



**Standard Chartered Bank
(Hong Kong) Limited**

**Supplementary Notes to
Condensed Consolidated Interim
Financial Statements (unaudited)**

For period ended
At 30 June 2022

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 2022 Condensed Consolidated Interim Financial Statements (“consolidated financial statements”). The consolidated financial statements 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 2022.

1 Basis of consolidation and preparation

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

The basis of consolidation for accounting purposes is in accordance with Hong Kong Financial Reporting Standards. The principal subsidiaries of the Bank for accounting purposes are Standard Chartered Bank (China) Limited (“SCB China”), Standard Chartered NEA Limited (“SC NEA”), Standard Chartered Bank Korea Limited (“SCB Korea”) and Standard Chartered Bank (Taiwan) Limited (“SCB Taiwan”) (SC NEA, SCB Korea and SCB Taiwan collectively referred to as “SC NEA Group”), Mox Bank Limited and Standard Chartered Leasing Group Limited (which comprises Pembroke Aircraft Leasing Holdings Limited and Marina Leasing Limited).

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

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

The Bank’s shareholdings in these subsidiaries are deducted from its capital base subject to the thresholds as determined in accordance with Part 3 of the Banking (Capital) Rules.

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

1 Basis of consolidation and preparation (continued)

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

Name of company	Principal Activity	30 June 2022	
		Total assets HK\$'M	Total equity HK\$'M
Prunelli Asset Purchaser HK Limited	Asset-backed securitization	5,339	–
Standard Chartered Securities Korea Limited	Provision of security trading, underwriting and brokerage transactions	1,917	1,842
Standard Chartered Securities (Hong Kong) Limited	Equity capital markets, corporate finance and institutional brokerage	135	134
Standard Chartered Trust (HK) Limited	Trustee services	14	11
Standard Chartered Nominees (Western Samoa) Limited	Nominees services	–	–
Horsford Nominees Limited	Nominees services	–	–
		7,405	1,987

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. For securitization exposures, the group uses the securitization internal ratings-based approach ("SEC-IRBA"), securitization external ratings-based approach ("SEC-ERBA"), securitization standardised approach ("SEC-SA") or securitization fall-back approach ("SEC-FBA") to determine credit risk for its banking book securitization exposures.

For market risk, the Group uses the internal models approach ("IMM approach") to calculate majority of its general market risk capital charge in respect of the risk categories of interest rates and foreign exchange (including gold) and uses the standardised (market risk) approach to calculate the general market risk capital charge for its equity exposures and commodity exposures, market risk capital charge on exempted foreign exchange exposures and the specific risk capital charge for its interest rate exposures and equity exposures. The Group also uses a stochastic asset-liability model approach for two guaranteed retirement funds. In addition, the Group adopts the standardised (operational risk) approach for operational risk.

The Group applies the Internal Capital Adequacy Assessment Process ("ICAAP") to assess its capital demand on a current, planned and stressed basis. The assessment covers the major risks faced by the Group, in addition to credit, market and operational risks that are covered under the minimum capital requirements. The 2021 ICAAP has been approved by the Regional Asset and Liability Committee ("RALCO"), the Asia Risk Committee ("ARC") and the Board of Directors ("the Board").

Loss-absorbing Capacity Disclosures

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

The Group was notified by HKMA of its classification as a material subsidiary under the LAC rules with effect from 1 April 2019, with Standard Chartered PLC ("SC PLC") as the non-HK resolution entity. Following this classification, the Group has met its minimum LAC requirements since 1 July 2019, and is now publishing LAC disclosures for the period ended 30 June 2022. 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 2022 HK\$'M	(b) At 31 March 2022 HK\$'M	(c) At 31 December 2021 HK\$'M	(d) At 30 September 2021 HK\$'M	(e) At 30 June 2021 HK\$'M	
Regulatory capital (amount)						
1	Common Equity Tier 1 (CET1)	138,192	138,427	138,860	142,303	141,162
2	Tier 1	156,887	157,122	155,597	159,038	157,896
3	Total capital	170,582	171,518	171,117	180,395	179,404
RWA (amount)						
4	Total RWA	870,416	895,334	894,160	976,793	974,962
Risk-based regulatory capital ratios (as a percentage of RWA)						
5	CET1 ratio (%)	15.9%	15.5%	15.5%	14.6%	14.5%
6	Tier 1 ratio (%)	18.0%	17.5%	17.4%	16.3%	16.2%
7	Total capital ratio (%)	19.6%	19.2%	19.1%	18.5%	18.4%
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 (%)	0.5%	0.5%	0.4%	0.4%	0.4%
10	Higher loss absorbency requirements (%) (applicable only to G-SIBs or D-SIBs)	1.5%	1.5%	1.5%	1.5%	1.5%
11	Total AI-specific CET1 buffer requirements (%)	4.5%	4.5%	4.4%	4.4%	4.4%
12	CET1 available after meeting the AI's minimum capital requirements (%)	11.4%	11.0%	11.0%	10.1%	10.0%
Basel III leverage ratio						
13	Total leverage ratio (LR) exposure measure	2,623,852	2,675,328	2,685,208	2,686,851	2,658,272
14	LR (%)	6.0%	5.9%	5.8%	5.9%	5.9%
Liquidity Coverage Ratio (LCR) / Liquidity Maintenance Ratio (LMR)						
Applicable to category 1 institution only:						
15	Total high quality liquid assets (HQLA)	485,534	478,819	485,624	472,099	472,697
16	Total net cash outflows	345,520	334,220	337,600	303,470	309,495
17	LCR (%) ¹	141%	144%	145%	156%	154%
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	1,344,192	1,357,494	1,397,714	1,374,773	1,371,478
19	Total required stable funding	1,097,552	1,087,992	1,118,151	1,111,539	1,102,249
20	NSFR (%)	122%	125%	125%	124%	124%
Applicable to category 2A institution only:						
20a	CFR (%)	NA	NA	NA	NA	NA

¹ 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 2022 HK\$'M	(b) At 31 March 2022 HK\$'M	(c) At 31 December 2021 HK\$'M	(d) At 30 September 2021 HK\$'M	(e) At 30 June 2021 HK\$'M	
Of the material entity at LAC consolidation group level						
1	Internal loss-absorbing capacity available	195,899	198,142	194,699	203,993	202,944
2	Risk-weighted amount under the LAC Rules ¹	870,416	895,334	894,160	976,793	974,962
3	Internal LAC risk-weighted ratio	22.5%	22.1%	21.8%	20.9%	20.8%
4	Exposure measure under the LAC Rules ¹	2,623,852	2,675,328	2,685,208	2,686,851	2,658,272
5	Internal LAC leverage ratio	7.5%	7.4%	7.3%	7.6%	7.6%
6a	Does the subordination exemption in the antepenultimate paragraph of Section 11 of the FSB TLAC Term Sheet apply? ²	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? ²	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 ²	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable

¹ Decrease in risk-weighted amount and exposure measure under the LAC Rules were in line with the decrease in RWA and Leverage exposures

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

2. Key prudential ratios and metrics (continued)

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

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

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

	At 30 June 2022 US\$'M	At 31 March 2022 US\$'M	At 31 December 2021 US\$'M	At 30 September 2021 US\$'M	At 30 June 2021 US\$'M	
Of the non-HK resolution entity at resolution group level						
1	External loss-absorbing capacity available	79,150	81,151	85,860	85,833	88,844
2	Total risk-weighted amount under the relevant non-HK LAC regime	255,082	260,833	271,233	267,555	280,227
3	External loss-absorbing capacity as a percentage of risk-weighted amount	31.0%	31.1%	31.7%	32.1%	31.7%
4	Leverage ratio exposure measure under the relevant non-HK LAC regime	894,134	935,827	911,140	890,419	866,832
5	External loss-absorbing capacity as a percentage of leverage ratio exposure measure	8.9%	8.7%	9.4%	9.6%	10.2%
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 breakdowns of RWAs for various risks.

	(a)	(b)	(c)
	Consolidated RWA ¹	Consolidated RWA ¹	Minimum capital requirements ²
	At 30 June 2022 HK\$'M	At 31 March 2022 HK\$'M	At 30 June 2022 HK\$'M
1 Credit risk for non-securitization exposures	606,471	628,675	51,184
2 Of which STC approach	50,976	50,111	4,078
2a Of which BSC approach	-	-	-
3 Of which foundation IRB approach	-	-	-
4 Of which supervisory slotting criteria approach	24,274	23,858	2,058
5 Of which advanced IRB approach	531,221	554,706	45,048
6 Counterparty default risk and default fund contributions	49,586	44,944	4,202
7 Of which SA-CCR	44,204	41,437	3,746
7a Of which CEM	-	-	-
8 Of which IMM(CCR) approach	-	-	-
9 Of which others	5,382	3,507	456
10 CVA risk	26,057	19,262	2,085
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	926	773	78
16 Securitization exposures in banking book	8,548	7,227	684
17 Of which SEC-IRBA	1,007	-	80
18 Of which SEC-ERBA (including IAA)	7,446	7,227	596
19 Of which SEC-SA	95	-	8
19a Of which SEC-FBA	-	-	-
20 Market risk	43,429	57,465	3,475
21 Of which STM approach	19,020	34,462	1,522
22 Of which IMM approach	24,409	23,003	1,953
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	84,397	83,834	6,752
24a Sovereign concentration risk	930	2,014	74
25 Amounts below the thresholds for deduction (subject to 250% RW)	13,779	13,757	1,102
26 Capital floor adjustment	-	-	-
26a Deduction to RWA	25	23	2
26b Of which portion of regulatory reserve for general banking risks and collective provisions which is not included in Tier 2 Capital	-	-	-
26c Of which portion of cumulative fair value gains arising from the revaluation of land and buildings which is not included in Tier 2 Capital	25	23	2
27 Total	834,098	857,928	69,634

* 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.

