

The Hongkong and Shanghai Banking Corporation Limited

**Banking Disclosure Statement at 30 June 2023
(Unaudited)**

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Prefixes contained in the table names, where applicable, represent the reference codes of the standard disclosure templates and tables for the Revised Pillar 3 Framework issued by the Hong Kong Monetary Authority ('HKMA').

Introduction

Purpose

The information contained in this document is for The Hongkong and Shanghai Banking Corporation Limited ('the Bank') and its subsidiaries (together 'the group'). It should be read in conjunction with the group's *Interim Report 2023*. The group's *Interim Report 2023*, the Banking Disclosure Statement and the Main Features of Regulatory Capital Instruments and Non-capital LAC Debt Instruments document, taken together, comply with both the Banking (Disclosure) Rules ('BDR') made under section 60A of the Banking Ordinance and the Financial Institutions (Resolution) (Loss-absorbing Capacity Requirements – Banking Sector) Rules ('LAC Rules') made under section 19(1) of the Financial Institutions (Resolution) Ordinance ('FIRO').

References to 'HSBC', 'the Group' or 'the HSBC Group' within this document mean HSBC Holdings plc together with its subsidiaries. Within this document the Hong Kong Special Administrative Region of the People's Republic of China is referred to as 'Hong Kong'. The abbreviations 'HK\$m' and 'HK\$bn' represent millions and billions (thousands of millions) of Hong Kong dollars respectively.

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 governance, control and assurance requirements for publication of the document. While the disclosure statement is not required to be externally audited, the document has been subject to independent review by the HSBC Global Internal Audit team and has been approved by the Audit Committee as delegated by the Board.

Basis of preparation

Except where indicated otherwise, the financial information contained in this Banking Disclosure Statement has been prepared on a consolidated basis. The basis of consolidation for regulatory purposes is different from that for accounting purposes. Information regarding subsidiaries that are not included in the consolidation for regulatory purposes is set out in the 'Basis of consolidation' section in this document.

The information in this document is not audited and does not constitute statutory accounts.

The Banking Disclosure Statement

The group's Banking Disclosure Statement at 30 June 2023 comprises Pillar 3 information required under the framework of the Basel Committee on Banking Supervision ('BCBS'). The disclosures are made in accordance with the latest BDR and the LAC Rules issued by the HKMA. According to the BDR and the LAC Rules, disclosure of comparative information is not required unless otherwise specified in the standard disclosure templates. Prior period disclosures can be found in the Regulatory Disclosure section of our website, www.hsbc.com.hk.

The Banking Disclosure Statement includes the majority of the information required under the BDR and the LAC Rules. The Main Features of Regulatory Capital Instruments and Non-capital LAC Debt Instruments are published as a standalone document. The remainder of the disclosure requirements are covered in the group's *Interim Report 2023*. All the group's banking disclosures can be found in the Regulatory Disclosure section of our website, www.hsbc.com.hk.

Loss-absorbing Capacity Disclosures

HSBC Asia Holdings Limited ('HAHO'), a wholly-owned subsidiary of HSBC Holdings plc and the intermediate holding company of the group, is designated as the resolution entity for the group, where adequate loss-absorbing capacity ('LAC') has to be available in a form that will be bailed-in at the point of resolution. The group's LAC disclosures are included as part of this Banking Disclosure Statement while the LAC disclosures of HAHO will be included as part of the HSBC Group's disclosures which can be found in the Investors section of the Group's website, www.hsbc.com. The location of HAHO's LAC disclosures can be found in the following table:

Location of HAHO's LAC disclosures in 2023:

- KM2 – Key metrics of the Asian resolution group
 - Table 12.ii of the Group's Pillar 3 Disclosures
- TLAC1 – TLAC composition
 - Table 13 of the Group's Pillar 3 Disclosures
- TLAC3 – HSBC Asia Holdings Limited Creditor Ranking
 - Table 17 of the Group's Pillar 3 Disclosures
- CCA(A) – Main Features of Regulatory Capital Instruments and Non-Capital LAC Debt Instruments
 - A standalone document which can be found in: www.hsbc.com/investors/fixed-income-investors/regulatory-capital-securities

