



Standard Chartered Bank
(Hong Kong) Limited

Supplementary Notes to
Condensed Consolidated Interim
Financial Statements (unaudited)

For period ended
30 June 2021

Standard Chartered Bank (Hong Kong) Limited

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Supplementary Notes to Condensed Consolidated Interim Financial Statement (unaudited)

These notes are supplementary to and should be read in conjunction with the 2021 Condensed Consolidated Interim Financial Statements (“consolidated financial statement”). The consolidated financial statement and this supplementary notes to condensed consolidated interim 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 August 2021.

1 Basis of consolidation and preparation

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

The basis of consolidation for accounting purposes is in accordance with Hong Kong Financial Reporting Standards. The principal subsidiaries of the Bank for accounting purposes are 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 30 June 2021	
		Total assets HK\$'M	Total equity HK\$'M
Prunelli Asset Purchaser HK Limited	Asset-backed securitization	5,223	–
Standard Chartered Securities Korea Limited	Provision of security trading, underwriting and brokerage transactions	2,168	2,090
Standard Chartered Securities (Hong Kong) Limited	Equity capital markets, corporate finance and institutional brokerage	134	133
Standard Chartered Trust (HK) Limited	Trustee services	13	12
Standard Chartered Nominees (Western Samoa) Limited	Nominees services	–	–
Horsford Nominees Limited	Nominees services	–	–
		7,538	2,235

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

The Group applies the Internal Capital Adequacy Assessment Process ("ICAAP") to assess its capital demand on a current, planned and stressed basis. The assessment covers the major risks faced by the Group, in addition to credit, market and operational risks that are covered under the minimum capital requirements. The 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.

1 Basis of consolidation and preparation (continued)

Loss-absorbing Capacity Disclosures (continued)

The Group was notified by HKMA of its classification as a material subsidiary under the LAC rules with effect from 1 April 2019, with Standard Chartered PLC (“SC PLC”) as the non-HK resolution entity. Following this classification, the Group has met its minimum LAC requirements since 1 July 2019, and is now publishing LAC disclosures for the period ended 30 June 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 30 June 2021 HK\$'M	(b) At 31 March 2021 HK\$'M	(c) At 31 December 2020 HK\$'M	(d) At 30 September 2020 HK\$'M	(e) At 30 June 2020 HK\$'M	
Regulatory capital (amount)						
1	Common Equity Tier 1 (CET1)	141,162	138,668	135,911	136,413	133,910
2	Tier 1	157,896	155,401	152,645	157,025	154,522
3	Total capital	179,404	176,867	164,883	169,319	166,806
RWA (amount)						
4	Total RWA ¹	974,962	924,003	924,779	902,354	857,478
Risk-based regulatory capital ratios (as a percentage of RWA)						
5	CET1 ratio (%) ²	14.5%	15.0%	14.7%	15.1%	15.6%
6	Tier 1 ratio (%) ²	16.2%	16.8%	16.5%	17.4%	18.0%
7	Total capital ratio (%) ²	18.4%	19.1%	17.8%	18.8%	19.5%
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%	0.5%	0.5%
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%	4.5%	4.5%
12	CET1 available after meeting the AI’s minimum capital requirements (%) ³	10.0%	10.5%	9.8%	10.6%	11.1%
Basel III leverage ratio						
13	Total leverage ratio (LR) exposure measure	2,658,272	2,630,556	2,599,481	2,433,487	2,335,285
14	LR (%)	5.9%	5.9%	5.9%	6.5%	6.6%

2 Key prudential ratios and metrics (continued)

a. Key prudential ratios (KM1) (continued)

	(a)	(b)	(c)	(d)	(e)	
	At 30 June 2021 HK\$'M	At 31 March 2021 HK\$'M	At 31 December 2020 HK\$'M	At 30 September 2020 HK\$'M	At 30 June 2020 HK\$'M	
Liquidity Coverage Ratio (LCR) / Liquidity Maintenance Ratio (LMR)						
Applicable to category 1 institution only:						
15	Total high quality liquid assets (HQLA)	472,697	449,784	457,047	424,111	386,037
16	Total net cash outflows	309,495	309,374	314,247	257,163	248,475
17	LCR (%) ⁴	154%	147%	147%	165%	156%
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	1,371,478	1,359,574	1,349,740	1,307,025	1,265,967
19	Total required stable funding	1,102,249	1,102,878	1,079,812	1,031,551	995,180
20	NSFR (%)	124%	123%	125%	127%	127%
Applicable to category 2A institution only:						
20a	CFR (%)	NA	NA	NA	NA	NA

¹ Increase in RWA was mainly contributed by increase in customer loans and adoption of SA-CCR for counterparty credit risk exposures at 30 June 2021.

² Decrease in risk-based regulatory capital ratios were mainly contributed by the increase in RWA from increase in customer loans and adoption of SA-CCR for counterparty credit risk exposures at 30 June 2021.

³ Decrease in CET1 available after meeting the Bank's minimum capital requirements was due to decrease in total capital ratio.

⁴ Please refer to note 7 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 30 June 2021 HK\$'M	(b) At 31 March 2021 HK\$'M	(c) At 31 December 2020 HK\$'M	(d) At 30 September 2020 HK\$'M	(e) At 30 June 2020 HK\$'M	
Of the material entity at LAC consolidation group level						
1	Internal loss-absorbing capacity available	202,944	200,492	189,220	189,000	186,487
2	Risk-weighted amount under the LAC Rules ¹	974,962	924,003	924,779	902,354	857,478
3	Internal LAC risk-weighted ratio ²	20.8%	21.7%	20.5%	20.9%	21.7%
4	Exposure measure under the LAC Rules ¹	2,658,272	2,630,556	2,599,481	2,433,487	2,335,285
5	Internal LAC leverage ratio	7.6%	7.6%	7.3%	7.8%	8.0%
6a	Does the subordination exemption in the antepenultimate paragraph of Section 11 of the FSB TLAC Term Sheet apply? ³	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? ³	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 ³	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable

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

² Decrease in internal LAC risk-weighted ratio was in line with the decrease in capital ratios.

³ 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 – TLAC 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 30 June 2021 US\$'M	At 31 March 2021 US\$'M	At 31 December 2020 US\$'M	At 30 September 2020 US\$'M	At 30 June 2020 US\$'M
Of the non-HK resolution entity at resolution group level						
1	External loss-absorbing capacity available	88,844	86,604	83,040	81,079	80,472
2	Total risk-weighted amount under the relevant non-HK LAC regime	280,227	276,670	268,834	266,664	262,552
3	External loss-absorbing capacity as a percentage of risk-weighted amount	31.7%	31.3%	30.9%	30.4%	30.6%
4	Leverage ratio exposure measure under the relevant non-HK LAC regime	866,832	865,644	834,765	819,300	806,596
5	External loss-absorbing capacity as a percentage of leverage ratio exposure measure	10.2%	10.0%	9.9%	9.9%	10.0%
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-weighted amount (“RWA”) (OV1)

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

	(a)	(b)	(c)
	Consolidated RWA ¹ At 30 June 2021 HK\$'M	At 31 March 2021 HK\$'M	Minimum capital requirements ² At 30 June 2021 HK\$'M
1 Credit risk for non-securitization exposures	634,366	616,341	53,558
2 Of which STC approach	49,142	48,322	3,931
2a Of which BSC approach	-	-	-
3 Of which foundation IRB approach	-	-	-
4 Of which supervisory slotting criteria approach	21,457	19,322	1,820
5 Of which advanced IRB approach	563,767	548,697	47,807
6 Counterparty default risk and default fund contributions	43,369	35,488	3,669
7 Of which SA-CCR approach	39,295	N/A	3,327
7a Of which CEM	-	29,043	-
8 Of which IMM(CCR) approach	-	-	-
9 Of which others	4,074	6,445	342
10 CVA risk	22,223	17,885	1,778
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	49	362	4
16 Securitization exposures in banking book	6,181	6,204	494
17 Of which SEC-IRBA	-	-	-
18 Of which SEC-ERBA (including IAA)	6,181	6,204	494
19 Of which SEC-SA	-	-	-
19a Of which SEC-FBA	-	-	-
20 Market risk	130,032	111,442	10,403
21 Of which STM approach	130,032	111,442	10,403
22 Of which IMM approach	-	-	-
23 Capital charge for switch between exposures in trading book and banking book (not applicable before the revised market risk framework takes effect)*	N/A	N/A	N/A
24 Operational risk	84,976	85,192	6,798
24a Sovereign concentration risk	2,436	1,409	195
25 Amounts below the thresholds for deduction (subject to 250% RW)	13,769	13,771	1,102
26 Capital floor adjustment	-	-	-
26a Deduction to RWA	43	43	3
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	43	43	3
27 Total³	937,358	888,051	77,998

* 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 Increase in total RWA was mainly due to the increase in customer loans and the adoption of SA-CCR for counterparty credit risk exposures at 30 June 2021.

4 Composition of regulatory capital

a. Composition of regulatory capital (CC1)

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

At 30 June 2021		(a)	(b)
		HK\$'M	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation in note 4b (CC2)
CET1 capital: instruments and reserves			
1	Directly issued qualifying CET1 capital instruments plus any related share premium	65,025	(12)
2	Retained earnings	84,604	(22)
3	Disclosed reserves	7,587	(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)	164	(25)
6	CET1 capital before regulatory adjustments	157,380	
CET1 capital: regulatory deductions			
7	Valuation adjustments	1,404	
8	Goodwill (net of associated deferred tax liabilities)	6,004	(4)
9	Other intangible assets (net of associated deferred tax liabilities)	2,934	(5)+(6)
10	Deferred tax assets (net of associated deferred tax liabilities)	1,971	(8)
11	Cash flow hedge reserve	(151)	(14)
12	Excess of total EL amount over total eligible provisions under the IRB approach	266	
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	(73)	(10)
15	Defined benefit pension fund net assets (net of associated deferred tax liabilities)	325	(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

4 Composition of regulatory capital (continued)

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

At 30 June 2021		(a) HK\$'M	(b) Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation in note 4b (CC2)
21	Deferred tax assets arising from temporary differences (net of associated deferred tax liabilities)	–	Not applicable
22	Amount exceeding the 15% threshold	–	Not applicable
23	of which: significant investments in the ordinary share of financial sector entities	–	Not applicable
24	of which: mortgage servicing rights	–	Not applicable
25	of which: deferred tax assets arising from temporary differences	–	Not applicable
26	National specific regulatory adjustments applied to CET1 capital	3,538	
26a	Cumulative fair value gains arising from the revaluation of land and buildings (own-use and investment properties)	77	(23)
26b	Regulatory reserve for general banking risks	3,461	(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	16,218	
29	CET1 capital	141,162	
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)	1	(26)
35	<i>of which: AT1 capital instruments issued by subsidiaries subject to phase-out arrangements</i>	–	
36	AT1 capital before regulatory deductions	16,734	
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)	–	