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 2022		(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	86,337	(22)
3	Disclosed reserves	2,625	(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)	185	(25)
6	CET1 capital before regulatory adjustments	154,172	
CET1 capital: regulatory deductions			
7	Valuation adjustments	1,589	
8	Goodwill (net of associated deferred tax liabilities)	5,825	(4)
9	Other intangible assets (net of associated deferred tax liabilities)	3,898	(5)+(6)
10	Deferred tax assets (net of associated deferred tax liabilities)	2,009	(8)
11	Cash flow hedge reserve	(408)	(14)
12	Excess of total EL amount over total eligible provisions under the IRB approach	214	
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	317	(10)
15	Defined benefit pension fund net assets (net of associated deferred tax liabilities)	199	(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 2022		(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>
21	Deferred tax assets arising from temporary differences (net of associated deferred tax liabilities)	–	Not applicable
22	Amount exceeding the 15% threshold	–	Not applicable
23	of which: significant investments in the ordinary share of financial sector entities	–	Not applicable
24	of which: mortgage servicing rights	–	Not applicable
25	of which: deferred tax assets arising from temporary differences	–	Not applicable
26	National specific regulatory adjustments applied to CET1 capital	2,337	–
26a	Cumulative fair value gains arising from the revaluation of land and buildings (own-use and investment properties)	46	(23)
26b	Regulatory reserve for general banking risks	2,291	(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	15,980	
29	CET1 capital	138,192	
AT1 capital: instruments			
30	Qualifying AT1 capital instruments plus any related share premium	18,690	(13)
31	of which: classified as equity under applicable accounting standards	18,690	–
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)	5	(26)
35	<i>of which: AT1 capital instruments issued by subsidiaries subject to phase-out arrangements</i>	–	
36	AT1 capital before regulatory deductions	18,695	
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)

At 30 June 2022		(a)	(b)
		HK\$'M	<i>Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation in note 4b (CC2)</i>
40	Significant LAC investments in AT1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	-	
41	National specific regulatory adjustments applied to AT1 capital	-	
42	Regulatory deductions applied to AT1 capital due to insufficient Tier 2 capital to cover deductions	-	
43	Total regulatory deductions to AT1 capital	-	
44	AT1 capital	18,695	
45	Tier 1 capital (T1 = CET1 + AT1)	156,887	
Tier 2 capital: instruments and provisions			
46	Qualifying Tier 2 capital instruments plus any related share premium	12,991	(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)	6	(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	678	(29)+(30)
51	Tier 2 capital before regulatory deductions	13,675	
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)	-	0
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	(20)	(23)x45%

4 Composition of regulatory capital (continued)

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

	(a)	(b)
		<i>Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation in note 4b (CC2)</i>
At 30 June 2022	HK\$'M	
56a Add back of cumulative fair value gains arising from the revaluation of land and buildings (own-use and investment properties) eligible for inclusion in Tier 2 capital	(20)	(23)x45%
57 Total regulatory adjustments to Tier 2 capital	(20)	
58 Tier 2 capital (T2)	13,695	
59 Total regulatory capital (TC = T1 + T2)	170,582	
60 Total RWA	870,416	
Capital ratios (as a percentage of RWA)		
61 CET1 capital ratio¹	15.88%	
62 Tier 1 capital ratio¹	18.02%	
63 Total capital ratio¹	19.60%	
64 Institution-specific buffer requirement (capital conservation buffer plus countercyclical capital buffer plus higher loss absorbency requirements)	4.47%	
65 of which: capital conservation buffer requirement	2.50%	
66 of which: bank specific countercyclical capital buffer requirement	0.47%	
67 of which: G-SIB or D-SIB buffer requirement	1.50%	
68 CET1 (as a percentage of RWA) available after meeting minimum capital requirements	11.38%	
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	850	-
73 Significant LAC investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	5,511	(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)	672	(29)

¹ Increase in risk-based regulatory capital ratios were mainly contributed by the decrease in RWA from market risk and credit risk.

4 Composition of regulatory capital (continued)

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

		(a)	(b)
At 30 June 2022		HK\$'M	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation in note 4b (CC2)
77	Cap on inclusion of provisions in Tier 2 under the BSC approach, or the STC approach, and SEC-ERBA, SEC- SA and SEC-FBA	910	-
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)	6	(30)
79	Cap for inclusion of provisions in Tier 2 under the IRB approach and SEC-IRBA	3,851	-
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2018 to 1 Jan 2022)			
80	Current cap on CET1 capital instruments subject to phase-out arrangements	Not applicable	Not applicable
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	Not applicable	Not applicable
82	Current cap on AT1 capital instruments subject to phase-out arrangements	-	-
83	Amount excluded from AT1 capital due to cap (excess over cap after redemptions and maturities)	-	-
84	Current cap on Tier 2 capital instruments subject to phase-out arrangements	-	-
85	Amount excluded from Tier 2 capital due to cap (excess over cap after redemptions and maturities)	-	-

Notes to the Template:

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

Description	At 30 June 2022	
	Hong Kong basis HK\$'M	Basel III basis HK\$'M
9 Other intangible assets (net of associated deferred tax liabilities)	3,898	3,898

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 2022	
	Hong Kong basis HK\$'M	Basel III basis HK\$'M
10 Deferred tax assets (net of associated deferred tax liabilities)	2,009	171

Explanation

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

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

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

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

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

4 Composition of regulatory capital (continued)

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

Description	At 30 June 2022	
	Hong Kong basis HK\$'M	Basel III basis HK\$'M
39 Insignificant LAC investments in AT1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	–	–

Explanation

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

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

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

Remarks:

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

Abbreviations:

CET1: Common Equity Tier 1
AT1: Additional Tier 1

Note:

Cross-references (1) to (27) are referenced to 'Reconciliation of regulatory capital to balance sheet (CC2)
Cross-references (28) to (30) are referenced within the 'Composition of regulatory capital (CC1)'.
'

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) Consolidated balance sheet as in published financial statements (At 30 June 2022) HK\$'M	(b) Under regulatory scope of consolidation (At 30 June 2022) HK\$'M	(c) Cross reference to note 4a (CC1)
Assets			
Cash and balances at central banks	87,472	87,472	–
Loans and advances to banks	75,722	75,672	–
Hong Kong SAR Government certificates of indebtedness	56,751	56,751	–
Financial assets at fair value through profit or loss	239,877	239,877	–
Investment securities	456,900	456,900	–
Loans and advances to customers	1,146,631	1,146,631	–
Amounts due from fellow subsidiaries	239,362	239,359	–
Amounts due from immediate holding company	411	411	–
Amounts due from subsidiaries of the Bank	–	111	–
of which: significant capital investments in financial sector entities that are outside the scope of regulatory consolidation	–	–	(1)
Investment in subsidiaries of the Bank	–	2,343	–
of which: significant capital investments in financial sector entities that are outside the scope of regulatory consolidation	–	2,343	(2)
Interest in an associate	14,778	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	35,706	35,651	–
Goodwill and intangible assets	10,516	10,493	–
of which: goodwill	–	5,825	(4)
of which: other intangible assets	–	4,668	(5)
Current tax assets	689	689	–
Deferred tax assets	1,213	1,203	–
of which: deferred tax liabilities relating to intangible assets	–	(770)	(6)
of which: deferred tax liabilities related to defined benefit pension fund net assets	–	(36)	(7)
of which: other deferred tax assets	–	2,009	(8)
Other assets	85,977	85,950	–
of which: defined benefit pension fund net assets	–	235	(9)
	2,452,005	2,442,681	–

4 Composition of regulatory capital (continued)

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

	(a) Consolidated balance sheet as in published financial statements (At 30 June 2022) HK\$'M	(b) Under regulatory scope of consolidation (At 30 June 2022) HK\$'M	(c) Cross reference to note 4a (CC1)
Liabilities			
Hong Kong SAR currency notes in circulation	56,751	56,751	–
Deposits by banks	52,634	52,634	–
Customer accounts	1,693,671	1,693,671	–
Financial liabilities at fair value through profit or loss	160,206	160,206	–
of which: gains or losses due to changes in own credit risk	–	(317)	(10)
Debt securities in issue	35,963	35,963	–
Amounts due to immediate holding company	43,491	43,491	–
of which: subordinated liabilities eligible for inclusion in regulatory capital	–	12,991	(11)
Amounts due to fellow subsidiaries	123,800	118,521	–
Amounts due to subsidiaries of the Bank	–	7,236	–
Current tax liabilities	636	633	–
Deferred tax liabilities	1,115	1,115	–
Other liabilities	99,328	99,298	–
Subordinated liabilities	–	–	–
of which: subordinated liabilities eligible for inclusion in regulatory capital (subject to phase out arrangements)	–	–	–
	2,267,595	2,269,519	
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	18,690	18,690	–
of which: amount eligible for AT1	–	18,690	(13)
Reserves	100,210	88,962	–
of which: Cumulative cash flow hedge reserve that relate to the hedging of financial instruments that are not fair valued on the balance sheet	–	(408)	(14)
of which: Cumulative cash flow hedge reserve that relate to the hedging of financial instruments that are fair valued on the balance sheet	–	(142)	(15)
of which: FVOCI reserve – Equity	–	277	(16)
of which: FVOCI reserve – Debt	–	(1,534)	(17)
of which: Exchange reserve	–	(9,162)	(18)
of which: Share option equity reserve	–	563	(19)
of which: Own credit adjustment reserve	–	317	(20)
of which: Other reserves	–	12,714	(21)
of which: Retained profits	–	86,337	(22)
of which: Cumulative fair value gains arising from the revaluation of land and buildings (audited)	–	46	(23)
of which: Regulatory reserve for general banking risks	–	2,291	(24)
Non-controlling interests	485	485	–
of which: portion allowable in CET1 capital	–	185	(25)
of which: portion allowable in AT1 capital	–	5	(26)
of which: portion allowable in T2 capital	–	6	(27)
Total equity	184,410	173,162	
Total liabilities and equity	2,452,005	2,442,681	

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 2022		
	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
US\$900 million 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
US\$250 million Floating rate Undated Additional Tier 1 Capital Securities	US\$250m	1,957	1,957
Tier 2 capital instruments			
Floating rate Tier 2 Notes due 2029, callable from 2024	US\$450m	3,530	3,530
Floating rate Tier 2 Notes due 2031, callable from 2025	US\$250m	1,961	1,961
Fixed rate (1.20%) Tier 2 Notes due 2031, callable from 2026	EUR1,000m	7,500	7,500
(ii) Only LAC (but not regulatory capital) requirements			
Non-capital LAC Debt Instruments			
US\$600 million 1.319 per cent Notes due 2023	US\$600m	Nil	4,707
US\$1,500 million 1.456 per cent Notes due 2027	US\$1,500m	Nil	11,435
US\$1,250 million 2.608 per cent Notes due 2028	US\$1,250m	Nil	9,175

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

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)**

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

Footnote:

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

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

³ Include solo-consolidated

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 <i>Coupons / dividends</i>	Each dividend payment date after the First Call Date
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)