Key Metrics

Table 1: KM1 – Key prudential ratios

	a	b	c	d	e	
	At					
	30 Jun 2023	31 Mar 2023	31 Dec 2022	30 Sep 2022	30 Jun 2022	
Regulatory capital (HK\$m)¹						
1	Common Equity Tier 1 ('CET1')	499,296	510,956	491,562	469,133	467,359
2	Tier 1	553,095	564,908	545,572	523,053	521,391
3	Total capital	619,107	629,800	607,312	582,105	583,691
Risk-weighted assets ('RWAs') (HK\$m)¹						
4	Total RWAs	3,166,612	3,173,613	3,222,168	3,186,026	3,252,522
Risk-based regulatory capital ratios (as a percentage of RWA)¹						
5	CET1 ratio (%)	15.8	16.1	15.3	14.7	14.4
6	Tier 1 ratio (%)	17.5	17.8	16.9	16.4	16.0
7	Total capital ratio (%)	19.6	19.8	18.8	18.3	17.9
Additional CET1 buffer requirements (as a percentage of RWA)¹						
8	Capital conservation buffer requirement (%)	2.50	2.50	2.50	2.50	2.50
9	Countercyclical capital buffer ('CCyB') requirement (%) ²	0.57	0.56	0.56	0.51	0.51
10	Higher loss absorbency requirements (%) (applicable only to Global systemically important authorised institution ('G-SIBs') or Domestic systemically important authorised institution ('D-SIBs'))	2.50	2.50	2.50	2.50	2.50
11	Total authorised institution ('AI')-specific CET1 buffer requirements (%)	5.57	5.56	5.56	5.51	5.51
12	CET1 available after meeting the AI's minimum capital requirements (%)	11.3	11.6	10.8	10.2	9.9
Basel III leverage ratio³						
13	Total leverage ratio ('LR') exposure measure (HK\$m)	9,499,334	9,475,334	9,301,363	9,266,023	9,422,058
14	LR (%)	5.8	6.0	5.9	5.6	5.5
Liquidity Coverage Ratio ('LCR')⁴						
15	Total high quality liquid assets ('HQLA') (HK\$m)	1,951,506	1,896,005	1,886,003	1,902,154	1,953,032
16	Total net cash outflows (HK\$m)	1,236,386	1,215,253	1,196,437	1,230,424	1,266,403
17	LCR (%)	158.0	156.5	157.8	154.8	154.5
Net Stable Funding Ratio ('NSFR')⁵						
18	Total available stable funding (HK\$m)	5,579,672	5,646,959	5,542,592	5,381,772	5,559,766
19	Total required stable funding (HK\$m)	3,708,853	3,703,516	3,639,518	3,649,224	3,719,911
20	NSFR (%)	150.4	152.5	152.3	147.5	149.5

1 The regulatory capital, RWAs, risk-based regulatory capital ratios and additional CET1 buffer requirements above are based on or derived from the information as contained in the 'Capital Adequacy Ratio' return submitted to the HKMA on a consolidated basis under the requirements of section 3C(1) of the Banking (Capital) Rules ('BCR').

2 The jurisdictional CCyB of Hong Kong used in the calculation of the CCyB buffer requirement has been 1.0% since 31 March 2020. The jurisdictional CCyB of other countries used in the calculation of the CCyB requirement ranged from 0% to 2.5% at 30 June 2023.

3 The Basel III leverage ratios are disclosed in accordance with the information contained in the 'Leverage Ratio' return submitted to the HKMA under the requirements specified in Part 1C of the BCR.

4 The LCRs shown are the simple average values of all working days in the reporting periods and are made in accordance with the requirements specified in the 'Liquidity Position' return submitted to the HKMA under rule 11(1) of the Banking (Liquidity) Rules ('BLR').

5 The NSFR disclosures are made in accordance with the information contained in the 'Stable Funding Position' return submitted to the HKMA under the requirements specified in rule 11(1) of the BLR.

Structure of the regulatory group

Basis of consolidation

The basis of consolidation for financial accounting purposes is in accordance with Hong Kong Financial Reporting Standards ('HKFRS'), as described in Note 1 on the financial statements in the group's *Annual Report and Accounts 2022*.

The basis of consolidation for regulatory purposes is different from that 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 BCR. Subsidiaries not included in consolidation for regulatory purposes are securities and insurance companies that are authorised and supervised by regulators, and are subject to supervisory arrangements regarding the maintenance of adequate capital to support business activities comparable to those prescribed for authorised institutions under the BCR and the Banking Ordinance. The capital invested by the group in these subsidiaries is deducted from the capital base, subject to threshold, as determined in accordance with Part 3 of the BCR.

There are no subsidiaries that are included within the regulatory scope of consolidation but not included within the accounting scope of consolidation at 30 June 2023.

For all subsidiaries included in both the accounting and regulatory scope of consolidation, the same consolidation methodology is applied at 30 June 2023.

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.