4 Composition of regulatory capital (continued)

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

	(a)	(b)
	HK\$'M	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation in note 4b (CC2)
At 30 June 2021		
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	16,734	
45 Tier 1 capital (T1 = CET1 + AT1)	157,896	
Tier 2 capital: instruments and provisions		
46 Qualifying Tier 2 capital instruments plus any related share premium	20,837	(11)
47 <i>Capital instruments subject to phase-out arrangements from Tier 2 capital</i>	–	
48 Tier 2 capital instruments issued by consolidated bank subsidiaries and held by third parties (amount allowed in Tier 2 capital of the consolidation group)	1	(27)
49 <i>of which: capital instruments issued by subsidiaries subject to phase-out arrangements</i>	–	
50 Collective provisions and regulatory reserve for general banking risks eligible for inclusion in Tier 2 capital	635	(29)
51 Tier 2 capital before regulatory deductions	21,473	
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	(35)	(23)x45%

4 Composition of regulatory capital (continued)

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

At 30 June 2021		(a) HK\$'M	(b) <i>Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation in note 4b (CC2)</i>
56a	Add back of cumulative fair value gains arising from the revaluation of land and buildings (own-use and investment properties) eligible for inclusion in Tier 2 capital	(35)	(23)x45%
57	Total regulatory adjustments to Tier 2 capital	(35)	
58	Tier 2 capital (T2)	21,508	
59	Total regulatory capital (TC = T1 + T2)	179,404	
60	Total RWA	974,962	
Capital ratios (as a percentage of RWA)			
61	CET1 capital ratio	14.48%	
62	Tier 1 capital ratio	16.20%	
63	Total capital ratio	18.40%	
64	Institution-specific buffer requirement (capital conservation buffer plus countercyclical capital buffer plus higher loss absorbency requirements)	4.43%	
65	of which: capital conservation buffer requirement	2.50%	
66	of which: bank specific countercyclical capital buffer requirement	0.43%	
67	of which: G-SIB or D-SIB buffer requirement	1.50%	
68	CET1 (as a percentage of RWA) available after meeting minimum capital requirements	9.98%	
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	302	
73	Significant LAC investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	5,508	(28)
74	Mortgage servicing rights (net of associated deferred tax liabilities)	Not applicable	Not applicable
75	Deferred tax assets arising from temporary differences (net of associated deferred tax liabilities)	Not applicable	Not applicable
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)	635	(29)
77	Cap on inclusion of provisions in Tier 2 under the BSC approach, or the STC approach, and SEC-ERBA, SEC- SA and SEC-FBA	878	

4 Composition of regulatory capital (continued)

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

	(a)	(b)
At 30 June 2021	HK\$'M	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation in note 4b (CC2)
78 Provisions eligible for inclusion in Tier 2 in respect of exposures subject to the IRB approach and SEC- IRBA (prior to application of cap)	–	
79 Cap for inclusion of provisions in Tier 2 under the IRB approach and SEC-IRBA	3,986	
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.)

	At 30 June 2021	
	Hong Kong basis HK\$'M	Basel III basis HK\$'M
9 Other intangible assets (net of associated deferred tax liabilities)	2,934	2,934

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.

4 Composition of regulatory capital (continued)

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

Description	At 30 June 2021	
	Hong Kong basis HK\$'M	Basel III basis HK\$'M
10 Deferred tax assets (net of associated deferred tax liabilities)	1,971	102

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.

4 Composition of regulatory capital (continued)

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

Description	At 30 June 2021	
	Hong Kong basis HK\$'M	Basel III basis HK\$'M
19 Significant LAC investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	–	–

Explanation

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

39 Insignificant LAC investments in AT1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% 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 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.

4 Composition of regulatory capital (continued)

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

Description	At 30 June 2021	
	Hong Kong basis HK\$'M	Basel III basis HK\$'M
54 Insignificant LAC investments in Tier 2 capital instruments issued by, and non-capital LAC liabilities of, financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold and, where applicable, 5% threshold)	–	–

Explanation

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

Remarks:

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

Abbreviations:

CET1: Common Equity Tier 1

AT1: Additional Tier 1

Note:

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

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

4 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 4a).

	(a) <i>Consolidated balance sheet as in published financial statements (At 30 June 2021) HK\$'M</i>	(b) <i>Under regulatory scope of consolidation (At 30 June 2021) HK\$'M</i>	(c) <i>Cross reference to note 4a (CC1)</i>
Assets			
Cash and balances at central banks	110,794	110,794	
Loans and advances to banks	132,179	131,959	
Hong Kong SAR Government certificates of indebtedness	56,471	56,471	
Financial assets at fair value through profit or loss	207,591	207,591	
Investment securities	455,734	455,734	
Loans and advances to customers	1,181,208	1,181,209	
Amounts due from fellow subsidiaries	174,146	174,120	
Amounts due from immediate holding company	–	–	
Amounts due from subsidiaries of the Bank	–	46	
of which: significant capital investments in financial sector entities that are outside the scope of regulatory consolidation	–	–	(1)
Investment in subsidiaries of the Bank	–	2,340	
of which: significant capital investments in financial sector entities that are outside the scope of regulatory consolidation	–	2,340	(2)
Interest in an associate	16,624	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	36,124	36,114	
Goodwill and intangible assets	9,537	9,518	
of which: goodwill	–	6,004	(4)
of which: other intangible assets	–	3,514	(5)
Deferred tax assets	1,317	1,309	
of which: deferred tax liabilities relating to intangible assets	–	(580)	(6)
of which: deferred tax liabilities related to defined benefit pension fund net assets	–	(82)	(7)
of which: other deferred tax assets	–	1,971	(8)
Other assets	67,363	67,303	
of which: defined benefit pension fund net assets	–	407	(9)
Total assets	2,449,088	2,437,676	

4 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 30 June 2021) HK\$'M</i>	(b) <i>Under regulatory scope of consolidation (At 30 June 2021) HK\$'M</i>	(c) <i>Cross reference to note 4a (CC1)</i>
Liabilities			
Hong Kong SAR currency notes in circulation	56,471	56,471	
Deposits by banks	55,247	55,247	
Customer accounts	1,726,489	1,726,489	
Financial liabilities at fair value through profit or loss	115,522	115,522	
of which: gains or losses due to changes in own credit risk	–	73	(10)
Debt securities in issue	45,409	45,409	
Amounts due to immediate holding company	49,696	49,696	
of which: subordinated liabilities eligible for inclusion in regulatory capital	–	20,837	(11)
Amounts due to fellow subsidiaries	92,502	87,289	
Amounts due to subsidiaries of the Bank	–	7,198	
Current tax liabilities	442	431	
Deferred tax liabilities	926	926	
Other liabilities	118,597	118,560	
Total liabilities	2,261,301	2,263,238	

4 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 30 June 2021) HK\$'M</i>	(b) <i>Under regulatory scope of consolidation (At 30 June 2021) HK\$'M</i>	(c) <i>Cross reference to note 4a (CC1)</i>
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	105,540	92,191	
of which: Cumulative cash flow hedge reserve that relate to the hedging of financial instruments that are not fair valued on the balance sheet	–	(151)	(14)
of which: Cumulative cash flow hedge reserve that relate to the hedging of financial instruments that are fair valued on the balance sheet	–	81	(15)
of which: FVOCI reserve – Equity	–	921	(16)
of which: FVOCI reserve – Debt	–	647	(17)
of which: Exchange reserve	–	(6,305)	(18)
of which: Share option equity reserve	–	519	(19)
of which: Own credit adjustment reserve	–	(73)	(20)
of which: Other reserves	–	11,948	(21)
of which: Retained profits	–	84,604	(22)
of which: Cumulative fair value gains arising from the revaluation of land and buildings (audited)	–	77	(23)
of which: Regulatory reserve for general banking risks	–	3,461	(24)
Non-controlling interests	489	489	
of which: portion allowable in CET1 capital	–	164	(25)
of which: portion allowable in AT1 capital	–	1	(26)
of which: portion allowable in T2 capital	–	1	(27)
Total equity	187,787	174,438	
Total liabilities and equity	2,449,088	2,437,676	

4 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 30 June 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			
Fixed rate (4.30%) subordinated loan due 2026, callable from 2021	US\$800m	6,212	6,212
Floating rate Tier 2 Notes due 2029, callable from 2024	US\$450m	3,494	3,494
Floating rate Tier 2 Notes due 2031, callable from 2025	US\$250m	1,941	1,941
Fixed rate (1.20%) Tier 2 Notes due 2031, callable from 2026	EUR1,000m	9,190	9,190
(ii) Only LAC (but not regulatory capital) requirements			
Non-capital LAC Debt Instruments			
US\$600 million Floating Rate Notes due 2023	US\$600m	Nil	4,659
US\$200 million 3.15 per cent Notes due 2023	US\$200m	Nil	1,553
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	4,659
US\$1,500 million 1.456 per cent Notes due 2027	US\$1,500m	Nil	11,588

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.