US\$900 million Floating Rate Undated Additional Tier 1 Capital Securities

1	Issuer	Standard Chartered Bank (Hong Kong) Limited
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	N/A
3	Governing law(s) of the instrument	Hong Kong Law
3a	Means by which enforceability requirement of Section 13 of the TLAC Term Sheet is achieved (for non-capital LAC debt instruments governed by non-Hong Kong law)	N/A
<i>Regulatory treatment</i>		
4	Transitional Basel III rules ¹	N/A
5	Post-transitional Basel III rules ²	Additional Tier 1
6	Eligible at solo ³ /group/group & solo	Group & solo
6a	Eligible at solo / LAC consolidation group / solo and LAC consolidation group (for LAC purposes)	Solo and LAC consolidation group
7	Instrument type (types to be specified by each jurisdiction)	Perpetual debt instrument
8	Amount recognised in regulatory capital (Currency in million, as of most recent reporting date)	HKD 7,031 Million
8a	Amount recognised in loss-absorbing capacity (currency in millions, as of most recent reporting date)	HKD 7,031 Million
9	Par value of instrument	Issue price at 100 per cent of the Aggregate Nominal Amount of USD900 Million
10	Accounting classification	Shareholders' equity
11	Original date of issuance	24 June 2019
12	Perpetual or dated	Perpetual
13	Original maturity date	Undated
14	Issuer call subject to prior supervisory approval	Yes
15	Optional call date, contingent call dates and redemption amount	Optional Call Date: 12 April 2026 Early redemption for taxation reasons, due to Regulatory Capital Event or due to Loss Absorption Disqualification Event or on event of default US\$ 1,000 per Calculation amount
16	Subsequent call dates, if applicable <i>Coupons / dividends</i>	Each dividend payment date
17	Fixed or floating dividend/coupon	Floating
18	Coupon rate and any related index	3-month USD LIBOR + 4.48 per cent per annum
19	Existence of a dividend stopper	Yes
20	Fully discretionary, partially discretionary or mandatory	Full discretionary
21	Existence of step up or other incentive to redeem	No
22	Noncumulative or cumulative	Non-cumulative
23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion trigger (s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, specify instrument type convertible into	N/A

Footnote:

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

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

³ Include solo-consolidated

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\$900 million 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)****US\$900 million 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)	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)****US\$1,000 million Fixed Rate Undated Additional Tier 1 Capital Securities (continued)**

32	If write-down, full or partial	Full or Partial
33	If write-down, permanent or temporary	Permanent
34	If temporary write-down, description of write-up mechanism	N/A
34a	Type of subordination	Contractual
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	The Dated Subordinated Notes are immediately senior to Capital Securities
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	N/A

Footnote:

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

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

³ Include solo-consolidated

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\$250 million 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)	HKD1,957 Million
8a	Amount recognised in loss-absorbing capacity (currency in millions, as of most recent reporting date)	HKD1,957 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	31 March 2022
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: 30 Jun 2031 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 dividend payment date
17	Fixed or floating dividend/coupon	Floating
18	Coupon rate and any related index	SOFR+ 4.2 per cent per annum payable quarterly in arrears
19	Existence of a dividend stopper	Yes
20	Fully discretionary, partially discretionary or mandatory	Full discretionary
21	Existence of step up or other incentive to redeem	No
22	Noncumulative or cumulative	Non-cumulative
23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion trigger (s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A

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\$250 million Floating 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:

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\$250 million 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)

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 3,530 Million
8a	Amount recognised in loss-absorbing capacity (currency in millions, as of most recent reporting date)	HKD 3,530 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:

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 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>

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

32	If write-down, full or partial	Full or Partial
33	If write-down, permanent or temporary	Permanent
34	If temporary write-down, description of write-up mechanism	N/A
34a	Type of subordination	Contractual
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Loss Absorbing Non-Preferred Notes or any instrument ranking pari passu to Loss Absorbing Non-Preferred Notes are immediately senior to the Dated Subordinated Notes
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	N/A

Footnote:

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

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

³ Include solo-consolidated

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 1,961 Million
8a	Amount recognised in loss-absorbing capacity (currency in millions, as of most recent reporting date)	HKD 1,961 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

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 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>

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

32	If write-down, full or partial	Full or Partial
33	If write-down, permanent or temporary	Permanent
34	If temporary write-down, description of write-up mechanism	N/A
34a	Type of subordination	Contractual
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Loss Absorbing Non-Preferred Notes or any instrument ranking pari passu to Loss Absorbing Non-Preferred Notes are immediately senior to the Dated Subordinated Notes
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	N/A

Footnote:

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

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

³ Include solo-consolidated

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)	HKD7,500 Million
8a	Amount recognised in loss-absorbing capacity (currency in millions, as of most recent reporting date)	HKD7,500 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 <i>Coupons / dividends</i>	Each interest payment date
17	Fixed or floating dividend/coupon	Fixed
18	Coupon rate and any related index	1.2 per cent per annum
19	Existence of a dividend stopper	No
20	Fully discretionary, partially discretionary or mandatory	Mandatory
21	Existence of step up or other incentive to redeem	No
22	Noncumulative or cumulative	Cumulative
23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion trigger (s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A

Footnote:

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

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

³ Include solo-consolidated

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)

28	If convertible, specify instrument type convertible into	N/A
29	If convertible, specify issuer of instrument it converts into	N/A
30	Write-down feature	Yes
31	If write-down, write-down trigger(s)	Upon a Loss Absorption Event or Non-Viability Event.

“Loss Absorption Event” means:

(i) the Relevant Hong Kong Resolution Authority notifying the Issuer in writing that the Relevant Hong Kong Resolution Authority is satisfied that the Issuer has ceased, or is likely to cease, to be viable and there is no reasonable prospect that private sector action (outside of resolution) would result in it again becoming viable within a reasonable period (in both cases, without taking into account the write-down or conversion into ordinary shares on any LAC debt instruments); and

(ii) for Notes issued directly to a group company in a non-Hong Kong jurisdiction, as specified in the applicable Final Terms, the Relevant Hong Kong Resolution Authority notifying the Issuer in writing that:

(A) the Relevant Hong Kong Resolution Authority has notified the Home Authority of the Relevant Hong Kong Resolution Authority’s intention to notify the issuer under paragraph (i) above; and

(B) the Home Authority (x) has consented to the write-down or conversion of the relevant Securities issued by the Issuer or (y) has not, within 24 hours after receiving notice under subparagraph (ii)(A) above, objected to the write-down or conversion of the relevant Securities issued by the Issuer;

“Non-Viability Event” means the earlier of:

(a) the Monetary Authority notifying the Bank in writing that the Monetary Authority is of the opinion that a write-off or conversion is necessary, without which the Bank would become non-viable; and

(b) the Monetary Authority notifying the Issuer in writing that a decision has been made by the government body, a government officer or other relevant regulatory body with the authority to make such a decision, that a public sector injection of capital or equivalent support is necessary, without which the Issuer would become non-viable

Footnote:

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

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

³ Include solo-consolidated

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 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 4,707 Million
9	Par value of instrument	Issue price at 100 per cent of the Aggregate Nominal Amount of USD600 Million
10	Accounting classification	Liability – amortised cost
11	Original date of issuance	21 October 2020
12	Perpetual or dated	Dated
13	Original maturity date	14 October 2023
14	Issuer call subject to prior supervisory approval	Yes
15	Optional call date, contingent call dates and redemption amount	Optional call date: 14 October 2022 Early redemption amount(s) per calculation amount payable on redemption for taxation reasons, due to Regulatory Capital Event or due to Loss Absorption Disqualification Event or on event of default US\$ 1,000 per Calculation amount
16	Subsequent call dates, if applicable <i>Coupons / dividends</i>	Each interest payment date
17	Fixed or floating dividend/coupon	Fixed
18	Coupon rate and any related index	1.319 per cent per annum
19	Existence of a dividend stopper	No
20	Fully discretionary, partially discretionary or mandatory	Mandatory
21	Existence of step up or other incentive to redeem	No
22	Noncumulative or cumulative	Cumulative
23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion trigger (s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A

Footnote:

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

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

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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 11,435 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 <i>Coupons / dividends</i>	Each interest payment date
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

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

1	Issuer	Standard Chartered Bank (Hong Kong) Limited
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	N/A
3	Governing law(s) of the instrument	Hong Kong Law
3a	Means by which enforceability requirement of Section 13 of the TLAC Term Sheet is achieved (for non-capital LAC debt instruments governed by non-Hong Kong law)	N/A
<i>Regulatory treatment</i>		
4	Transitional Basel III rules ¹	N/A
5	Post-transitional Basel III rules ²	Ineligible
6	Eligible at solo ³ /group/group & solo	Ineligible
6a	Eligible at solo / LAC consolidation group / solo and LAC consolidation group (for LAC purposes)	Solo and LAC consolidation group
7	Instrument type (types to be specified by each jurisdiction)	Non-capital LAC debt instrument
8	Amount recognised in regulatory capital (Currency in million, as of most recent reporting date)	N/A
8a	Amount recognised in loss-absorbing capacity (currency in millions, as of most recent reporting date)	HKD 9,175 Million
9	Par value of instrument	Issue price at 100 per cent of the Aggregate Nominal Amount of USD1,250 Million
10	Accounting classification	Liability – amortised cost
11	Original date of issuance	19 January 2022
12	Perpetual or dated	Dated
13	Original maturity date	12 January 2028
14	Issuer call subject to prior supervisory approval	Yes
15	Optional call date, contingent call dates and redemption amount	Optional call date: 12 January 2027 Early redemption amount(s) per calculation amount payable on redemption for taxation reasons, due to Regulatory Capital Event or due to Loss Absorption Disqualification Event or on event of default US\$ 1,000 per Calculation amount
16	Subsequent call dates, if applicable <i>Coupons / dividends</i>	Each interest payment date
17	Fixed or floating dividend/coupon	Fixed
18	Coupon rate and any related index	2.608 per cent per annum
19	Existence of a dividend stopper	No
20	Fully discretionary, partially discretionary or mandatory	Mandatory
21	Existence of step up or other incentive to redeem	No
22	Noncumulative or cumulative	Cumulative
23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion trigger (s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A

Footnote:

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

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

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

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

Footnote:

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

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

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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	138,192
2	Additional Tier 1 ("AT1") capital before LAC adjustments	18,695
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	18,695
6	Tier 2 ("T2") capital before LAC adjustments	13,695
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	13,695
11	Internal loss-absorbing capacity arising from regulatory capital	170,582
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	25,317
17	Internal loss-absorbing capacity arising from non-capital LAC debt instruments before adjustments	25,317
Non-regulatory capital elements of internal loss-absorbing capacity: adjustments		
18	Internal loss-absorbing capacity before deductions	195,899
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	195,899

4 Composition of regulatory capital (continued)

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

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

		(a) HK\$'M
Risk-weighted amount and exposure measure under the LAC Rules for internal loss-absorbing capacity purposes		
23	Risk-weighted amount under the LAC Rules	870,416
24	Exposure measure under the LAC Rules	2,623,852
Internal LAC ratios and buffers		
25	Internal LAC risk-weighted ratio	22.5%
26	Internal LAC leverage ratio	7.5%
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	8.6%
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)	4.5%
29	Of which: capital conservation buffer requirement	2.5%
30	Of which: institution-specific countercyclical capital buffer requirement	0.5%
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 (most junior)	2	3	4 (most senior)	
1	Is a resolution entity or a non-HK resolution entity the creditor/investor? (yes or no)	Yes	Yes	Yes	Yes	
2	Description of creditor ranking (free text)	CET1 capital instruments ¹	AT1 capital instruments	Tier 2 capital instruments	Non capital LAC debt instruments	
3	Total capital and liabilities net of credit risk mitigation	65,025	18,690	12,991	25,317	122,023
4	Subset of row 3 that are excluded liabilities	-	-	-	-	-
5	Total capital and liabilities less excluded liabilities	65,025	18,690	12,991	25,317	122,023
6	Subset of row 5 that are eligible as internal loss-absorbing capacity	65,025	18,690	12,991	25,317	122,023
7	Subset of row 6 with 1 year ≤ residual maturity < 2 years	-	-	-	4,707	4,707
8	Subset of row 6 with 2 years ≤ residual maturity < 5 years	-	-	-	11,435	11,435
9	Subset of row 6 with 5 years ≤ residual maturity < 10 years	-	-	12,991	9,175	22,166
10	Subset of row 6 with residual maturity ≥ 10 years, but excluding perpetual securities	-	-	-	-	-
11	Subset of row 6 that is perpetual securities	65,025	18,690	-	-	83,715