The Bank and its banking subsidiaries maintain regulatory reserves to satisfy the provisions of the Banking Ordinance and local regulatory requirements for prudential supervision purposes. At 30 June 2023, the effect of this regulatory reserve requirement is to reduce the amount of reserves which can be distributed to shareholders by HK\$19,078m.

Table 2: List of subsidiaries outside the regulatory scope of consolidation

	At 30 Jun 2023		
	Total assets	Total equity	
Principal activities	HK\$m	HK\$m	
HSBC Broking Futures (Hong Kong) Ltd	Futures broking	336	110
HSBC Broking Services (Asia) Ltd and its subsidiaries	Broking services	10,118	3,078
HSBC Corporate Advisory (Malaysia) Sdn Bhd	Financial services	5	4
HSBC Corporate Finance (Hong Kong) Ltd	Financial services	14	13
HSBC Global Asset Management (Bahamas) Ltd	Asset management	134	133
HSBC Global Asset Management (Hong Kong) Ltd	Asset management	1,089	564
HSBC Asset Management (Japan) Ltd	Asset management	202	104
HSBC Global Asset Management (Singapore) Ltd	Asset management	138	27
HSBC Insurance (Asia-Pacific) Holdings Ltd and its subsidiaries	Insurance	637,921	36,878
HSBC InvestDirect (India) Private Ltd and its subsidiaries	Financial services	1,617	922
HSBC Investment Funds (Hong Kong) Ltd	Asset management	447	253
HSBC Qianhai Securities Ltd	Securities services	1,969	1,122
HSBC Securities (Japan) Ltd ¹	Broking services	0	0
HSBC Securities (Japan) Co. Ltd	Broking services	357,784	1,032
HSBC Securities (Singapore) Pte Ltd	Broking services	221	87
HSBC Securities Brokers (Asia) Ltd	Broking services	542	521
Hang Seng Insurance Co. Ltd and its subsidiaries	Insurance	181,493	11,684
Hang Seng Investment Management Ltd	Asset management	308	271
Hang Seng Investment Services Ltd	Investment services	9	9
Hang Seng Qianhai Fund Management Co. Ltd	Asset management	208	190
Hang Seng Securities Ltd	Broking services	1,593	749
HSBC Investment and Insurance Brokerage, Philippines Inc	Broking services	56	53
HSBC Life (Bermuda) Ltd	Reinsurance	786	80

¹ In member's voluntary liquidation.

The approaches used in calculating the group's regulatory capital and RWAs are in accordance with the BCR. The group uses the advanced internal ratings-based ('IRB') approach to calculate its credit risk for the majority of its non-securitisation exposures. For collective investment scheme ('CIS') exposures, the group uses the look-through approach and mandate-based approach to calculate the risk-weighted amount. For securitisation exposures, the group uses the securitisation internal ratings-based approach ('SEC-IRBA'), securitisation external ratings-based approach ('SEC-ERBA') or securitisation standardised approach ('SEC-SA') to determine credit risk for its banking book securitisation exposures. For counterparty credit risk ('CCR'), the group uses both the standardised (counterparty credit risk) approach ('SA-CCR') and the internal models (counterparty credit risk) ('IMM(CCR)') approach to calculate its default risk exposures for derivatives, and the comprehensive approach for securities financing transactions ('SFTs').

For market risk, the group uses an Internal Models Method ('IMM') approach to calculate its general market risk for the risk categories of interest rate and foreign exchange (including gold) exposures, and equity exposures. The group also uses an IMM approach to calculate its market risk in respect of specific risk for interest rate exposures and equity exposures. The group uses the standardised (market risk) ('STM') approach for calculating other market risk positions, as well as trading book securitisation exposures, and the standardised (operational risk) ('STO') approach to calculate its operational risk.

Balance sheet reconciliation

The following table expands the balance sheet under the regulatory scope of consolidation to show separately the capital components that are reported in the 'Composition of regulatory capital disclosures' template in Table 4. The capital components in this table contain a reference that shows how these amounts are included in Table 4.