4 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
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

4 Composition of regulatory capital (continued)

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

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

Ordinary Shares (continued)

25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, specify instrument type convertible into	N/A
29	If convertible, specify issuer of instrument it converts into	N/A
30	Write-down feature	No
31	If write-down, write-down trigger(s)	N/A
32	If write-down, full or partial	N/A
33	If write-down, permanent or temporary	N/A
34	If temporary write-down, description of write-up mechanism	N/A
34a	Type of subordination	Contractual
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Preference Shares are immediately senior to Ordinary Shares (Class B, C and D) Ordinary Shares (Class B, C and D) are immediately senior to Ordinary Shares (Class A)
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	N/A

Footnote:

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 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

4 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

4 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	Each dividend payment date
<i>Coupons / dividends</i>		
17	Fixed or floating dividend/coupon	Floating
18	Coupon rate and any related index	3-month USD LIBOR + 4.48 per cent per annum
19	Existence of a dividend stopper	Yes
20	Fully discretionary, partially discretionary or mandatory	Full discretionary
21	Existence of step up or other incentive to redeem	No
22	Noncumulative or cumulative	Non-cumulative
23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion trigger (s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, specify instrument type convertible into	N/A

Footnote:

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 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

4 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

4 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

4 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)	<p>Upon a Loss Absorption Event or Non-Viability Event.</p> <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 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:</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> <p>“Non-Viability Event” means the earlier of:</p> <p>(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</p> <p>(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</p>

Footnote:

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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 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

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³ Include solo-consolidated

4 Composition of regulatory capital (continued)

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

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

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

1	Issuer	Standard Chartered Bank (Hong Kong) Limited
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	N/A
3	Governing law(s) of the instrument	Hong Kong Law
3a	Means by which enforceability requirement of Section 13 of the TLAC Term Sheet is achieved (for non-capital LAC debt instruments governed by non-Hong Kong law)	N/A
<i>Regulatory treatment</i>		
4	Transitional Basel III rules 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 6,212 Million
8a	Amount recognised in loss-absorbing capacity (currency in millions, as of most recent reporting date)	HKD 6,212 Million
9	Par value of instrument	Issue price at 100 per cent of the Aggregate Nominal Amount of USD800 Million
10	Accounting classification	Liability – amortised cost
11	Original date of issuance	19 December 2016
12	Perpetual or dated	Dated
13	Original maturity date	19 December 2026
14	Issuer call subject to prior supervisory approval	Yes
15	Optional call date, contingent call dates and redemption amount	First Call Date: 20 December 2021 Included tax and regulatory redemption options Redemption at 100% of the Subordinated Notes at their outstanding principal amount together with interest accrued but unpaid to the date fixed for redemption
16	Subsequent call dates, if applicable <i>Coupons / dividends</i>	Each interest payment date after the First Call Date
17	Fixed or floating dividend/coupon	Fixed
18	Coupon rate and any related index	4.30 per cent per annum
19	Existence of a dividend stopper	No
20	Fully discretionary, partially discretionary or mandatory	Mandatory
21	Existence of step up or other incentive to redeem	No
22	Noncumulative or cumulative	Cumulative
23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion trigger (s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A

Footnote:

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 Composition of regulatory capital (continued)

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

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

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

28	If convertible, specify instrument type convertible into	N/A
29	If convertible, specify issuer of instrument it converts into	N/A
30	Write-down feature	Yes
31	If write-down, write-down trigger(s)	If a Non-Viability Event occurs and is continuing, “Non-Viability Event” means the earlier of: (a) the Monetary Authority notifying the Bank in writing that the Monetary Authority is of the opinion that a write-off or conversion is necessary, without which the Bank would become non-viable; and (b) the Monetary Authority notifying the Bank in writing that a decision has been made by the government body, a government officer or other relevant regulatory body with the authority to make such a decision, that a public sector injection of capital or equivalent support is necessary, without which the Bank would become non-viable
32	If write-down, full or partial	Full or Partial
33	If write-down, permanent or temporary	Permanent
34	If temporary write-down, description of write-up mechanism	N/A
34a	Type of subordination	Contractual
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Loss Absorbing Non-Preferred Notes or any instrument ranking pari passu to Loss Absorbing Non-Preferred Notes are immediately senior to the Dated Subordinated Notes
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	N/A

Footnote:

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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 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 3,494 Million
8a	Amount recognised in loss-absorbing capacity (currency in millions, as of most recent reporting date)	HKD 3,494 Million
9	Par value of instrument	Issue price at 100 per cent of the Aggregate Nominal Amount of USD450 Million
10	Accounting classification	Liability – amortised cost
11	Original date of issuance	24 June 2019
12	Perpetual or dated	Dated
13	Original maturity date	19 November 2029
14	Issuer call subject to prior supervisory approval	Yes
15	Optional call date, contingent call dates and redemption amount	Optional call date: 19 November 2024 Early redemption for taxation reasons, due to Regulatory Capital Event or due to Loss Absorption Disqualification Event or on event of default US\$ 1,000 per Calculation amount
16	Subsequent call dates, if applicable	Each interest payment date
<i>Coupons / dividends</i>		
17	Fixed or floating dividend/coupon	Floating
18	Coupon rate and any related index	3-month USD LIBOR + 2.08 per cent per annum
19	Existence of a dividend stopper	No
20	Fully discretionary, partially discretionary or mandatory	Mandatory
21	Existence of step up or other incentive to redeem	No
22	Noncumulative or cumulative	Cumulative
23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion trigger (s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, specify instrument type convertible into	N/A

Footnote:

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³ Include solo-consolidated

4 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)	<p>Upon a Loss Absorption Event or Non-Viability Event</p> <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> <p>“Non-Viability Event” means the earlier of:</p> <p>(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</p> <p>(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</p>

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³ Include solo-consolidated

4 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

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³ Include solo-consolidated

4 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 1,941 Million
8a	Amount recognised in loss-absorbing capacity (currency in millions, as of most recent reporting date)	HKD 1,941 Million
9	Par value of instrument	Issue price at 100 per cent of the Aggregate Nominal Amount of USD250 Million
10	Accounting classification	Liability – amortised cost
11	Original date of issuance	24 June 2019
12	Perpetual or dated	Dated
13	Original maturity date	17 April 2031
14	Issuer call subject to prior supervisory approval	Yes
15	Optional call date, contingent call dates and redemption amount	Optional call date: 17 April 2025 Early redemption for taxation reasons, due to Regulatory Capital Event or due to Loss Absorption Disqualification Event or on event of default US\$ 1,000 per Calculation amount
16	Subsequent call dates, if applicable	Each interest payment date
<i>Coupons / dividends</i>		
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

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4 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)	<p>Upon a Loss Absorption Event or Non-Viability Event</p> <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> <p>“Non-Viability Event” means the earlier of:</p> <p>(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</p> <p>(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</p>

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4 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

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4 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)	HKD9,190 Million
8a	Amount recognised in loss-absorbing capacity (currency in millions, as of most recent reporting date)	HKD9,190 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
28	If convertible, specify instrument type convertible into	N/A

Footnote:

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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 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)

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)	<p>Upon a Loss Absorption Event or Non-Viability Event.</p> <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> <p>“Non-Viability Event” means the earlier of:</p> <p>(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</p> <p>(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</p>

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 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

4 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 4,659 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
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 Composition of regulatory capital (continued)

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

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

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

28	If convertible, specify instrument type convertible into	N/A
29	If convertible, specify issuer of instrument it converts into	N/A
30	Write-down feature	Yes
31	If write-down, write-down trigger(s)	Upon a Loss Absorption Event
		<p>“Loss Absorption Event” means:</p> <p>(i) the Relevant Hong Kong Resolution Authority notifying the Issuer in writing that the Relevant Hong Kong Resolution Authority is satisfied that the Issuer has ceased, or is likely to cease, to be viable and there is no reasonable prospect that private sector action (outside of resolution) would result in it again becoming viable within a reasonable period (in both cases, without taking into account the write-down or conversion into ordinary shares on any LAC debt instruments); and</p> <p>(ii) for Notes issued directly to a group company in a non-Hong Kong jurisdiction, as specified in the applicable Final Terms, the Relevant Hong Kong Resolution Authority notifying the Issuer in writing that:</p> <p>(A) the Relevant Hong Kong Resolution Authority has notified the Home Authority of the Relevant Hong Kong Resolution Authority’s intention to notify the issuer under paragraph (i) above; and</p> <p>(B) the Home Authority (x) has consented to the write-down or conversion of the relevant Securities issued by the Issuer or (y) has not, within 24 hours after receiving notice under subparagraph (ii)(A) above, objected to the write-down or conversion of the relevant Securities issued by the Issuer</p>
32	If write-down, full or partial	Full or Partial
33	If write-down, permanent or temporary	Permanent
34	If temporary write-down, description of write-up mechanism	N/A
34a	Type of subordination	Contractual
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	All unsubordinated creditors of the Issuer (including its depositors) are immediately senior to the Loss Absorbing Non-preferred Notes
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	N/A

Footnote:

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 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 1,553 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 <i>Coupons / dividends</i>	Each interest payment date
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

4 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

4 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	Each interest payment date
<i>Coupons / dividends</i>		
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

4 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

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4 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

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4 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 4,659 Million
9	Par value of instrument	Issue price at 100 per cent of the Aggregate Nominal Amount of USD600 Million
10	Accounting classification	Liability – amortised cost
11	Original date of issuance	21 October 2020
12	Perpetual or dated	Dated
13	Original maturity date	14 October 2023
14	Issuer call subject to prior supervisory approval	Yes
15	Optional call date, contingent call dates and redemption amount	Optional call date: 14 October 2022 Early redemption amount(s) per calculation amount payable on redemption for taxation reasons, due to Regulatory Capital Event or due to Loss Absorption Disqualification Event or on event of default US\$ 1,000 per Calculation amount
16	Subsequent call dates, if applicable	Each interest payment date
<i>Coupons / dividends</i>		
17	Fixed or floating dividend/coupon	Fixed
18	Coupon rate and any related index	1.319 per cent per annum
19	Existence of a dividend stopper	No
20	Fully discretionary, partially discretionary or mandatory	Mandatory
21	Existence of step up or other incentive to redeem	No
22	Noncumulative or cumulative	Cumulative
23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion trigger (s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A

Footnote:

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

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4 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

4 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 11,588 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

4 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

4 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	141,162
2	Additional Tier 1 ("AT1") capital before LAC adjustments	16,734
3	AT1 capital instruments ineligible as internal loss-absorbing capacity as not issued directly or indirectly to, and held directly or indirectly by, the resolution entity or non-HK resolution entity in the material subsidiary's resolution group	–
4	Other adjustments	–
5	AT1 capital eligible under the LAC Rules	16,734
6	Tier 2 ("T2") capital before LAC adjustments	21,508
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	21,508
11	Internal loss-absorbing capacity arising from regulatory capital	179,404
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	23,540
17	Internal loss-absorbing capacity arising from non-capital LAC debt instruments before adjustments	23,540
Non-regulatory capital elements of internal loss-absorbing capacity: adjustments		
18	Internal loss-absorbing capacity before deductions	202,944
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	202,944

4 Composition of regulatory capital (continued)

d. LAC composition of material subsidiary (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	974,962
24	Exposure measure under the LAC Rules	2,658,272
Internal LAC ratios and buffers		
25	Internal LAC risk-weighted ratio	20.8%
26	Internal LAC leverage ratio	7.6%
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	8.8%
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%

4 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	2	3	4	
		(most junior)			(most senior)	
1	Is a resolution entity or a non-HK resolution entity the creditor/investor? (yes or no)	Yes	Yes	Yes	Yes	
2	Description of creditor ranking (free text)	CET1 capital instruments 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	20,837	23,540	126,135
4	Subset of row 3 that are excluded liabilities	–	–	–	–	–
5	Total capital and liabilities less excluded liabilities	65,025	16,733	20,837	23,540	126,135
6	Subset of row 5 that are eligible as internal loss-absorbing capacity	65,025	16,733	20,837	23,540	126,135
7	Subset of row 6 with 1 year ≤ residual maturity < 2 years	–	–	–	7,293	7,293
8	Subset of row 6 with 2 years ≤ residual maturity < 5 years	–	–	–	4,659	4,659
9	Subset of row 6 with 5 years ≤ residual maturity < 10 years	–	–	11,647	11,588	23,235
10	Subset of row 6 with residual maturity ≥ 10 years, but excluding perpetual securities	–	–	9,190	–	9,190
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 on December 2020 via payment out of distributable profits and for which the amount was transferred from retained earnings to share capital in accordance with the requirements of the Hong Kong Companies Ordinance.