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

5 Macprudential 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 2022

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%	290,361		
2	Luxembourg	0.500%	6,395		
3	Norway	1.000%	483		
4	Sum ¹		297,239		
5	Total²		628,227	0.468%	4,074

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 asset 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 2022		(a) Value under the Leverage Ratio framework (HK\$'M)
1	Total consolidated assets as per published financial statements	2,452,005
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	(9,324)
2a	Adjustment for securitised exposures that meet the operational requirements for the recognition of risk transference	-
3	Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting standard but excluded from the leverage ratio exposure measure	-
3a	Adjustments for eligible cash pooling transactions	-
4	Adjustments for derivative contracts	3,104
5	Adjustment for securities financing transactions (i.e. repos and similar secured lending)	60,355
6	Adjustment for off-balance sheet ("OBS") items (i.e. conversion to credit equivalent amounts of OBS exposures)	198,426
6a	Adjustment for prudent valuation adjustments and specific and collective provisions that are allowed to be excluded from exposure measure	(10,182)
7	Other adjustments	(70,532)
8	Leverage ratio exposure measure	2,623,852

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)	(b)	
	At 30 June 2022 HK\$'M	At 31 March 2022 HK\$'M	
On-balance sheet exposures			
1	On-balance sheet items (excluding derivatives and SFTs, but including collateral)	2,059,736	2,084,880
2	Less: Asset amounts deducted in determining Basel III Tier 1 capital	(15,663)	(16,213)
3	Total on-balance sheet exposures (excluding derivatives and SFTs)¹	2,044,073	2,068,667
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)	58,542	39,530
5	Add-on amounts for PFE associated with all derivatives contracts	98,685	96,070
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	(8,039)	(7,129)
8	Less: Exempted CCP leg of client-cleared trade exposures	-	-
9	Adjusted effective notional amount of written credit-related derivative contracts	3,243	8,936
10	Less: Adjusted effective notional offsets and add-on deductions for written credit-related derivative contracts	(2,070)	(7,965)
11	Total exposures arising from derivative contract	150,361	129,442
Exposure arising from SFTs			
12	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	185,533	200,968
13	Less: Netted amounts of cash payables and cash receivables of gross SFT assets	-	-
14	CCR exposure for SFT assets	54,052	77,305
15	Agent transaction exposures	-	-
16	Total exposures arising from SFTs	239,585	278,273
Other off-balance sheet exposures			
17	Off-balance sheet exposure at gross notional amount	1,023,437	1,034,600
18	Less: Adjustments for conversion to credit equivalent amounts	(825,011)	(827,911)
19	Off-balance sheet items	198,426	206,689
Capital and total exposures			
20	Tier 1 capital	156,887	157,122
20a	Total exposures before adjustments for specific and collective provisions	2,632,445	2,683,071
20b	Adjustments for specific and collective provisions	(8,593)	(7,743)
21	Total exposures after adjustments for specific and collective provisions	2,623,852	2,675,328
Leverage ratio			
22	Leverage ratio	5.98%	5.87%

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 2022 and 30 June 2022 are 73 and 71.

		Q2 2022 Currency: (HK\$mil)		Q1 2022 Currency: (HK\$mil)	
		UNWEIGHTED AMOUNT (Average Value)	WEIGHTED AMOUNT (Average Value)	UNWEIGHTED AMOUNT (Average Value)	WEIGHTED AMOUNT (Average Value)
Basis of disclosure: Consolidated					
A. HIGH QUALITY LIQUID ASSETS					
1	Total high quality liquid assets (HQLA)		485,534		478,819
B. CASH OUTFLOWS					
2	Retail deposits and small business funding, of which:	756,226	61,607	774,218	62,805
3	Stable retail deposits and stable small business funding	236,885	11,845	250,696	12,534
4	Less stable retail deposits and less stable small business funding	475,914	47,591	481,890	48,189
4a	Retail term deposits and small business term funding	43,427	2,171	41,632	2,082
5	Unsecured wholesale funding (other than small business funding) and debt securities and prescribed instruments issued by the institution, of which:	935,677	402,750	972,626	406,160
6	Operational deposits	463,639	115,221	489,015	121,554
7	Unsecured wholesale funding (other than small business funding) not covered in Row 6	468,457	283,948	481,320	282,315
8	Debt securities and prescribed instruments issued by the institution and redeemable within the LCR period	3,581	3,581	2,291	2,291
9	Secured funding transactions (including securities swap transactions)		6,554		4,254
10	Additional requirements, of which:	368,327	59,081	371,150	62,170
11	Cash outflows arising from derivative contracts and other transactions, and additional liquidity needs arising from related collateral requirements	22,027	22,027	24,274	24,274
12	Cash outflows arising from obligations under structured financing transactions and repayment of funding obtained from such transactions	399	399	1,370	1,370
13	Potential drawdown of undrawn committed facilities (including committed credit facilities and committed liquidity facilities)	345,901	36,655	345,506	36,526
14	Contractual lending obligations (not otherwise covered in Section B) and other contractual cash outflows	39,039	39,039	44,124	44,123
15	Other contingent funding obligations (whether contractual or non-contractual)	651,877	2,444	644,635	2,377
16	TOTAL CASH OUTFLOWS		571,475		581,889
C. CASH INFLOWS					
17	Secured lending transactions (including securities swap transactions)	121,153	5,870	104,613	6,340
18	Secured and unsecured loans (other than secured lending transactions covered in Row 17) and operational deposits placed at other financial institutions	270,760	156,210	290,851	169,857
19	Other cash inflows	72,294	63,875	78,304	71,472
20	TOTAL CASH INFLOWS	464,207	225,955	473,768	247,669
D. LIQUIDITY COVERAGE RATIO					
21	TOTAL HQLA		485,534		478,819
22	TOTAL NET CASH OUTFLOWS		345,520		334,220
23	LCR (%)		141%		144%

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 well above the regulatory requirement of 100% throughout Q2 of 2022. The average LCR was 141% for the quarter ending 30 June 2022 (vs. 144% for the quarter ending 31 March 2022).

Composition of High Quality Liquid Asset ("HQLA")

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

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

Concentration of Funding Sources

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

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

Derivatives Exposure

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

Currency Mismatch on LCR

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

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

Liquidity management

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

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

7 Liquidity (continued)

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 30 June 2022

		(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:	174,805	4,707	–	46,541	221,345
2	Regulatory capital	174,805	–	–	12,991	187,795
2a	Minority interests not covered by row 2	–	–	–	–	–
3	Other capital instruments	–	4,707	–	33,550	33,550
4	Retail deposits and small business funding:	–	740,006	21,268	4,287	700,510
5	Stable deposits		219,323	2,165	331	210,745
6	Less stable deposits		520,683	19,103	3,956	489,765
7	Wholesale funding:		1,036,962	24,576	14,456	390,572
8	Operational deposits		418,504	–	–	209,252
9	Other wholesale funding	–	618,458	24,576	14,456	181,320
10	Liabilities with matching interdependent assets	56,795	–	–	–	–
11	Other liabilities:	93,407	32,798	9,937	26,796	31,765
12	Net derivative liabilities	–				
13	All other funding and liabilities not included in the above categories	93,407	32,798	9,937	26,796	31,765
14	Total ASF					1,344,192
B. Required stable funding (“RSF”) item						
15	Total HQLA for NSFR purposes				558,050	45,997
16	Deposits held at other financial institutions for operational purposes	–	13,549	–	–	6,775
17	Performing loans and securities:	67,204	552,645	128,593	774,400	927,352
18	Performing loans to financial institutions secured by Level 1 HQLA	–	72,032	–	–	7,203
19	Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	24,095	117,887	18,649	67,408	118,510
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:	43,109	307,672	67,488	133,210	458,349
21	With a risk-weight of less than or equal to 35% under the STC approach	–	–	–	10,748	10,748
22	Performing residential mortgages, of which:	–	16,937	14,465	502,210	249,400
23	With a risk-weight of less than or equal to 35% under the STC approach	–	11,298	6,955	369,468	249,281

7 Liquidity (continued)

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

Table 1: LIQ2 for Quarter ending 30 June 2022 (continued)

		(a)	(b)	(c)	(d)	(e)
		Unweighted value by residual maturity				Weighted amount
		No specified term to maturity	<6 months or repayable on demand	6 months to < 12 months	12 months or more	
Basis of disclosure: consolidated Currency: (HK\$mil)						
24	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	–	38,117	27,991	71,572	93,890
25	Assets with matching interdependent liabilities	56,795	–	–	–	–
26	Other assets:	147,677	38,663	–	83	100,362
27	Physical traded commodities, including gold	678				577
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs	4,823				4,659
29	Net derivative assets	8,585				8,585
30	Total derivative liabilities before adjustments for deduction of variation margin posted	49,888				2,494
31	All other assets not included in the above categories	83,703	38,663	–	83	84,047
32	Off-balance sheet items				976,623	17,066
33	Total RSF					1,097,552
34	Net Stable Funding Ratio (%)					122%

Table 2: LIQ2 for Quarter ending 31 March 2022

		(a)	(b)	(c)	(d)	(e)
		Unweighted value by residual maturity				Weighted amount
		No specified term to maturity	<6 months or repayable on demand	6 months to < 12 months	12 months or more	
Basis of disclosure: consolidated Currency: (HK\$mil)						
A. Available stable funding (“ASF”) item						
1	Capital:	175,464	1,081	4,697	45,403	223,216
2	Regulatory capital	175,464	–	–	13,708	189,172
2a	Minority interests not covered by row 2	–	–	–	–	–
3	Other capital instruments	–	1,081	4,697	31,695	34,044
4	Retail deposits and small business funding:	–	757,798	10,158	991	703,739
5	Stable deposits		229,348	2,438	292	220,488
6	Less stable deposits		528,450	7,720	699	483,251
7	Wholesale funding:		1,058,912	22,971	14,779	400,619
8	Operational deposits		445,703	–	–	222,851
9	Other wholesale funding	–	613,209	22,971	14,779	177,768
10	Liabilities with matching interdependent assets	57,461		–	–	–
11	Other liabilities:	96,061	43,839	3,657	28,092	29,920
12	Net derivative liabilities	627				
13	All other funding and liabilities not included in the above categories	95,434	43,839	3,657	28,092	29,920
14	Total ASF					1,357,494

