exposures as percentage of total assets	19.63%		

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.

22 Off-balance sheet exposures

Contingent liabilities and commitments

Note 32(a) on page 82 of the 2021 consolidated financial statements list out a summary of the contractual amounts of each significant contingent liability and commitments.

The total credit risk weighted amount (before 1.06 scaling factor) of contingent liabilities and commitments is: HK\$72,453m.

Acronyms

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