5 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 30 June 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%	279,299		
2	Luxembourg	0.500%	3,232		
3	Norway	1.000%	362		
4	Sum ¹		282,893		
5	Total²		649,754	0.433%	4,221

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.

6 Leverage Ratio

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

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

At 30 June 2021	(a) Value under the Leverage Ratio framework (HK\$'M)
1 Total consolidated assets as per published financial statements	2,449,088
2 Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	(11,412)
2a Adjustment for securitised exposures that meet the operational requirements for the recognition of risk transference	–
3 Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting standard but excluded from the LR exposure measure	–
3a Adjustments for eligible cash pooling transactions	–
4 Adjustments for derivative contracts	66,758
5 Adjustment for SFTs (i.e. repos and similar secured lending)	38,766
6 Adjustment for off-balance sheet (“OBS”) items (i.e. conversion to credit equivalent amounts of OBS exposures)	190,435
6a Adjustment for prudent valuation adjustments and specific and collective provisions that are allowed to be excluded from exposure measure	(6,704)
7 Other adjustments	(68,659)
8 Leverage ratio exposure measure	2,658,272

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.

6 Leverage Ratio (continued)

b. Leverage ratio (LR2)

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

	(a) At 30 June 2021 HK\$'M	(b) At 31 March 2021 HK\$'M	
On-balance sheet exposures			
1	On-balance sheet items (excluding derivatives and SFTs, but including collateral)	2,158,481	2,201,388
2	Less: Asset amounts deducted in determining Basel III Tier 1 capital	(16,292)	(15,906)
3	Total on-balance sheet exposures (excluding derivatives and SFTs) ¹	2,142,189	2,185,482
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)	39,948	46,759
5	Add-on amounts for PFE associated with all derivatives contracts	103,163	81,778
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	(2,378)	–
8	Less: Exempted CCP leg of client-cleared trade exposures	–	–
9	Adjusted effective notional amount of written credit-related derivative contracts	388	389
10	Less: Adjusted effective notional offsets and add-on deductions for written credit-related derivative contracts	(233)	(233)
11	Total exposures arising from derivative contract	140,888	128,693
Exposure arising from SFTs			
12	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	168,174	125,166
13	Less: Netted amounts of cash payables and cash receivables of gross SFT assets	–	–
14	CCR exposure for SFT assets	21,886	6,295
15	Agent transaction exposures	–	–
16	Total exposures arising from SFTs	190,060	131,461
Other off-balance sheet exposures			
17	Off-balance sheet exposure at gross notional amount	926,931	939,463
18	Less: Adjustments for conversion to credit equivalent amounts	(736,495)	(749,317)
19	Off-balance sheet items	190,436	190,146
Capital and total exposures			
20	Tier 1 capital	157,896	155,401
20a	Total exposures before adjustments for specific and collective provisions	2,663,573	2,635,782
20b	Adjustments for specific and collective provisions	(5,301)	(5,226)
21	Total exposures after adjustments for specific and collective provisions	2,658,272	2,630,556
Leverage ratio			
22	Leverage ratio	5.94%	5.91%

7 Liquidity

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

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

Number of data points used in calculating the average value of the Liquidity Coverage Ratio (LCR) and related components set out in this Template for the quarter ending on 31 March 2021 and 30 June 2021 are 73 and 71.

		Q2 2021 Currency: (HK\$mil)		Q1 2021 Currency: (HK\$mil)	
Basis of disclosure: Consolidated		UNWEIGHTED AMOUNT (Average Value)	WEIGHTED AMOUNT (Average Value)	UNWEIGHTED AMOUNT (Average Value)	WEIGHTED AMOUNT (Average Value) *(restated)
A. HIGH QUALITY LIQUID ASSETS					
1	Total high quality liquid assets (HQLA)		472,697		449,784
B. CASH OUTFLOWS					
2	Retail deposits and small business funding, of which:	766,813	61,838	767,818	61,730
3	Stable retail deposits and stable small business funding	248,146	12,407	248,118	12,406
4	Less stable retail deposits and less stable small business funding	469,951	46,995	466,782	46,678
4a	Retail term deposits and small business term funding	48,716	2,436	52,918	2,646
5	Unsecured wholesale funding (other than small business funding) and debt securities and prescribed instruments issued by the institution, of which:	1,009,999	443,909	970,105	421,629
6	Operational deposits	498,134	123,040	491,222	121,236
7	Unsecured wholesale funding (other than small business funding) not covered in Row 6	507,649	316,653	473,729	295,239
8	Debt securities and prescribed instruments issued by the institution and redeemable within the LCR period	4,216	4,216	5,154	5,154
9	Secured funding transactions (including securities swap transactions)		1,008		2,952
10	Additional requirements, of which:	364,795	61,307	360,877	59,121
11	Cash outflows arising from derivative contracts and other transactions, and additional liquidity needs arising from related collateral requirements	27,374	27,374	26,097	26,097
12	Cash outflows arising from obligations under structured financing transactions and repayment of funding obtained from such transactions	291	291	456	456
13	Potential drawdown of undrawn committed facilities (including committed credit facilities and committed liquidity facilities)	337,130	33,642	334,324	32,568
14	Contractual lending obligations (not otherwise covered in Section B) and other contractual cash outflows	52,558	52,558	59,451	59,451
15	Other contingent funding obligations (whether contractual or non-contractual)	570,848	2,281	557,961	2,712
16	TOTAL CASH OUTFLOWS		622,901		607,595
C. CASH INFLOWS					
17	Secured lending transactions (including securities swap transactions)	84,365	4,567	69,292	6,882
18	Secured and unsecured loans (other than secured lending transactions covered in Row 17) and operational deposits placed at other financial institutions	361,331	238,270	349,007	219,778
19	Other cash inflows	76,157	70,569	76,895	71,561
20	TOTAL CASH INFLOWS	521,853	313,406	495,194	298,221
D. LIQUIDITY COVERAGE RATIO			ADJUSTED VALUE		ADJUSTED VALUE
21	TOTAL HQLA		472,697		449,784
22	TOTAL NET CASH OUTFLOWS		309,495		309,374
23	LCR (%)		154%		147%

* Certain comparative figures have been restated to conform to the current period's presentation.

7 Liquidity (continued)

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

Key Drivers

Liquidity Coverage Ratio (LCR) measures the short-term resilience of the Group's liquidity risk profile, and is sensitive to balance sheet movement and composition. The Group has maintained a strong liquidity position and well above the regulatory requirement of 100% throughout the Q2 of 2021 on back of balance sheet momentum. The quarterly average of LCR was 154% for the quarter ending 30 June 2021 (31 March 2021: 147%), mainly as a result of higher high quality liquid assets ("HQLA") coupled with stable net cash outflows.

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.

7 Liquidity (continued)

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

Currency Mismatch on LCR

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

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

Liquidity management

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

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

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

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

Table 1: LIQ2 for Quarter ending 30th June 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:	175,294	6,212	7,293	41,446	220,386
2 Regulatory capital	175,294	6,212	–	14,625	189,919
2a Minority interests not covered by row 2	–	–	–	–	–
3 Other capital instruments	–	–	7,293	26,821	30,467
4 Retail deposits and small business funding:		752,512	10,228	1,110	699,563
5 Stable deposits		237,313	2,410	528	228,266
6 Less stable deposits		515,199	7,818	582	471,297
7 Wholesale funding:		1,079,397	14,297	18,632	417,397
8 Operational deposits		460,192	–	–	230,096
9 Other wholesale funding	–	619,205	14,297	18,632	187,301
10 Liabilities with matching interdependent assets	56,471	–	–	–	–

7 Liquidity (continued)

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

Basis of disclosure: consolidated Currency: (HK\$mil)	(a)	(b)	(c)	(d)	(e)
	Unweighted value by residual maturity				Weighted amount
	No specified term to maturity	<6 months or repayable on demand	6 months to < 12 months	12 months or more	
11 Other liabilities:	102,882	50,584	12,265	28,000	34,132
12 Net derivative liabilities	4,120				
13 All other funding and liabilities not included in the above categories	98,762	50,584	12,265	28,000	34,132
14 Total ASF					1,371,478
B. Required stable funding ("RSF") item					
15 Total HQLA for NSFR purposes				583,899	52,388
16 Deposits held at other financial institutions for operational purposes	–	6,255	–	–	3,128
17 Performing loans and securities:	62,276	599,606	161,796	778,905	948,494
18 Performing loans to financial institutions secured by Level 1 HQLA	–	44,102	–	–	4,410
19 Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	23,764	205,341	37,680	64,890	138,296
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:	38,512	306,552	90,523	142,389	495,434
21 With a risk-weight of less than or equal to 35% under the STC approach	–	–	528	34,567	26,330
22 Performing residential mortgages, of which:	–	18,815	10,466	503,423	228,420
23 With a risk-weight of less than or equal to 35% under the STC approach	–	10,255	6,343	338,422	228,274
24 Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	–	24,796	23,127	68,203	81,934
25 Assets with matching interdependent liabilities	56,471	–	–	–	–
26 Other assets:	111,753	29,635	–	79	81,381
27 Physical traded commodities, including gold	538				457
28 Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs	1,597				1,480

7 Liquidity (continued)

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

	(a)	(b)	(c)	(d)	(e)
	Unweighted value by residual maturity				Weighted amount
Basis of disclosure: consolidated Currency: (HK\$mil)	No specified term to maturity	<6 months or repayable on demand	6 months to < 12 months	12 months or more	
29 Net derivative assets	–				–
30 Total derivative liabilities before adjustments for deduction of variation margin posted	32,169				1,608
31 All other assets not included in the above categories	77,449	29,635	–	79	77,836
32 Off-balance sheet items				896,672	16,858
33 Total RSF					1,102,249
34 Net Stable Funding Ratio (%)					124%