7 Liquidity (continued)

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

Table 2: LIQ2 for Quarter ending 31 March 2022 (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)						
B. Required stable funding (“RSF”) item						
15	Total HQLA for NSFR purposes				626,346	55,974
16	Deposits held at other financial institutions for operational purposes	–	7,523	–	–	3,762
17	Performing loans and securities:	58,709	548,477	124,851	775,827	920,019
18	Performing loans to financial institutions secured by Level 1 HQLA	–	57,943	–	–	5,794
19	Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	20,450	115,225	15,932	57,782	103,482
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:	38,259	320,742	71,323	136,872	467,349
21	With a risk-weight of less than or equal to 35% under the STC approach	–	–	–	11,449	11,449
22	Performing residential mortgages, of which:	–	14,973	16,331	513,066	255,074
23	With a risk-weight of less than or equal to 35% under the STC approach	–	9,125	7,134	379,730	254,954
24	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	–	39,594	21,265	68,107	88,320
25	Assets with matching interdependent liabilities	57,461	–	–	–	–
26	Other assets:	128,517	30,284	–	84	89,837
27	Physical traded commodities, including gold	769				654
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs	3,836				3,684
29	Net derivative assets	–				–
30	Total derivative liabilities before adjustments for deduction of variation margin posted	40,918				2,046
31	All other assets not included in the above categories	82,994	30,284	–	84	83,453
32	Off-balance sheet items				989,503	18,400
33	Total RSF					1,087,992
34	Net Stable Funding Ratio (%)					125%

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 2022, and well above the regulatory requirement minimum of 100%. NSFR remained stable at 122% for the quarter ending 30 June 2022 (vs. 125% for the quarter ending 31 March 2022).

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 ¹ on STC approach exposures	Allocated in regulatory category of	Allocated in regulatory category of	Of which ECL accounting provisions for credit losses on IRB approach exposures	Net values (a+b-c)
At 30 June 2022	Defaulted Exposures HK\$'M	Non-defaulted Exposures HK\$'M	Allowances/ Impairments HK\$'M	specific provisions HK\$'M	collective provisions HK\$'M	provisions HK\$'M	exposures HK\$'M	HK\$'M
1 Loans	8,812	1,348,417	8,296	249	376	7,671	1,348,933	
2 Debt securities	-	421,675	26	-	-	26	421,649	
3 Off-balance sheet exposures	743	1,022,695	242	-	28	214	1,023,196	
4 Total²	9,555	2,792,787	8,564	249	404	7,911	2,793,778	

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 Decrease in total exposures was in line with the balance sheet movement 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 2021)	6,239
2 Loans and debt securities that have defaulted since the last reporting period	5,095
3 Returned to non-defaulted status	(48)
4 Amounts written off	(1,464)
5 Other changes ¹	(1,011)
6 Defaulted loans and debt securities at end of the current reporting period (30 June 2022)	8,812

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 2022	(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	701,349	647,584	561,975	39,425	–
2 Debt securities	406,857	14,792	8,451	–	–
3 Total	1,108,206	662,376	570,426	39,425	–
4 Of which defaulted	6,845	1,967	1,397	206	–

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 2022	(a) Exposures pre-CCF and pre-CRM		(b) Exposures post-CCF and post-CRM		(c) (d) RWA and RWA density	
	On-balance sheet amount HK\$'M	Off-balance sheet amount HK\$'M	On-balance sheet amount HK\$'M	Off-balance sheet amount HK\$'M	RWA HK\$'M	RWA density %
<i>Exposure classes</i>						
1 Sovereign exposures	2	17	209	–	–	0%
2 PSE exposures	207	–	1,177	1	236	20%
2a <i>Of which: domestic PSEs</i>	207	–	462	1	93	20%
2b <i>Of which: foreign PSEs</i>	–	–	715	–	143	20%
3 Multilateral development bank exposures	43,932	–	43,932	–	–	0%
4 Bank exposures	4,214	–	4,214	–	843	20%
5 Securities firm exposures	–	–	–	–	–	0%
6 Corporate exposures	34,107	5,506	24,915	662	21,659	85%
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	14,994	42,047	12,533	–	9,399	75%
11 Residential mortgage loans	18,406	73	18,406	15	7,044	38%
12 Other exposures which are not past due exposures	21,433	36,843	9,305	1,206	10,511	100%
13 Past due exposures	876	42	876	–	1,284	147%
14 Significant exposures to commercial entities	–	–	–	–	–	0%
15 Total	138,171	84,528	115,567	1,884	50,976	43%

Increase in total exposures was mainly driven by increase in multilateral development bank exposures, bank exposures and regulatory retail exposures; offset by decrease in corporate exposures.

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) Total credit risk exposures amount (post CCF and post CRM)
30 June 2022											
Risk Weight	0%	10%	20%	35%	50%	75%	100%	150%	250%	Others	
Exposure class	HK\$'M	HK\$'M	HK\$'M	HK\$'M	HK\$'M	HK\$'M	HK\$'M	HK\$'M	HK\$'M	HK\$'M	HK\$'M
1 Sovereign exposures	209	-	-	-	-	-	-	-	-	-	209
2 PSE exposures	-	-	1,178	-	-	-	-	-	-	-	1,178
2a Of which: domestic PSEs	-	-	463	-	-	-	-	-	-	-	463
2b Of which: foreign PSEs	-	-	715	-	-	-	-	-	-	-	715
3 Multilateral development bank exposures	43,932	-	-	-	-	-	-	-	-	-	43,932
4 Bank exposures	-	-	4,214	-	-	-	-	-	-	-	4,214
5 Securities firm exposures	-	-	-	-	-	-	-	-	-	-	-
6 Corporate exposures	-	-	2,823	-	3,319	-	19,435	-	-	-	25,577
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	-	-	-	-	-	12,533	-	-	-	-	12,533
11 Residential mortgage loans	-	-	-	17,087	-	1,080	254	-	-	-	18,421
12 Other exposures which are not past due exposures	-	-	-	-	-	-	10,511	-	-	-	10,511
13 Past due exposures	4	-	17	-	-	-	5	850	-	-	876
14 Significant exposures to commercial entities	-	-	-	-	-	-	-	-	-	-	-
15 Total	44,145	-	8,232	17,087	3,319	13,613	30,205	850	-	-	117,451

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 2022 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	403,292	5,175	27.8%	420,355	0.02%	60	45.8%	1.36	29,795	7%	41	
0.15 to < 0.25	–	–	0.0%	–	0.00%	–	0.0%	–	–	0%	–	
0.25 to < 0.50	–	–	0.0%	–	0.00%	–	0.0%	–	–	0%	–	
0.50 to < 0.75	785	–	0.0%	785	0.51%	1	58.9%	1.00	542	69%	2	
0.75 to < 2.50	1,516	–	0.0%	1,516	0.89%	1	45.0%	1.00	1,052	69%	6	
2.50 to < 10.00	568	473	0.0%	1	3.51%	2	45.0%	2.14	2	130%	–	
10.00 to < 100.00	–	–	0.0%	–	0.00%	–	0.0%	–	–	0%	–	
100.00 (Default)	–	–	0.0%	–	0.00%	–	0.0%	–	–	0%	–	
Sub-total	406,161	5,648	27.8%	422,657	0.03%	64	45.9%	1.36	31,391	7%	49	290
Portfolio (ii) – Bank												
0.00 to < 0.15	214,831	122,691	9.0%	232,410	0.04%	162	43.5%	1.18	30,805	13%	43	
0.15 to < 0.25	5,311	9,181	17.0%	6,890	0.22%	45	47.9%	0.82	2,470	36%	7	
0.25 to < 0.50	1,142	6,700	26.8%	2,902	0.39%	19	31.4%	0.88	1,101	38%	4	
0.50 to < 0.75	4,926	16,470	22.4%	7,895	0.55%	64	37.9%	1.07	4,119	52%	17	
0.75 to < 2.50	4,349	6,773	30.4%	4,496	1.17%	76	26.5%	0.68	2,352	52%	15	
2.50 to < 10.00	1,369	1,363	45.5%	1,856	3.00%	57	31.9%	1.14	1,506	81%	16	
10.00 to < 100.00	7	53	59.8%	30	15.59%	11	6.1%	0.23	10	32%	–	
100.00 (Default)	252	4	100.0%	239	100.00%	11	58.0%	0.79	534	223%	96	
Sub-total	232,187	163,235	12.7%	256,718	0.20%	445	42.9%	1.15	42,897	17%	198	492
Portfolio (iii) – Corporate – Other												
0.00 to < 0.15	175,743	239,294	21.9%	245,625	0.08%	992	46.4%	1.33	45,496	19%	85	
0.15 to < 0.25	44,854	78,613	19.2%	59,492	0.22%	620	45.5%	1.29	22,037	37%	59	
0.25 to < 0.50	46,605	71,895	18.2%	58,298	0.39%	557	42.3%	1.16	28,065	48%	96	
0.50 to < 0.75	48,868	66,970	25.6%	66,052	0.57%	609	46.3%	1.21	39,948	60%	170	
0.75 to < 2.50	53,422	50,953	21.7%	55,418	1.28%	802	37.4%	1.32	36,956	67%	255	
2.50 to < 10.00	33,901	27,899	31.9%	35,846	4.20%	393	39.6%	1.20	37,886	106%	508	
10.00 to < 100.00	22,127	11,300	7.6%	8,483	17.82%	277	29.3%	2.43	9,121	108%	304	
100.00 (Default)	6,520	600	24.1%	6,627	100.00%	94	66.7%	1.53	8,591	130%	4,365	
Sub-total	432,040	547,524	21.8%	535,841	2.10%	4,344	44.4%	1.30	228,100	43%	5,842	6,518

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 2022 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	609	182	15.0%	636	0.09%	3	51.8%	1.94	140	22%	–	
0.15 to < 0.25	899	1,237	43.3%	1,435	0.22%	347	34.2%	1.18	334	23%	1	
0.25 to < 0.50	1,116	577	26.8%	1,267	0.35%	412	31.1%	1.98	414	33%	2	
0.50 to < 0.75	3,572	1,246	9.2%	3,659	0.59%	468	25.0%	1.32	1,104	30%	5	
0.75 to < 2.50	9,036	2,564	19.5%	9,391	1.48%	1,885	27.5%	1.52	4,422	47%	36	
2.50 to < 10.00	6,849	1,099	13.5%	6,784	4.40%	637	22.0%	1.30	3,484	51%	65	
10.00 to < 100.00	2,440	365	20.1%	1,963	17.99%	212	27.1%	1.49	1,933	98%	101	
100.00 (Default)	474	51	2.2%	298	100.00%	50	34.9%	1.77	351	118%	116	
Sub-total	24,995	7,321	20.7%	25,433	4.40%	4,014	26.9%	1.45	12,182	48%	326	250
Portfolio (v) – Retail – QRRE												
0.00 to < 0.15	4,781	103,942	49.0%	55,667	0.07%	907,520	88.6%	–	2,218	4%	35	
0.15 to < 0.25	305	2,842	81.4%	2,618	0.18%	89,302	78.9%	–	204	8%	4	
0.25 to < 0.50	941	11,011	52.2%	6,688	0.31%	104,755	88.2%	–	882	13%	18	
0.50 to < 0.75	1,971	24,175	49.2%	13,869	0.68%	173,232	89.4%	–	3,512	25%	84	
0.75 to < 2.50	1,362	7,699	51.9%	5,355	1.54%	73,490	89.1%	–	2,514	47%	74	
2.50 to < 10.00	1,816	2,513	61.5%	3,362	5.05%	37,153	89.4%	–	3,517	105%	152	
10.00 to < 100.00	457	352	59.0%	664	28.52%	7,144	89.6%	–	1,458	220%	170	
100.00 (Default)	119	23	0.0%	119	100.00%	2,607	62.4%	–	101	85%	66	
Sub-total	11,752	152,557	50.2%	88,342	0.81%	1,395,203	88.4%	–	14,406	16%	603	133
Portfolio (vi) – Retail – Residential mortgage exposures												
0.00 to < 0.15	262,653	1,191	100.5%	263,849	0.09%	116,982	13.5%	–	45,964	17%	32	
0.15 to < 0.25	130,677	16,557	100.1%	147,247	0.19%	88,205	14.0%	–	18,393	12%	40	
0.25 to < 0.50	39,677	614	100.8%	40,295	0.45%	34,060	13.1%	–	4,224	10%	23	
0.50 to < 0.75	8,182	9	100.3%	8,191	0.57%	3,833	15.6%	–	1,754	21%	7	
0.75 to < 2.50	21,060	354	100.3%	21,415	1.14%	16,981	12.1%	–	3,835	18%	30	
2.50 to < 10.00	3,950	58	100.2%	4,008	3.93%	3,609	11.5%	–	1,318	33%	18	
10.00 to < 100.00	544	5	100.0%	549	29.70%	679	13.8%	–	388	71%	21	
100.00 (Default)	654	–	100.0%	655	100.00%	915	12.7%	–	420	64%	50	
Sub-total	467,397	18,788	100.1%	486,209	0.40%	265,264	13.6%	–	76,296	16%	221	717

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 2022 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	131	15	85.4%	128	0.07%	9	62.0%	-	14	11%	-	
0.15 to < 0.25	203	7	54.7%	142	0.21%	49	37.7%	-	22	15%	-	
0.25 to < 0.50	625	9	49.0%	403	0.38%	48	25.0%	-	61	15%	-	
0.50 to < 0.75	613	7	35.4%	364	0.61%	58	30.8%	-	90	25%	1	
0.75 to < 2.50	2,005	28	30.3%	1,355	1.50%	243	59.0%	-	936	69%	12	
2.50 to < 10.00	1,021	7	57.9%	706	4.15%	88	73.5%	-	749	106%	22	
10.00 to < 100.00	146	3	4.4%	83	23.97%	49	85.3%	-	139	168%	17	
100.00 (Default)	33	-	0.0%	33	100.00%	17	87.4%	-	68	207%	23	
Sub-total	4,777	76	47.3%	3,214	3.31%	561	54.9%	-	2,079	65%	75	36
Portfolio (viii) – Other retail exposures to individuals												
0.00 to < 0.15	3,944	13,137	82.2%	14,743	0.07%	63,365	80.4%	-	2,122	14%	8	
0.15 to < 0.25	2,323	3,121	79.3%	4,797	0.16%	23,887	80.9%	-	1,368	29%	6	
0.25 to < 0.50	12,315	5,243	61.6%	15,544	0.34%	51,217	77.1%	-	6,849	44%	41	
0.50 to < 0.75	6,245	3,047	49.8%	7,760	0.67%	33,206	78.8%	-	5,145	66%	41	
0.75 to < 2.50	24,242	6,072	37.0%	26,489	1.35%	79,706	54.0%	-	16,122	61%	194	
2.50 to < 10.00	35,685	7,221	65.0%	40,380	4.66%	120,768	54.5%	-	31,443	78%	887	
10.00 to < 100.00	3,317	534	42.7%	3,545	22.90%	22,154	71.8%	-	5,036	142%	565	
100.00 (Default)	833	4	0.0%	833	100.00%	14,613	62.5%	-	745	90%	461	
Sub-total	88,904	38,379	65.6%	114,091	3.51%	408,916	64.2%	-	68,830	60%	2,203	841
Total (all portfolios subject to the IRB approaches)	1,668,213	933,528	28.3%	1,932,505	1.03%	2,078,811	39.8%	1.30	476,181	25%	9,517	9,277

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

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

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 2022		(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)	13,105	13,105
3	Corporate – Specialized lending under supervisory slotting criteria approach (commodities finance)	-	-
4	Corporate – Specialized lending under supervisory slotting criteria approach (income-producing real estate)	11,169	11,169
5	Corporate – Specialized lending (high-volatility commercial real estate)	-	-
6	Corporate – Small-and-medium sized corporates	12,182	12,182
7	Corporate – Other corporates	228,100	228,100
8	Sovereigns	26,538	26,538
9	Sovereign foreign public sector entities	4,853	4,853
10	Multilateral development banks	-	-
11	Bank exposures – Banks	35,041	35,041
12	Bank exposures – Securities firms	5,547	5,547
13	Bank exposures – Public sector entities (excluding sovereign foreign public sector entities)	2,309	2,309
14	Retail – Small business retail exposures	2,079	2,079
15	Retail – Residential mortgages to individuals	74,172	74,172
16	Retail – Residential mortgages to property-holding shell companies	2,124	2,124
17	Retail – Qualifying revolving retail exposures (QRRE)	14,406	14,406
18	Retail – Other retail exposures to individuals	68,830	68,830
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	926	926
26	Other – Other items	55,040	55,040
27	Total	556,421	556,421

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

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 2022)	578,564
2 Asset size	(15,491)
3 Asset quality	1,403
4 Model updates	-
5 Methodology and policy	-
6 Acquisitions and disposals	-
7 Foreign exchange movements	(8,981)
8 Other	-
9 RWA as at end of reporting period (30 June 2022)	555,495

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

- RWA decrease from asset size which is in line with balance sheet movement,
- RWA increase from asset quality mainly due to slight credit migration during the period.
- RWA decrease from foreign exchange rate movement mainly due to the depreciation of KRW, CNY and TWD 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 2022		(a)	(b)	(c)	(d)(i)	(d)(ii)	(d)(iii)	(d)(iv)	(d)(v)	(e)	(f)
Regulatory Categories	Remaining Maturity	On-balance sheet exposure amount	Off-balance sheet exposure amount	SRW	EAD amount					RWA	Expected loss amount
		HK\$'M	HK\$'M		PF HK\$'M	OF HK\$'M	CF HK\$'M	IPRE HK\$'M	Total HK\$'M		
Strong [^]	Less than 2.5 years	2,285	731	50%	-	910	-	1,631	2,541	1,271	-
Strong	Equal to or more than 2.5 years	5,193	1,229	70%	-	4,840	-	854	5,694	3,986	23
Good [^]	Less than 2.5 years	7,245	2,255	70%	-	-	-	7,963	7,963	5,574	32
Good	Equal to or more than 2.5 years	3,208	569	90%	-	1,599	-	1,801	3,400	3,060	27
Satisfactory		7,597	579	115%	-	6,803	-	1,021	7,824	8,997	219
Weak		554	-	250%	-	-	-	554	554	1,386	44
Default		240	19	0%	-	-	-	240	240	-	120
Total		26,322	5,382		-	14,152	-	14,064	28,216	24,274	465

[^] Use of preferential risk-weights.

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

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 2022	(a) Replacement cost (RC) HK\$'M	(b) PFE	(c) Effective EPE %	(d) Alpha (a) used for computing default risk exposure	(e) Default risk exposure after CRM HK\$'M	(f) RWA HK\$'M
1 SA-CCR (for derivative contracts)	32,255	55,983		1.4	122,360	44,204
1a CEM (for derivative contracts)	-	-		1.4	-	-
2 IMM (CCR) approach			-	0.0	-	-
3 Simple Approach (for SFTs)					-	-
4 Comprehensive Approach (for SFTs)					185,854	5,214
5 VaR (for SFTs)					-	-
6 Total						49,418

Increase in default risk exposures was due to increase in volume of derivative and SFTs exposures.

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 2022	(a) EAD post CRM HK\$'M	(b) RWA HK\$'M
Netting sets for which CVA capital charge is calculated by the advanced CVA method	-	-
1 (i) VaR (after application of multiplication factor if applicable)		-
2 (ii) Stressed VaR (after application of multiplication factor if applicable)		-
3 Netting sets for which CVA capital charge is calculated by the standardized CVA method	122,346	26,057
4 Total	122,346	26,057

Increase in CVA capital charge was mainly due to increase in volume of derivative exposures.

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 2022	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)
Risk Weight	0%	10%	20%	35%	50%	75%	100%	150%	250%	Others	Total
Exposure class	HK\$'M	HK\$'M	HK\$'M	HK\$'M	HK\$'M	HK\$'M	HK\$'M	HK\$'M	HK\$'M	HK\$'M	after CRM exposure HK\$'M
1 Sovereign exposures	-	-	-	-	-	-	-	-	-	-	-
2 PSE exposures	-	-	-	-	-	-	-	-	-	-	-
2a – Of which: domestic PSEs	-	-	-	-	-	-	-	-	-	-	-
2b – Of which: foreign PSEs	-	-	-	-	-	-	-	-	-	-	-
3 Multilateral development bank exposures	761	-	-	-	-	-	-	-	-	-	761
4 Bank exposures	-	-	-	-	-	-	-	-	-	-	-
5 Securities firm exposures	-	-	-	-	-	-	-	-	-	-	-
6 Corporate exposures	-	-	427	-	-	-	457	-	-	-	884
7 CIS exposures	-	-	-	-	-	-	-	-	-	-	-
8 Regulatory retail exposures	-	-	-	-	-	-	-	-	-	-	-
9 Residential mortgage loans	-	-	-	-	-	-	-	-	-	-	-
10 Other exposures which are not past due exposures	-	-	-	-	-	-	-	-	-	-	-
11 Significant exposures to commercial entities	-	-	-	-	-	-	-	-	-	-	-
12 Total	761	-	427	-	-	-	457	-	-	-	1,645