Table 2: LIQ2 for Quarter ending 31 March 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:	172,653	–	12,438	42,446	221,317
2 Regulatory capital	172,653	–	6,219	14,570	190,332
2a Minority interests not covered by row 2	–	–	–	–	–
3 Other capital instruments	–	–	6,219	27,876	30,985
4 Retail deposits and small business funding:	–	749,733	9,330	5,389	700,694
5 Stable deposits		240,556	2,427	587	231,420
6 Less stable deposits		509,177	6,903	4,802	469,274
7 Wholesale funding:	–	1,102,703	21,553	15,083	408,998
8 Operational deposits		468,386	–	–	234,193
9 Other wholesale funding	–	634,317	21,553	15,083	174,805
10 Liabilities with matching interdependent assets	57,001	–	–	–	–
11 Other liabilities:	76,685	40,427	5,723	25,703	28,565
12 Net derivative liabilities	2,556				
13 All other funding and liabilities not included in the above categories	74,129	40,427	5,723	25,703	28,565
14 Total ASF					1,359,574
B. Required stable funding (“RSF”) item					
15 Total HQLA for NSFR purposes	–	–	–	564,133	54,130
16 Deposits held at other financial institutions for operational purposes	–	6,878	–	–	3,439
17 Performing loans and securities:	55,775	624,452	147,841	770,789	933,300

7 Liquidity (continued)

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

	(a)	(b)	(c)	(d)	(e)
	Unweighted value by residual maturity				Weighted amount
	No specified term to maturity	<6 months or repayable on demand	6 months to < 12 months	12 months or more	
Basis of disclosure: consolidated Currency: (HK\$mil)					
18 Performing loans to financial institutions secured by Level 1 HQLA	–	46,467	–	–	4,647
19 Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	17,333	232,095	44,073	70,430	144,613
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:	38,442	302,222	73,010	138,618	464,651
21 With a risk-weight of less than or equal to 35% under the STC approach	–	446	–	11,179	10,685
22 Performing residential mortgages, of which:	–	14,849	13,493	490,534	235,821
23 With a risk-weight of less than or equal to 35% under the STC approach	–	11,300	6,842	348,652	235,695
24 Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	–	28,819	17,265	71,207	83,568
25 Assets with matching interdependent liabilities	57,001	–	–	–	–
26 Other assets:	133,127	20,691	–	76	94,972
27 Physical traded commodities, including gold	470				399
28 Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs	2,606				2,493
29 Net derivative assets	–				–
30 Total derivative liabilities before adjustments for deduction of variation margin posted	40,353				2,018
31 All other assets not included in the above categories	89,698	20,691	–	76	90,062
32 Off-balance sheet items				910,241	17,037
33 Total RSF					1,102,878
34 Net Stable Funding Ratio (%)					123%

7 Liquidity (continued)

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

NSFR Key Drivers

Net Stable Funding Ratio (NSFR) requires the bank to maintain sufficient stable funding relative to required stable funding. It reflects a bank's long-term funding profile and complement Liquidity Coverage Ratio (LCR) which measures short-term resilience to liquidity risk. The Group has continuously maintained a healthy NSFR ratio during the first half of 2021, and well above the regulatory requirement minimum of 100%. NSFR remained stable with a slight increase from 123% in Q1 to 124% in Q2 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.

8 Credit risk for non-securitization exposures

a. Credit quality of exposures (CR1)

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

	(a)	(b)	(c)	(d)	(e)	(f)	(g)
	Gross carrying amounts of			Of which ECL accounting provisions for credit losses on STC approach exposures ¹		Of which ECL accounting provisions for credit losses on IRB approach exposures	Net values (a+b-c)
At 30 June 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	6,461	1,504,294	5,035	248	238	4,549	1,505,720
2 Debt securities	–	425,338	23	–	–	23	425,315
3 Off-balance sheet exposures	397	926,534	215	–	23	192	926,716
4 Total²	6,858	2,856,166	5,273	248	261	4,764	2,857,751

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 Loans was in line with the balance sheet growth during the period.

8 Credit risk for non-securitization exposures (continued)

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

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

	(a) HK\$'M
1 Defaulted loans and debt securities at end of the previous reporting period (31 December 2020)	7,327
2 Loans and debt securities that have defaulted since the last reporting period	1,052
3 Returned to non-defaulted status	(50)
4 Amounts written off	(1,045)
5 Other changes ¹	(823)
6 Defaulted loans and debt securities at end of the current reporting period (30 June 2021)	6,461

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

c. Overview of recognized credit risk mitigation (CR3)

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

At 30 June 2021	(a) <i>Exposures unsecured: carrying amount HK\$'M</i>	(b1) <i>Exposures to be secured HK\$'M</i>	(b) <i>Exposures secured by recognized collateral HK\$'M</i>	(d) <i>Exposures secured by recognized guarantees HK\$'M</i>	(f) <i>Exposures secured by recognized credit derivative contracts HK\$'M</i>
1 Loans	843,195	662,525	572,481	42,183	–
2 Debt securities	409,380	15,935	12,246	–	–
3 Total	1,252,575	678,460	584,727	42,183	–
4 – Of which defaulted	4,700	1,761	1,306	75	–

Please refer to note 8(a) for the driver of increase in total exposures. No material change on the split between secured exposures and unsecured exposures during the period.

8 Credit risk for non-securitization exposures (continued)

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

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

At 30 June 2021	(a)	(b)	(c)	(d)	(e)	(f)
	Exposures pre-CCF and pre-CRM		Exposures post-CCF and post-CRM		RWA and RWA density	
	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
	HK\$'M	HK\$'M	HK\$'M	HK\$'M	HK\$'M	%
<i>Exposure classes</i>						
1 Sovereign exposures	2	20	245	–	–	0%
2 PSE exposures	243	–	726	–	145	20%
2a – Of which: domestic PSEs	243	–	–	–	–	0%
2b – Of which: foreign PSEs	–	–	726	–	145	20%
3 Multilateral development bank exposures	29,458	–	29,458	–	–	0%
4 Bank exposures	2,700	–	2,705	–	541	20%
5 Securities firm exposures	–	–	–	–	–	0%
6 Corporate exposures	43,048	6,223	27,182	565	24,296	88%
7 CIS exposures	–	–	–	–	–	0%
8 Cash items	–	–	–	–	–	0%
9 Exposures in respect of failed delivery on transactions entered into on a basis other than a delivery-versus-payment basis	–	–	–	–	–	0%
10 Regulatory retail exposures	10,251	33,674	7,321	2	5,493	75%
11 Residential mortgage loans	17,890	325	17,890	65	6,883	38%
12 Other exposures which are not past due exposures ¹	23,851	40,383	9,123	1,096	10,219	100%
13 Past due exposures	1,063	68	1,063	–	1,565	147%
14 Significant exposures to commercial entities	–	–	–	–	–	0%
15 Total¹	128,506	80,693	95,713	1,728	49,142	50%

¹ Increase in total exposures was mainly driven by increase in corporate exposures and other exposures which are not past due exposures as a result of balance sheet growth.

8 Credit risk for non-securitization exposures (continued)

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

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

	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(ha)	(i)	(j)
At 30 June 2021											
Risk Weight	0%	10%	20%	35%	50%	75%	100%	150%	250%	Others	Total credit risk exposures amount (post CCF and post CRM)
Exposure class	HK\$'M	HK\$'M	HK\$'M	HK\$'M	HK\$'M	HK\$'M	HK\$'M	HK\$'M	HK\$'M	HK\$'M	HK\$'M
1 Sovereign exposures	245	-	-	-	-	-	-	-	-	-	245
2 PSE exposures	-	-	726	-	-	-	-	-	-	-	726
2a – Of which: domestic PSEs	-	-	-	-	-	-	-	-	-	-	-
2b – Of which: foreign PSEs	-	-	726	-	-	-	-	-	-	-	726
3 Multilateral development bank exposures	29,458	-	-	-	-	-	-	-	-	-	29,458
4 Bank exposures	-	-	2,705	-	-	-	-	-	-	-	2,705
5 Securities firm exposures	-	-	-	-	-	-	-	-	-	-	-
6 Corporate exposures	-	-	2,235	-	3,325	-	22,187	-	-	-	27,747
7 CIS exposures	-	-	-	-	-	-	-	-	-	-	-
8 Cash items	-	-	-	-	-	-	-	-	-	-	-
9 Exposures in respect of failed delivery on transactions entered into on a basis other than a delivery-versus-payment basis	-	-	-	-	-	-	-	-	-	-	-
10 Regulatory retail exposures	-	-	-	-	-	7,323	-	-	-	-	7,323
11 Residential mortgage loans	-	-	-	16,660	-	976	319	-	-	-	17,955
12 Other exposures which are not past due exposures	-	-	-	-	-	-	10,219	-	-	-	10,219
13 Past due exposures	2	-	18	-	2	-	2	1,039	-	-	1,063
14 Significant exposures to commercial entities	-	-	-	-	-	-	-	-	-	-	-
15 Total	29,705	-	5,684	16,660	3,327	8,299	32,727	1,039	-	-	97,441

Please refer to note 8(d) for the main drivers of the change in total exposures post-CCF and post-CRM.

8 Credit risk for non-securitization exposures (continued)

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

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

At 30 June 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	436,576	10,252	26.80%	456,508	0.02%	66	46.06%	1.22	32,526	7%	47	
0.15 to < 0.25	–	–	0.00%	–	0.00%	–	0.00%	–	–	0%	–	
0.25 to < 0.50	–	–	0.00%	–	0.00%	–	0.00%	–	–	0%	–	
0.50 to < 0.75	–	–	0.00%	–	0.00%	–	0.00%	–	–	0%	–	
0.75 to < 2.50	–	–	0.00%	–	0.00%	–	0.00%	–	–	0%	–	
2.50 to < 10.00	425	184	0.00%	–	0.00%	–	0.00%	–	–	0%	–	
10.00 to < 100.00	–	–	0.00%	–	0.00%	–	0.00%	–	–	0%	–	
100.00 (Default)	–	–	0.00%	–	0.00%	–	0.00%	–	–	0%	–	
Sub-total	437,001	10,436	26.80%	456,508	0.02%	66	46.06%	1.22	32,526	7%	47	294
Portfolio (ii) – Bank												
0.00 to < 0.15	286,338	114,150	11.65%	306,937	0.04%	179	43.89%	1.01	38,956	13%	59	
0.15 to < 0.25	2,671	4,721	35.23%	4,334	0.22%	36	35.97%	0.78	1,238	29%	3	
0.25 to < 0.50	2,972	7,135	6.71%	3,450	0.39%	28	42.39%	0.94	1,886	55%	6	
0.50 to < 0.75	15,407	16,973	23.16%	15,628	0.57%	76	40.79%	1.27	9,580	61%	36	
0.75 to < 2.50	7,637	6,749	38.55%	9,353	1.26%	96	35.82%	1.17	6,674	71%	44	
2.50 to < 10.00	804	824	19.05%	667	4.21%	57	29.14%	0.26	580	87%	8	
10.00 to < 100.00	106	34	43.37%	119	16.48%	13	39.74%	0.90	242	204%	7	
100.00 (Default)	–	–	0.00%	–	0.00%	–	0.00%	–	–	0%	–	
Sub-total	315,935	150,586	14.62%	340,488	0.12%	485	43.38%	1.02	59,156	17%	163	535
Portfolio (iii) – Corporate – Other												
0.00 to < 0.15	165,852	168,482	24.60%	224,626	0.08%	882	47.35%	1.33	45,891	20%	83	
0.15 to < 0.25	55,371	65,738	23.70%	74,779	0.22%	686	49.37%	1.20	28,887	39%	81	
0.25 to < 0.50	65,961	55,757	27.02%	81,347	0.39%	589	46.15%	1.18	40,163	49%	146	
0.50 to < 0.75	52,957	87,262	21.99%	67,693	0.58%	810	43.61%	1.17	38,466	57%	168	
0.75 to < 2.50	75,276	51,402	24.16%	75,839	1.42%	1,328	37.70%	1.31	53,252	70%	376	
2.50 to < 10.00	30,221	20,141	32.49%	31,769	4.49%	578	38.80%	1.17	33,421	105%	489	
10.00 to < 100.00	25,489	15,090	5.26%	11,330	16.46%	616	27.60%	2.36	11,818	104%	314	
100.00 (Default)	4,531	227	18.92%	4,500	100.00%	89	45.08%	1.55	4,608	102%	2,100	
Sub-total	475,658	464,099	24.20%	571,883	1.74%	5,578	44.83%	1.28	256,506	45%	3,757	4,460

8 Credit risk for non-securitization exposures (continued)

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

At 30 June 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	494	156	24.61%	532	0.09%	2	54.91%	2.98	159	30%	–	
0.15 to < 0.25	669	942	58.25%	1,279	0.22%	292	29.11%	1.15	265	21%	1	
0.25 to < 0.50	796	914	28.82%	1,053	0.32%	286	27.69%	1.90	287	27%	1	
0.50 to < 0.75	2,548	2,410	13.89%	2,849	0.59%	316	20.09%	1.21	697	24%	3	
0.75 to < 2.50	7,414	2,575	21.32%	7,848	1.35%	1,208	24.34%	1.33	3,159	40%	26	
2.50 to < 10.00	6,110	1,200	30.79%	6,133	4.74%	398	18.77%	1.24	2,716	44%	55	
10.00 to < 100.00	2,385	716	12.22%	2,095	15.77%	71	22.57%	1.10	1,782	85%	82	
100.00 (Default)	699	93	1.85%	457	100.00%	62	36.61%	1.71	317	69%	199	
Sub-total	21,115	9,006	23.81%	22,246	5.43%	2,635	23.51%	1.33	9,382	42%	367	299
Portfolio (v) – Retail – QRRE												
0.00 to < 0.15	4,976	106,235	49.56%	57,630	0.07%	1,003,277	88.35%	–	2,294	4%	37	
0.15 to < 0.25	334	3,269	81.60%	3,001	0.18%	94,853	78.85%	–	228	8%	4	
0.25 to < 0.50	975	10,846	53.09%	6,733	0.31%	105,551	87.94%	–	889	13%	18	
0.50 to < 0.75	1,718	23,093	49.24%	13,089	0.68%	170,612	89.30%	–	3,307	25%	79	
0.75 to < 2.50	1,217	7,655	52.36%	5,225	1.51%	77,199	88.70%	–	2,409	46%	70	
2.50 to < 10.00	1,864	2,716	62.14%	3,552	5.15%	43,181	89.09%	–	3,751	106%	163	
10.00 to < 100.00	489	360	59.19%	702	27.31%	7,203	89.85%	–	1,547	220%	172	
100.00 (Default)	105	8	0.20%	105	100.00%	3,042	61.77%	–	98	94%	57	
Sub-total	11,678	154,182	50.82%	90,037	0.79%	1,504,918	88.17%	–	14,523	16%	600	132
Portfolio (vi) – Retail – Residential mortgage exposures												
0.00 to < 0.15	247,601	1,210	100.52%	248,818	0.09%	114,336	12.82%	–	40,562	16%	28	
0.15 to < 0.25	146,053	13,894	100.12%	159,964	0.19%	90,971	13.66%	–	19,198	12%	42	
0.25 to < 0.50	37,415	659	101.03%	38,081	0.45%	29,642	12.72%	–	3,883	10%	21	
0.50 to < 0.75	11,460	9	100.86%	11,469	0.55%	8,357	16.91%	–	2,198	19%	11	
0.75 to < 2.50	22,205	412	100.36%	22,618	1.16%	17,194	12.48%	–	4,137	18%	33	
2.50 to < 10.00	3,831	58	100.21%	3,889	3.70%	3,566	12.22%	–	1,319	34%	18	
10.00 to < 100.00	517	5	100.04%	522	31.05%	731	14.31%	–	371	71%	23	
100.00 (Default)	763	–	100.00%	763	100.00%	1,020	14.25%	–	596	78%	60	
Sub-total	469,845	16,247	100.19%	486,124	0.43%	265,817	13.17%	–	72,264	15%	236	674

8 Credit risk for non-securitization exposures (continued)

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

At 30 June 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	122	20	83.34%	124	0.08%	9	57.79%	–	13	11%	–	
0.15 to < 0.25	217	14	46.35%	158	0.20%	93	46.56%	–	30	19%	–	
0.25 to < 0.50	611	15	50.43%	352	0.37%	82	30.14%	–	63	18%	–	
0.50 to < 0.75	606	13	31.30%	315	0.62%	112	39.00%	–	99	32%	1	
0.75 to < 2.50	2,452	63	10.36%	1,637	1.52%	579	68.68%	–	1,315	80%	17	
2.50 to < 10.00	1,348	13	6.93%	941	4.30%	199	77.41%	–	1,057	112%	33	
10.00 to < 100.00	187	12	0.38%	108	22.05%	46	84.83%	–	176	163%	20	
100.00 (Default)	29	–	0.00%	28	100.00%	16	86.12%	–	66	233%	19	
Sub-total	5,572	150	28.55%	3,663	3.31%	1,136	63.96%	–	2,819	77%	90	44
Portfolio (viii) – Other retail exposures to individuals												
0.00 to < 0.15	4,515	14,852	84.90%	17,124	0.07%	66,819	80.17%	–	2,489	15%	9	
0.15 to < 0.25	2,490	3,211	82.97%	5,155	0.16%	23,504	80.69%	–	1,457	28%	7	
0.25 to < 0.50	14,516	5,279	63.43%	17,864	0.34%	54,071	77.05%	–	7,846	44%	47	
0.50 to < 0.75	6,966	2,899	52.67%	8,493	0.67%	34,698	78.17%	–	5,583	66%	45	
0.75 to < 2.50	21,330	6,142	36.53%	23,573	1.35%	77,780	59.81%	–	15,878	67%	192	
2.50 to < 10.00	39,664	7,111	63.05%	44,148	4.79%	124,696	50.15%	–	31,655	72%	897	
10.00 to < 100.00	3,058	578	39.60%	3,287	22.37%	20,401	73.00%	–	4,774	145%	534	
100.00 (Default)	949	1	0.00%	949	100.00%	16,464	61.76%	–	825	87%	520	
Sub-total	93,488	40,073	67.64%	120,593	3.53%	418,433	64.28%	–	70,507	58%	2,251	872
Total (all portfolios subject to the IRB approaches)	1,830,292	844,779	30.93%	2,091,542	0.90%	2,199,068	40.30%	1.20	517,683	25%	7,511	7,310

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

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

8 Credit risk for non-securitization exposures (continued)

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

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

At 30 June 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)	13,600	13,600
3	Corporate – Specialized lending under supervisory slotting criteria approach (commodities finance)	–	–
4	Corporate – Specialized lending under supervisory slotting criteria approach (income-producing real estate)	7,857	7,857
5	Corporate – Specialized lending (high-volatility commercial real estate)	–	–
6	Corporate – Small-and-medium sized corporates	9,382	9,382
7	Corporate – Other corporates	256,506	256,506
8	Sovereigns	24,645	24,645
9	Sovereign foreign public sector entities	7,881	7,881
10	Multilateral development banks	–	–
11	Bank exposures – Banks	44,211	44,211
12	Bank exposures – Securities firms	12,487	12,487
13	Bank exposures – Public sector entities (excluding sovereign foreign public sector entities)	2,458	2,458
14	Retail – Small business retail exposures	2,819	2,819
15	Retail – Residential mortgages to individuals	70,165	70,165
16	Retail – Residential mortgages to property-holding shell companies	2,099	2,099
17	Retail – Qualifying revolving retail exposures (QRRE)	14,523	14,523
18	Retail – Other retail exposures to individuals	70,507	70,507
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	51	51
26	Other – Other items	46,082	46,082
27	Total	585,273	585,273

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

Increase in RWA was in line with balance sheet growth.

8 Credit risk for non-securitization exposures (continued)

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

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

	(a) Amount HK\$'M
1 RWA as at end of previous reporting period (31 March 2021)	568,019
2 Asset size	15,611
3 Asset quality	947
4 Model updates	(566)
5 Methodology and policy	–
6 Acquisitions and disposals	–
7 Foreign exchange movements	1,213
8 Other	–
9 RWA as at end of reporting period (30 June 2021)	585,224

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

- RWA increase from asset size mainly from corporate loans;
- RWA increase from asset quality mainly from mild credit migration during the period;
- RWA decrease from model update mainly due to the risk parameter refinements for bank counterparties;
- RWA increase from foreign exchange rate movement mainly due to the appreciation of TWD, KRW and CNY in relation to HKD during the period.

i. 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 30 June 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	736	13	50%	–	736	–	–	736	368	–
Strong	Equal to or more than 2.5 years	2,946	650	70%	–	3,273	–	–	3,273	2,291	13
Good [^]	Less than 2.5 years	1,590	246	70%	–	253	–	1,399	1,652	1,157	7
Good	Equal to or more than 2.5 years	2,768	289	90%	–	2,383	–	517	2,900	2,609	23
Satisfactory		12,999	261	115%	–	7,494	–	5,576	13,070	15,032	366
Weak		–	–	250%	–	–	–	–	–	–	–
Default		–	–	0%	–	–	–	–	–	–	–
Total		21,039	1,459		–	14,139	–	7,492	21,631	21,457	409

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

[^] Use of preferential risk-weights.