Increase in total default risk exposure after CRM was mainly due to increase in multilateral development bank 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 2022 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	46,581	0.02%	25	38.8%	0.22	903	2%
0.15 to < 0.25	–	0.00%	–	0.0%	–	–	0%
0.25 to < 0.50	–	0.00%	–	0.0%	–	–	0%
0.50 to < 0.75	–	0.00%	–	0.0%	–	–	0%
0.75 to < 2.50	–	0.00%	–	0.0%	–	–	0%
2.50 to < 10.00	–	0.00%	–	0.0%	–	–	0%
10.00 to < 100.00	–	0.00%	–	0.0%	–	–	0%
100.00 (Default)	–	0.00%	–	0.0%	–	–	0%
Sub-total	46,581	0.02%	25	38.8%	0.22	903	2%
Portfolio (ii) – Bank							
0.00 to < 0.15	192,876	0.05%	180	20.6%	0.56	15,768	8%
0.15 to < 0.25	4,959	0.22%	32	28.5%	0.98	1,471	30%
0.25 to < 0.50	1,606	0.39%	21	16.0%	0.40	320	20%
0.50 to < 0.75	1,485	0.54%	24	15.1%	0.62	275	19%
0.75 to < 2.50	610	1.63%	14	46.9%	1.02	589	96%
2.50 to < 10.00	15	4.34%	4	5.9%	1.00	3	17%
10.00 to < 100.00	–	13.77%	4	45.5%	1.00	–	231%
100.00 (Default)	–	0.00%	–	0.0%	–	–	0%
Sub-total	201,551	0.07%	279	20.8%	0.57	18,426	9%
Portfolio (iii) – Corporate							
0.00 to < 0.15	22,369	0.09%	393	52.2%	1.34	5,681	25%
0.15 to < 0.25	11,222	0.22%	473	49.4%	1.30	5,240	47%
0.25 to < 0.50	4,634	0.39%	163	60.3%	1.43	3,339	72%
0.50 to < 0.75	12,635	0.54%	129	39.8%	0.74	6,371	50%
0.75 to < 2.50	6,059	1.03%	149	59.4%	1.17	6,176	102%
2.50 to < 10.00	1,472	4.54%	45	60.2%	1.50	2,603	177%
10.00 to < 100.00	43	15.32%	71	68.2%	1.46	137	315%
100.00 (Default)	3	100.00%	1	97.5%	3.08	–	0%
Sub-total	58,437	0.46%	1,424	50.6%	1.19	29,547	51%
Total (all portfolios subject to the IRB approaches)	306,569	0.14%	1,728	29.2%	0.63	48,876	16%

Increase in EAD post-CRM was mainly due to the increase in exposures under bank and corporate portfolios.

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 2022	Derivative contracts				SFTs	
	Fair value of recognized collateral received		Fair value of posted collateral		Fair value of recognized collateral received	Fair value of posted collateral
Exposure classes	Segregated HK\$'M	Unsegregated HK\$'M	Segregated HK\$'M	Unsegregated HK\$'M	received HK\$'M	collateral HK\$'M
Cash – domestic currency	–	200	–	–	–	6,040
Cash – other currencies	–	18,153	–	13,964	26,761	144,444
Domestic sovereign debt	–	–	–	–	12	–
Other sovereign debt	–	11,742	–	10,916	56,799	33,220
Government agency debt	–	–	–	–	8,725	–
Corporate bonds	–	6,597	–	1,619	30,419	639
Equity securities	–	–	–	–	6,110	1,511
Other collateral	–	282	–	–	–	–
Total	–	36,974	–	26,499	128,826	185,854

Movement in collateral received and posted for derivative contracts and SFTs were mainly driven by the increase in volume of the exposures.

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 2022	(a) Protection bought HK\$'M	(b) Protection sold HK\$'M
Notional amounts		
Single-name credit default swaps	–	–
Index credit default swaps	–	–
Total return swaps	–	–
Credit-related options	–	–
Other credit-related derivative contracts	49,124	7,372
Total notional amounts	49,124	7,372
Fair values		
Positive fair value (asset)	772	35
Negative fair value (liability)	(56)	(14)

Increase in total notional amount were mainly driven by the increase in transaction volume.

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 2022	(a) Exposure after CRM HK\$'M	(b) RWA HK\$'M
1 Exposures of the AI as clearing member or client to qualifying CCPs (total)		168
2 Default risk exposures to qualifying CCPs (excluding items disclosed in rows 7 to 10), of which:	4,129	82
3 (i) OTC derivative transactions	–	–
4 (ii) Exchange-traded derivative contracts	4,129	82
5 (iii) Securities financing transactions	–	–
6 (iv) Netting sets subject to valid cross-product netting agreements	–	–
7 Segregated initial margin	–	
8 Unsegregated initial margin	532	11
9 Funded default fund contributions	553	75
10 Unfunded default fund contributions	–	–
11 Exposures of the AI as clearing member or client to non-qualifying CCPs (total)		–
12 Default risk exposures to non-qualifying CCPs (excluding items disclosed in rows 17 to 20), of which:	–	–
13 (i) OTC derivative transactions	–	–
14 (ii) Exchange-traded derivative contracts	–	–
15 (iii) Securities financing transactions	–	–
16 (iv) Netting sets subject to valid cross-product netting agreements	–	–
17 Segregated initial margin	–	–
18 Unsegregated initial margin	–	–
19 Funded default fund contributions	–	–
20 Unfunded default fund contributions	–	–

Increase in total RWA was mainly due to the increase in volume of exchange-traded derivative contracts.

10 Securitization exposures

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:	-	-	-	-	-	-	32,700	-	32,700
2 residential mortgage	-	-	-	-	-	-	23,547	-	23,547
3 credit card	-	-	-	-	-	-	1,510	-	1,510
4 other retail exposures	-	-	-	-	-	-	7,643	-	7,643
5 re-securitization exposures	-	-	-	-	-	-	-	-	-
7 Wholesale (total) – of which:	-	5,344	5,344	-	-	-	7,128	-	7,128
8 loans to corporates	-	5,344	5,344	-	-	-	789	-	789
6 commercial mortgage	-	-	-	-	-	-	1,128	-	1,128
9 lease and receivables	-	-	-	-	-	-	-	-	-
10 other wholesale	-	-	-	-	-	-	5,211	-	5,211
11 re-securitization exposures	-	-	-	-	-	-	-	-	-

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

b. Securitization exposures in trading book (SEC2)

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

	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
	Acting as originator (excluding sponsor)			Acting as sponsor			Acting as investor		
	Traditional	Synthetic	Sub-total	Traditional	Synthetic	Sub-total	Traditional	Synthetic	Sub-total
1 Retail (total) – of which:	-	-	-	-	-	-	2,203	-	2,203
2 residential mortgage	-	-	-	-	-	-	723	-	723
3 credit card	-	-	-	-	-	-	22	-	22
4 other retail exposures	-	-	-	-	-	-	1,458	-	1,458
5 re-securitization exposures	-	-	-	-	-	-	-	-	-
6 Wholesale (total) – of which:	-	-	-	-	-	-	711	-	711
7 loans to corporates	-	-	-	-	-	-	607	-	607
8 commercial mortgage	-	-	-	-	-	-	45	-	45
9 lease and receivables	-	-	-	-	-	-	-	-	-
10 other wholesale	-	-	-	-	-	-	59	-	59
11 re-securitization exposures	-	-	-	-	-	-	-	-	-

The increase in exposures during the period was mainly driven by the increase in exposures under loans to corporates and other retail exposures.

10 Securitization exposures (continued)

c. Securitization exposures in banking book and associated capital requirements – where AI acts as originator (SEC3)

	(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)			RWAs (by regulatory approach)				Capital charges after cap				
	≤20% RW	>20% to 50% RW	>50% to 100% RW	>100% to <1250% RW	1250% RW	SEC-IRBA	SEC-ERBA (incl. IAA)	SEC-SA	SEC-FBA	SEC-IRBA	SEC-ERBA (incl. IAA)	SEC-SA	SEC-FBA	SEC-IRBA	SEC-ERBA (incl. IAA)	SEC-SA	SEC-FBA
1 Total exposures	5,314	-	-	30	-	5,344	-	-	-	1,007	-	-	-	80	-	-	-
2 Traditional securitization	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3 Of which securitization	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4 Of which retail	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5 Of which wholesale	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6 Of which re-securitization	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
7 Of which senior	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
8 Of which non-senior	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
9 Synthetic securitization	5,314	-	-	30	-	5,344	-	-	-	1,007	-	-	-	80	-	-	-
10 Of which securitization	5,314	-	-	30	-	5,344	-	-	-	1,007	-	-	-	80	-	-	-
11 Of which retail	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12 Of which wholesale	5,314	-	-	30	-	5,344	-	-	-	1,007	-	-	-	80	-	-	-
13 Of which re-securitization	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14 Of which senior	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
15 Of which non-senior	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

d. 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 Group acts as an investing institution of securitization transactions and the associated capital requirements.

	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)	(n)	(o)	(p)	(q)
	Exposure values (by RW bands)					Exposure values (by regulatory approach)			RWA (by regulatory approach)				Capital charge after cap				
	≤20% RW	>20% to 50% RW	>50% to 100% RW	>100% to <1250% RW	1250% RW	SEC-IRBA	SEC-ERBA (incl. IAA)	SEC-SA	SEC-FBA	SEC-IRBA	SEC-ERBA (incl. IAA)	SEC-SA	SEC-FBA	SEC-IRBA	SEC-ERBA (incl. IAA)	SEC-SA	SEC-FBA
1 Total exposures	39,173	399	256	-	-	-	39,194	634	-	-	7,446	95	-	-	596	8	-
2 Traditional securitization	39,173	399	256	-	-	-	39,194	634	-	-	7,446	95	-	-	596	8	-
3 Of which securitization	39,173	399	256	-	-	-	39,194	634	-	-	7,446	95	-	-	596	8	-
4 Of which retail underlying	32,483	133	84	-	-	-	32,417	283	-	-	6,224	43	-	-	498	3	-
5 Of which wholesale	6,690	266	172	-	-	-	6,777	351	-	-	1,222	52	-	-	98	4	-
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	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Please refer to SEC1 for the main drivers of the exposures

11 Market risk

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 2022		(a) RWA HK\$'M
Outright product exposures		
1	Interest rate exposures (general and specific risk)	9,950
2	Equity exposures (general and specific risk)	-
3	Foreign exchange (including gold) exposures	3,702
4	Commodity exposures	971
Option exposures		
5	Simplified approach	-
6	Delta-plus approach	-
7	Other approach	-
8	Securitization exposures	4,397
9	Total	19,020

Decrease in market risk RWA under STM approach was mainly due to decrease in specific market risk and commodity exposures.

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

The table below show the RWA under IMM model as of June 2022.

	(a) VaR HK\$'M	(b) Stressed VaR HK\$'M	(c) IRC HK\$'M	(d) CRC HK\$'M	(e) Other HK\$'M	(f) Total RWA HK\$'M	
1	RWA as at end of previous reporting period	5,152	17,851	N/A	N/A	N/A	23,003
2	Movement in risk levels	1,107	248	N/A	N/A	N/A	1,355
3	Model updates/changes	N/A	N/A	N/A	N/A	N/A	N/A
4	Methodology and policy	N/A	N/A	N/A	N/A	N/A	N/A
5	Acquisitions and disposals	N/A	N/A	N/A	N/A	N/A	N/A
6	Foreign exchange movements	13	38	N/A	N/A	N/A	51
7	Other	N/A	N/A	N/A	N/A	N/A	N/A
8	RWA as at end of reporting period	6,272	18,137	N/A	N/A	N/A	24,409

11 Market risk (continued)

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

Internal Models Approach

The results reflect only the portfolio covered by the internal model approach and are calculated at a 99 per cent confidence level, excluding RNIV and Capital add-on that also contributes to the capital charge.