9 Counterparty Credit risk

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

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

At 30 June 2021		(a)	(b)	(c)	(d)	(e)	(f)
		Replacement cost (RC)	PFE	Effective EPE	Alpha (α) used for computing default risk exposure	Default risk exposure after CRM	RWA
		HK\$'M		%		HK\$'M	HK\$'M
1	SA-CCR (for derivative contracts)	21,226	54,347		1.4	103,697	39,295
1a	CEM (for derivative contracts)	–	–		1.4	–	–
2	IMM (CCR) approach			–	0.0	–	–
3	Simple Approach (for SFTs)					–	–
4	Comprehensive Approach (for SFTs)					169,530	3,337
5	VaR (for SFTs)					–	–
6	Total						42,632

Increase in RWA was due to the adoption of SA-CCR for counterparty credit risk exposures at 30 June 2021 and the increase in volume of both derivative exposures and securities financing transactions.

b. CVA capital charge (CCR2)

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

At 30 June 2021		(a)	(b)
		EAD post CRM	RWA
		HK\$'M	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	102,547	22,223
4	Total	102,547	22,223

9 Counterparty Credit risk (continued)

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

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

At 30 June 2021	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)
Risk Weight	0%	10%	20%	35%	50%	75%	100%	150%	250%	Others	Total default risk exposure after CRM
Exposure class	HK\$'M	HK\$'M	HK\$'M	HK\$'M	HK\$'M	HK\$'M	HK\$'M	HK\$'M	HK\$'M	HK\$'M	HK\$'M
1 Sovereign exposures	-	-	-	-	-	-	-	-	-	-	-
2 PSE exposures	-	-	-	-	-	-	-	-	-	-	-
2a – Of which: domestic PSEs	-	-	-	-	-	-	-	-	-	-	-
2b – Of which: foreign PSEs	-	-	-	-	-	-	-	-	-	-	-
3 Multilateral development bank exposures	819	-	-	-	-	-	-	-	-	-	819
4 Bank exposures	-	-	-	-	-	-	-	-	-	-	-
5 Securities firm exposures	-	-	-	-	-	-	-	-	-	-	-
6 Corporate exposures	-	-	166	-	-	-	1,104	-	-	-	1,270
7 CIS exposures	-	-	-	-	-	-	-	-	-	-	-
8 Regulatory retail exposures	-	-	-	-	-	35	-	-	-	-	35
9 Residential mortgage loans	-	-	-	-	-	-	-	-	-	-	-
10 Other exposures which are not past due exposures	-	-	-	-	-	-	-	-	-	-	-
11 Significant exposures to commercial entities	-	-	-	-	-	-	-	-	-	-	-
12 Total	819	-	166	-	-	35	1,104	-	-	-	2,124

Increase in exposure was due to the adoption of SA-CCR for counterparty credit risk exposures at 30 June 2021 and the increase in volume of derivative exposures.

9 Counterparty Credit risk (continued)

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

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

At 30 June 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	41,035	0.02%	21	24.74%	0.52	1,173	2.86%
0.15 to < 0.25	–	0.00%	–	0.00%	–	–	0.00%
0.25 to < 0.50	–	0.00%	–	0.00%	–	–	0.00%
0.50 to < 0.75	–	0.00%	–	0.00%	–	–	0.00%
0.75 to < 2.50	–	0.00%	–	0.00%	–	–	0.00%
2.50 to < 10.00	–	0.00%	–	0.00%	–	–	0.00%
10.00 to < 100.00	–	0.00%	–	0.00%	–	–	0.00%
100.00 (Default)	–	0.00%	–	0.00%	–	–	0.00%
Sub-total	41,035	0.02%	21	24.74%	0.52	1,173	2.86%
Portfolio (ii) – Bank							
0.00 to < 0.15	171,002	0.05%	98	18.08%	0.41	10,462	6.12%
0.15 to < 0.25	5,354	0.22%	30	34.53%	1.15	1,919	35.84%
0.25 to < 0.50	2,431	0.39%	13	39.24%	1.35	1,419	58.37%
0.50 to < 0.75	6,271	0.53%	34	8.24%	0.79	737	11.75%
0.75 to < 2.50	2,509	1.40%	15	7.61%	0.97	373	14.86%
2.50 to < 10.00	56	2.73%	5	7.69%	1.00	11	20.42%
10.00 to < 100.00	483	13.77%	3	45.00%	1.82	1,160	240.25%
100.00 (Default)	–	0.00%	–	0.00%	–	–	0.00%
Sub-total	188,106	0.13%	198	18.42%	0.47	16,081	8.55%
Portfolio (iii) – Corporate							
0.00 to < 0.15	14,515	0.10%	314	49.93%	1.46	4,053	27.92%
0.15 to < 0.25	10,358	0.22%	446	48.05%	1.40	4,526	43.70%
0.25 to < 0.50	3,470	0.39%	171	60.80%	1.45	2,486	71.64%
0.50 to < 0.75	6,921	0.56%	214	51.68%	0.98	4,701	67.92%
0.75 to < 2.50	5,024	1.21%	159	50.07%	1.37	4,709	93.74%
2.50 to < 10.00	905	3.74%	40	58.99%	1.42	1,419	156.86%
10.00 to < 100.00	755	13.87%	35	56.49%	2.16	2,145	284.20%
100.00 (Default)	14	100.00%	1	97.50%	4.08	176	1250.00%
Sub-total	41,962	0.72%	1,380	51.00%	1.37	24,215	57.71%
Total (all portfolios subject to the IRB approaches)	271,103	0.21%	1,599	24.42%	0.61	41,469	15.30%

Increase in exposure and RWA was due to the adoption of SA-CCR for counterparty credit risk exposures at 30 June 2021 and the increase in volume of both derivative exposures and securities financing transactions.

9 Counterparty Credit risk (continued)

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

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

At 30 June 2021	(a)		(b)		(c)		(d)		(e)		(f)
			Derivative contracts ¹						SFTs ²		
	Fair value of recognized collateral received		Fair value of posted collateral		Fair value of recognized collateral received		Fair value of posted collateral				
Exposure classes	Segregated	Unsegregated	Segregated	Unsegregated	Segregated	Unsegregated	Segregated	Unsegregated	Segregated	Unsegregated	
	HK\$'M	HK\$'M	HK\$'M	HK\$'M	HK\$'M	HK\$'M	HK\$'M	HK\$'M	HK\$'M	HK\$'M	HK\$'M
Cash – domestic currency	–	200	–	–	–	–	–	–	7,396	–	5,909
Cash – other currencies	–	6,980	–	–	–	7,963	–	–	49,100	–	77,255
Domestic sovereign debt	–	–	–	–	–	–	–	–	7,817	–	7,673
Other sovereign debt	–	1,933	–	–	–	4,156	–	–	40,178	–	40,399
Government agency debt	–	–	–	–	–	–	–	–	10,826	–	–
Corporate bonds	–	8,443	–	–	–	1,766	–	–	14,353	–	38,051
Equity securities	–	–	–	–	–	–	–	–	7,641	–	242
Other collateral	–	234	–	–	–	–	–	–	–	–	–
Total	–	17,790	–	–	–	13,885	–	–	137,311	–	169,529

¹ Increase in unsegregated collateral received and posted for derivative contracts were mainly driven by the increase in volume of derivative contracts.

² Increase in collateral received and posted for SFT was in line with the increased transactions of repos and reverse repos during the period.

f. Credit-related derivatives contracts (CCR6)

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

At 30 June 2021	(a)	(b)
	Protection bought	Protection sold
	HK\$'M	HK\$'M
Notional amounts		
Single-name credit default swaps	–	–
Index credit default swaps	–	–
Total return swaps	30,835	6,245
Credit-related options	–	–
Other credit-related derivative contracts	5,304	4,968
Total notional amounts	36,139	11,213
Fair values		
Positive fair value (asset)	124	163
Negative fair value (liability)	(334)	–

Decrease in total notional amount were mainly driven by the decrease in transaction volume for total return swaps.

9 Counterparty Credit risk (continued)

g. Exposures to CCPs (CCR8)

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

At 30 June 2021	(a) Exposure after CRM HK\$'M ¹	(b) RWA HK\$'M ²
1 Exposures of the AI as clearing member or clearing client to qualifying CCPs (total)		737
2 Default risk exposures to qualifying CCPs (excluding items disclosed in rows 7 to 10), – of which:	33,833	677
3 (i) OTC derivative transactions	–	–
4 (ii) Exchange-traded derivative contracts	33,833	677
5 (iii) Securities financing transactions	–	–
6 (iv) Netting sets subject to valid cross-product netting agreements	–	–
7 Segregated initial margin	–	
8 Unsegregated initial margin	535	11
9 Funded default fund contributions	302	49
10 Unfunded default fund contributions	–	–
11 Exposures of the AI as clearing member or clearing 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	–	–

¹ Increase in exposure was due to the adoption of SA-CCR for counterparty credit risk exposures at 30 June 2021 and the increase in volume of derivative exposures.

² Decrease in total RWA was mainly due to the application of k-factor on the default fund contributions post adoption of SA-CCR.