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

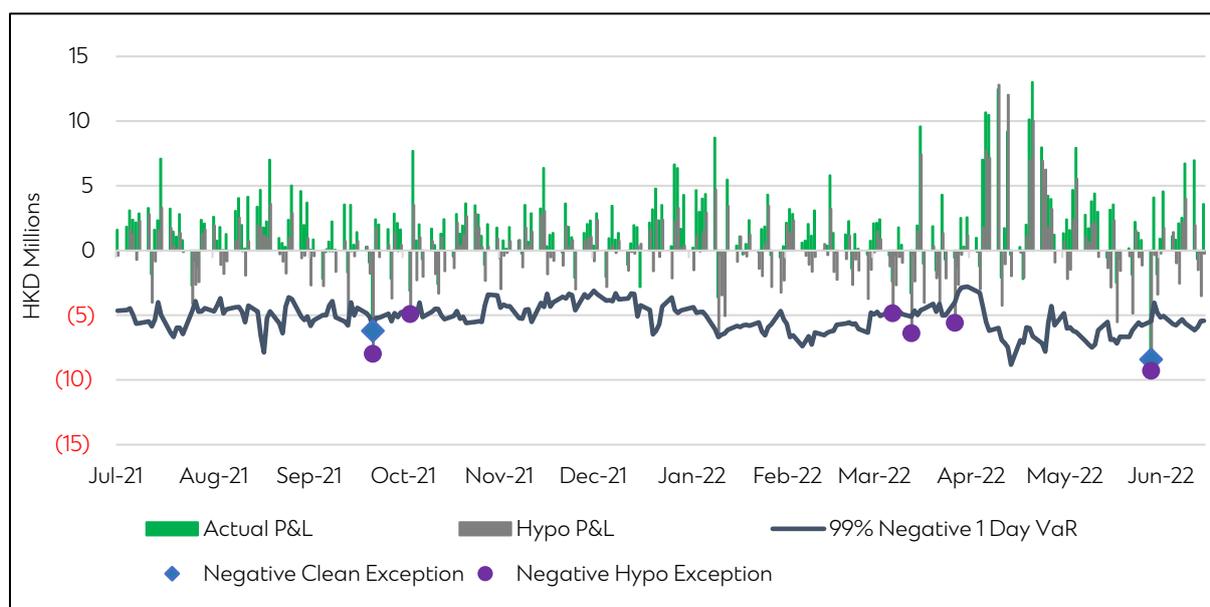
		(a) HK\$'M
VaR (10 days – one-tailed 99% confidence interval)		
1	Maximum Value	220
2	Average Value	139
3	Minimum Value	69
4	Period End	127
Stressed VaR (10 days – one-tailed 99% confidence interval)		
5	Maximum Value	505
6	Average Value	334
7	Minimum Value	176
8	Period End	407
Incremental risk charge (IRC) (99.9% confidence interval)		
9	Maximum Value	N/A
10	Average Value	N/A
11	Minimum Value	N/A
12	Period End	N/A
Comprehensive risk charge (CRC) (99.9% confidence interval)		
13	Maximum Value	N/A
14	Average Value	N/A
15	Minimum Value	N/A
16	Period End	N/A
17	Floor	N/A

11 Market risk (continued)

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

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

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



In total, there have been six SCBHK exceptions in the previous 250 business days which is within the 'Amber zone' applied according to HKMA's regulation. The four exceptions occurred in the past six months are:

- 22 March: HKD and KRO rates surged following hawkish Fed, with Powell said that Fed can move by more than 25bp if needed in each meeting to contain inflation. Market pricing in 85bps hike in the next two meetings.
- 28 March: HKD and KRO rates surged following sell-off in stocks and U.S. Treasury yields soared to new multi-year highs from a hawkish Fed.
- 11 April: HKD and KRO rates surged following US pricing continued to grind higher with almost nine more hikes priced in for the year and concern ahead of CPI data.
- 13 June: USD rates surged more than 25bps with a 70bps hike priced in for the week's FOMC meeting following higher than expected inflation number and a Wall Street Journal article suggesting a 75bps hike from Fed. HKD rates followed and surged by more than 30bps on the day.

e. 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 2022, 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 2022	Banks HK\$'M	Official sector HK\$'M	Non-bank financial institution HK\$'M	Non-financial private sector HK\$'M	Total HK\$'M
Developed countries	201,026	68,048	40,993	48,826	358,893
– of which United Kingdom (excluding Guernsey, Isle of Man and Jersey)	158,571	213	622	4,831	164,237
Offshore centres	13,200	3,918	39,568	117,190	173,876
– of which Hong Kong SAR	5,952	1,869	31,963	100,157	139,941
Developing Asia and Pacific	116,398	26,127	31,434	141,281	315,240
– of which China	74,425	9,466	23,364	90,071	197,326

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 2022 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	16,053	51%
– Property investment	22,410	82%
– Financial concerns	32,251	33%
– Stockbrokers	4,483	16%
– Wholesale and retail trade	16,810	13%
– Manufacturing	14,591	13%
– Transport and transport equipment	9,521	37%
– Recreational activities	25	0%
– Information technology	7,353	1%
– Others	27,771	11%
<i>Individuals</i>		
– Advances for the purchase of flats in the Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme	972	100%
– Advances for the purchase of other residential properties	259,170	100%
– Credit card advances	25,407	0%
– Others	34,814	32%
<i>Total gross loans and advances for use in Hong Kong</i>	471,631	68%
Trade finance	92,314	12%
Trade bills	2,460	4%
Gross loans and advances for use outside Hong Kong	588,408	57%
Gross loans and advances to customers	1,154,813	58%

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 expected credit loss 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 HK\$'M</i>	<i>Overdue loans and advances to customers HK\$'M</i>	<i>Stage 3 expected credit loss provision HK\$'M</i>	<i>Stage 1 & 2 expected credit loss provision HK\$'M</i>	<i>Provision charge/ (release) HK\$'M</i>
At 30 June 2022					
Advances for the purchase of other residential properties	196	66	1	4	(27)
Gross loans and advances for use outside Hong Kong	6,365	1,038	3,686	2,003	2,587

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 of any recognised risk transfer.

	<i>Total gross loans and advances to customers HK\$'M</i>	<i>Impaired loans and advances to customers HK\$'M</i>	<i>Overdue loans and advances to customers HK\$'M</i>	<i>Stage 3 expected credit loss provision HK\$'M</i>	<i>Stage 1 & 2 expected credit loss provision HK\$'M</i>
At 30 June 2022					
Hong Kong	471,781	4,868	1,249	3,683	1,736
Mainland China	169,228	1,638	755	682	794
South Korea	345,995	1,070	93	380	345
Taiwan	81,565	824	54	181	220
Others	86,244	233	30	103	58
Total	1,154,813	8,633	2,181	5,029	3,153

15 Overdue assets

(i) Overdue loans and advances to customers

	<i>At 30 June 2022</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	833	0.07%
1 year or less but over 6 months	323	0.03%
Over 1 year	1,025	0.09%
	<u>2,181</u>	<u>0.19%</u>

	<i>At 30 June 2022 HK\$'M</i>
Fair value of collateral held against the covered portion of overdue loans and advances to customers	<u>1,241</u>
Covered portion of overdue loans and advances to customers	885
Uncovered portion of overdue loans and advances to customers	<u>1,296</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 2022 HK\$'M</i>
Stage 3 expected credit loss provision against loans and advances to customers overdue more than 3 months	<u>1,209</u>

15 Overdue assets (continued)**(ii) Overdue loans and advances to banks**

	<i>At 30 June 2022</i>	
	<i>HK\$'M</i>	<i>% of loans and advances to banks</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	-	-
1 year or less but over 6 months	179	0.24%
Over 1 year	-	-
	<u>179</u>	<u>0.24%</u>

There is no collateral held against overdue loans and advances to banks.

	<i>At 30 June 2022 HK\$'M</i>
Stage 3 expected credit loss provision against loans and advances to banks overdue more than 3 months	<u>96</u>

As at 30 June 2022, there were no debt securities and other assets overdue more than 3 months.

Repossessed collateral

As at 30 June 2022, the amount of assets obtained by taking possession of collateral held as security was as follows:

	<i>At 30 June 2022 HK\$'M</i>
Property, plant and equipment	<u>15</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.

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

16 Rescheduled assets

	<i>At 30 June 2022</i>	
	<i>HK\$'M</i>	<i>% of loans and advances to customers</i>
Rescheduled loans and advances to customers	2,193	0.19%

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 2022, there were no rescheduled loans and advances to banks, 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 2022</i>			
(i) Central government, central government-owned entities and their subsidiaries and joint ventures ("JVs")	110,040	18,834	128,874
(ii) Local governments, local government-owned entities and their subsidiaries and JVs	14,392	1,971	16,363
(iii) PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	181,563	48,800	230,363
(iv) Other entities of central government not reported in item (i) above	6,848	512	7,360
(v) Other entities of local governments not reported in item (ii) above	1,602	219	1,821
(vi) PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	19,503	2,141	21,644
(vii) Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	27,877	5,462	33,339
Total	361,825	77,939	439,764
Total assets after provision	1,820,630		
On-balance sheet exposures as percentage of total assets	19.87%		

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**

	At 30 June 2022 HK\$'M
Contractual or notional amounts	
Direct credit substitutes	15,214
Transaction-related contingencies	43,132
Trade-related contingencies	18,630
Forward asset purchases	198
Forward forward deposits placed	–
Other commitments:	
which are not unconditionally cancellable:	
with original maturity of not more than one year	35,796
with original maturity of more than one year	148,790
which are unconditionally cancellable	761,678
	<u>1,023,438</u>
Credit risk weighted amount (before 1.06 scaling factor)	<u>72,397</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 2022 HK\$'M</i>
US dollars exposure	
Spot assets	666,253
Spot liabilities	(707,138)
Forward purchases	3,304,333
Forward sales	(3,270,795)
Net options position (note)	8,811
Net long non-structural position	1,464
Chinese Renminbi exposure	
Spot assets	327,845
Spot liabilities	(341,445)
Forward purchases	1,211,272
Forward sales	(1,187,906)
Net option position (note)	(7,953)
Net long non-structural position	1,813
South Korean Won	
Spot assets	533,523
Spot liabilities	(500,898)
Forward purchases	1,151,781
Forward sales	(1,183,092)
Net option position (note)	(681)
Net long non-structural position	633

(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 2022 HK\$'M</i>
US dollars	32,252
Chinese Renminbi	31,974
South Korean Won	16,877

Acronyms

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