10 Securitization exposures

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 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.

a. Securitization exposures in banking book (SEC1)

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

	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
	Acting as originator (excluding sponsor)			Acting as sponsor			Acting as investor		
	Traditional	Synthetic	Sub-total	Traditional	Synthetic	Sub-total	Traditional	Synthetic	Sub-total
1 Retail (total) – of which:	-	-	-	-	-	-	29,016	-	29,016
2 residential mortgage	-	-	-	-	-	-	14,882	-	14,882
3 credit card	-	-	-	-	-	-	689	-	689
4 other retail exposures	-	-	-	-	-	-	13,445	-	13,445
5 re-securitization exposures	-	-	-	-	-	-	-	-	-
7 Wholesale (total) – of which:	-	-	-	-	-	-	5,625	-	5,625
8 loans to corporates	-	-	-	-	-	-	374	-	374
6 commercial mortgage	-	-	-	-	-	-	-	-	-
9 lease and receivables	-	-	-	-	-	-	-	-	-
10 other wholesale	-	-	-	-	-	-	5,251	-	5,251
11 re-securitization exposures	-	-	-	-	-	-	-	-	-

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

10 Securitization exposures (continued)

b. Securitization exposures in trading book (SEC2)

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

	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
	Acting as originator (excluding sponsor)			Acting as sponsor			Acting as investor		
	Traditional	Synthetic	Sub-total	Traditional	Synthetic	Sub-total	Traditional	Synthetic	Sub-total
1 Retail (total) – of which:	-	-	-	-	-	-	1,582	-	1,582
2 residential mortgage	-	-	-	-	-	-	1,304	-	1,304
3 credit card	-	-	-	-	-	-	-	-	-
4 other retail exposures	-	-	-	-	-	-	278	-	278
5 re-securitization exposures	-	-	-	-	-	-	-	-	-
6 Wholesale (total) – of which:	-	-	-	-	-	-	261	-	261
7 loans to corporates	-	-	-	-	-	-	252	-	252
8 commercial mortgage	-	-	-	-	-	-	-	-	-
9 lease and receivables	-	-	-	-	-	-	-	-	-
10 other wholesale	-	-	-	-	-	-	9	-	9
11 re-securitization exposures	-	-	-	-	-	-	-	-	-

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

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

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

	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)	(n)	(o)	(p)	(q)
	Exposure values (by RW bands)				Exposure values (by regulatory approach)					RWA (by regulatory approach)				Capital charge after cap			
	≤20% RW	>20% to 50% RW	>50% to 100% RW	>100% to <1250% RW	1250% RW	SEC-IRBA	SEC-ERBA (incl IAA)	SEC-SA	SEC-FBA	SEC-IRBA	SEC-ERBA (incl IAA)	SEC-SA	SEC-FBA	SEC-IRBA	SEC-ERBA	SEC-SA	SEC-FBA
1 Total exposures	32,425	654	1,562	-	-	-	34,641	-	-	-	6,181	-	-	-	494	-	-
2 Traditional securitization	32,425	654	1,562	-	-	-	34,641	-	-	-	6,181	-	-	-	494	-	-
3 Of which securitization	32,425	654	1,562	-	-	-	34,641	-	-	-	6,181	-	-	-	494	-	-
4 Of which retail underlying	27,246	280	1,490	-	-	-	29,016	-	-	-	5,120	-	-	-	410	-	-
5 Of which wholesale	5,179	374	72	-	-	-	5,625	-	-	-	1,061	-	-	-	85	-	-
6 Of which re-securitization	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
7 Of which senior	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
8 Of which non-senior	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
9 Synthetic securitization	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
10 Of which securitization	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11 Of which retail underlying	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12 Of which wholesale	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
13 Of which re-securitization	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14 Of which senior	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
15 Of which non-senior	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

The increase in exposure values and RWA during the period was mainly driven by the increase in exposures under the ≤20% RW band.

11 Market risk

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

a. Market risk under STM approach (MR1)

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

At 30 June 2021		(a) RWA HK\$'M
Outright product exposures		
1	Interest rate exposures (general and specific risk)	102,747
2	Equity exposures (general and specific risk)	–
3	Foreign exchange (including gold) exposures	10,130
4	Commodity exposures	4,088
Option exposures		
5	Simplified approach	–
6	Delta-plus approach	1,234
7	Other approach	–
8	Securitization exposures	11,833
9	Total	130,032

Increase in RWA were mainly driven by the following items:

- Increase in interest rate positions for HKD and KRW partially offset by the decrease in interest rate positions in USD.
- Increase in unrated position from securitization exposures.

b. 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 30 June 2021, the accounting provisions exceed the potential shortfalls, hence there are no additional capital requirements.

12 International claims

International claims are on-balance sheet exposures of counterparties based on the location of those counterparties after taking into account the transfer of risk. Recognized risk transfer refers to the reduction of exposure to a particular country by an effective transfer of credit risk to a different country. For a claim on the branch of a bank or other financial institution, the risk will be transferred to the country where its head office is situated.

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

At 30 June 2021	<i>Banks</i> <i>HK\$'M</i>	<i>Official sector</i> <i>HK\$'M</i>	<i>Non-bank financial institution</i> <i>HK\$'M</i>	<i>Non-financial private sector</i> <i>HK\$'M</i>	<i>Total</i> <i>HK\$'M</i>
Developed countries	193,995	32,447	29,151	42,578	298,171
– of which United Kingdom (excluding Guernsey, Isle of Man and Jersey)	128,413	252	2,251	2,988	133,904
Offshore centres	19,155	4,778	42,185	123,034	189,152
– of which Hong Kong SAR	6,851	1,367	35,996	103,544	147,758
Developing Asia and Pacific	170,876	38,759	26,146	149,096	384,877
– of which China	131,875	16,063	19,083	93,103	260,124

13 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 30 June 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	19,594	48%
– Property investment	25,809	71%
– Financial concerns	45,434	39%
– Stockbrokers	20,262	28%
– Wholesale and retail trade	14,525	18%
– Manufacturing	14,306	15%
– Transport and transport equipment	9,515	40%
– Recreational activities	23	0%
– Information technology	8,092	0%
– Others	34,307	3%
<i>Individuals</i>		
– Advances for the purchase of flats in the Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme	865	100%
– Advances for the purchase of other residential properties	245,632	100%
– Credit card advances	22,137	0%
– Others	32,903	40%
<i>Total gross loans and advances for use in Hong Kong</i>	493,404	
Trade finance	97,940	16%
Trade bills	2,036	8%
Gross loans and advances for use outside Hong Kong	592,846	55%
Gross loans and advances to customers	1,186,226	56%

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

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

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

	<i>Impaired loans and advances to customers</i> HK\$'M	<i>Overdue loans and advances to customers</i> HK\$'M	<i>Stage 3 expected credit loss provision</i> HK\$'M	<i>Stage 1 & 2 expected credit loss provision</i> HK\$'M	<i>Provision release</i> HK\$'M
At 30 June 2021					
Advances for the purchase of other residential properties	138	49	2	7	(2)
Gross loans and advances for use outside Hong Kong	3,426	1,412	1,276	1,059	(96)

14 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 any recognised risk transfer.

	<i>Total gross loans and advances to customers</i> HK\$'M	<i>Impaired loans and advances to customers</i> HK\$'M	<i>Overdue loans and advances to customers</i> HK\$'M	<i>Stage 3 expected credit loss provision</i> HK\$'M	<i>Stage 1 & 2 expected credit loss provision</i> HK\$'M
At 30 June 2021					
Hong Kong	490,095	3,159	1,642	1,674	861
Mainland China	184,815	680	657	396	676
South Korea	341,229	1,324	383	506	314
Taiwan	88,802	1,029	57	206	176
Others	81,285	269	115	94	115
Total	1,186,226	6,461	2,854	2,876	2,142

15 Overdue loans and advances to customers

	<i>At 30 June 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	665	0.06%
1 year or less but over 6 months	828	0.07%
Over 1 year	1,361	0.11%
	<u>2,854</u>	<u>0.24%</u>

	<i>At 30 June 2021 HK\$'M</i>
Fair value of collateral held against the covered portion of overdue loans and advances to customers	<u>1,556</u>
Covered portion of overdue loans and advances to customers	752
Uncovered portion of overdue loans and advances to customers	<u>2,102</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 30 June 2021 HK\$'M</i>
Stage 3 expected credit loss provision against loans and advances to customers overdue more than 3 months	<u>1,691</u>

As at 30 June 2021, there were no overdue loans and advances to banks and other financial institutions, debt securities and other assets.

Reposessed collateral

As at 30 June 2021, the amount of assets obtained by taking possession of collateral held as security was as follows:

	<i>At 30 June 2021 HK\$'M</i>
Property, plant and equipment	<u>59</u>

Loan collateral acquired from borrowers due to restructuring or their inability to repay, continues to be recorded as "Loans and advances to customers" in the statement of financial position at the lower of fair value (less costs to sell) and the carrying amount of the loan (net of any impairment allowances), until the collateral is realised.

Reposessed collateral obtained are intended to be realised in an orderly fashion to repay the impaired loans and are not held for the own used of the Group.

16 Rescheduled loans and advances to customers

	<i>At 30 June 2021</i>	
	<i>HK\$'M</i>	<i>% of loans and advances to customers</i>
Rescheduled loans and advances to customers	1,023	0.09%

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 15.

As at 30 June 2021, there were no rescheduled loans and advances to banks and other financial institutions, debt securities and other assets.

17 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 30 June 2021</i>			
(i) Central government, central government-owned entities and their subsidiaries and joint ventures ("JVs")	123,776	21,303	145,079
(ii) Local governments, local government-owned entities and their subsidiaries and JVs	12,760	1,562	14,322
(iii) PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	179,670	44,891	224,561
(iv) Other entities of central government not reported in item (i) above	8,118	525	8,643
(v) Other entities of local governments not reported in item (ii) above	1,828	127	1,955
(vi) PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	20,579	2,510	23,089
(vii) Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	36,924	2,589	39,513
Total	383,655	73,507	457,162
Total assets after provision	1,852,574		
On-balance sheet exposures as percentage of total assets	20.71%		

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.

18 Off-balance sheet exposures**Contingent liabilities and commitments**

	<i>At 30 June 2021 HK\$'M</i>
<u>Contractual or notional amounts</u>	
Direct credit substitutes	18,831
Transaction-related contingencies	37,781
Trade-related contingencies	18,432
Forward asset purchases	196
Forward forward deposits placed	2,525
Other commitments:	
which are not unconditionally cancellable:	
with original maturity of not more than one year	28,088
with original maturity of more than one year	146,451
which are unconditionally cancellable	674,627
	<u>926,931</u>
Credit risk weighted amount (before 1.06 scaling factor)	<u>70,275</u>

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

19 Foreign exchange risk

The Group had the following non-structural foreign currency positions which exceeded 10% of the net non-structural position in all foreign currencies:

	<i>Consolidated At 30 June 2021 HK\$'M</i>
US dollars exposure	
Spot assets	636,912
Spot liabilities	(711,768)
Forward purchases	3,484,148
Forward sales	(3,410,048)
Net options position (note)	2,882
Net long non-structural position	<u>2,126</u>
Chinese Renminbi exposure	
Spot assets	362,701
Spot liabilities	(360,466)
Forward purchases	1,447,055
Forward sales	(1,445,348)
Net option position (note)	(2,547)
Net long non-structural position	<u>1,395</u>
Taiwan New Dollars	
Spot assets	148,908
Spot liabilities	(104,226)
Forward purchases	85,079
Forward sales	(129,034)
Net long non-structural position	<u>727</u>

(note) Net option position is calculated on the basis of delta-weighted positions of foreign exchange options contracts.

The Group had the following structural foreign currency positions which exceeded 10% of the net structural position in all foreign currencies:

	<i>At 30 June 2021 HK\$'M</i>
Chinese Renminbi	32,184
US dollars	23,893
South Korean Won	25,381

Acronyms

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