Table 3: CC2 – Reconciliation of regulatory capital to balance sheet

	a	b	c
	At 30 Jun 2023		
	Balance sheet as in published financial statements HK\$m	Under regulatory scope of consolidation HK\$m	Cross- referenced to definition of Capital Components
Assets			
Cash and balances at central banks	209,456	208,969	
Items in the course of collection from other banks	45,538	45,538	
Hong Kong Government certificates of indebtedness	332,284	332,284	
Trading assets	822,701	821,329	
<i>of which: significant Loss-absorbing capacity ('LAC') investments eligible as Additional tier1 ('AT1') capital issued by financial sector entities</i>	–	54	1
Derivatives	499,401	499,396	
Financial assets designated and otherwise mandatorily measured at fair value through profit or loss	684,651	5,119	
Reverse repurchase agreements – non-trading	853,141	545,284	
Loans and advances to banks	494,948	488,532	
Loans and advances to customers	3,640,023	3,636,628	
<i>of which: impairment allowances eligible for inclusion in Tier 2 capital</i>	–	(5,444)	2
Financial investments	1,881,938	1,836,622	
Amounts due from Group companies	193,664	518,339	
<i>of which: significant LAC investments eligible as Tier 2 capital issued by financial sector entities</i>	–	5,755	3
Investments in subsidiaries	–	25,676	
Interests in associates and joint ventures	187,298	183,619	
<i>of which: goodwill</i>	–	3,558	4
<i>of which: significant LAC investments in financial sector entities exceeding 10% threshold</i>	–	144,745	5
Goodwill and intangible assets	37,744	33,748	
<i>of which: goodwill</i>	–	4,671	6
<i>of which: intangible assets</i>	–	29,077	7
Property, plant and equipment	130,470	123,063	
Deferred tax assets	7,751	3,618	
<i>of which: deferred tax assets net of related tax liabilities</i>	–	3,697	8
<i>of which: deferred tax liabilities related to goodwill</i>	–	(72)	9
<i>of which: deferred tax liabilities related to intangible assets</i>	–	(7)	10
Prepayments, accrued income and other assets	391,867	271,120	
<i>of which: defined benefit pension fund net assets</i>	–	56	11
Total assets	10,412,875	9,578,884	

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Table 3: CC2 – Reconciliation of regulatory capital to balance sheet (continued)

	a	b	c
	At 30 Jun 2023		
	Balance sheet in published financial statements HK\$m	Under regulatory scope of consolidation HK\$m	Cross- referenced to definition of Capital Components
Liabilities			
Hong Kong currency notes in circulation	332,284	332,284	
Items in the course of transmission to other banks	51,531	51,531	
Repurchase agreements – non-trading	497,762	465,369	
Deposits by banks	155,648	155,516	
Customer accounts	6,075,996	6,075,502	
Trading liabilities	126,474	126,474	
Derivatives	495,006	495,283	
<i>of which: gains and losses due to changes in own credit risk on fair valued liabilities</i>	–	(273)	12
Financial liabilities designated at fair value	179,178	148,560	
<i>of which: gains and losses due to changes in own credit risk on fair valued liabilities</i>	–	(11)	13
Debt securities in issue	92,736	92,179	
Retirement benefit liabilities	1,523	1,523	
Amounts due to Group companies	485,960	527,533	
<i>of which: qualifying Tier 2 capital instruments</i>	–	25,249	14
<i>of which: gains and losses due to changes in own credit risk on fair valued liabilities</i>	–	453	15
Accruals and deferred income, other liabilities and provisions	303,885	221,399	
Insurance contract liabilities	700,074	–	
Current tax liabilities	11,343	10,656	
Deferred tax liabilities	22,439	21,894	
<i>of which: deferred tax liabilities related to goodwill</i>	–	4	16
<i>of which: deferred tax liabilities related to intangible assets</i>	–	4,660	17
<i>of which: deferred tax liabilities related to defined benefit pension fund net assets</i>	–	1	18
Subordinated liabilities	3,134	3,134	
Total liabilities	9,534,973	8,728,837	
Equity			
Share capital	180,181	180,181	
<i>of which: portion eligible for inclusion in CET1 capital</i>	–	178,727	19
<i>of which: revaluation reserve capitalisation issue</i>	–	1,454	20
Other equity instruments	52,465	52,465	
<i>of which: qualifying AT1 capital instruments</i>	–	52,465	21
Other reserves	96,339	94,214	22
<i>of which: fair value gains arising from revaluation of land and buildings</i>	–	64,202	23
<i>of which: cash flow hedging reserves</i>	–	(586)	24
<i>of which: valuation adjustment</i>	–	29	25
Retained earnings	490,673	467,657	26
<i>of which: regulatory reserve for general banking risks</i>	–	19,078	27
<i>of which: regulatory reserve eligible for inclusion in Tier 2 capital</i>	–	8,579	28
<i>of which: fair value gains arising from revaluation of land and buildings</i>	–	4,133	29
<i>of which: valuation adjustment</i>	–	2,385	30
Total shareholders' equity	819,658	794,517	
Non-controlling interests	58,244	55,530	
<i>of which: portion allowable in CET1 capital</i>	–	28,830	31
<i>of which: portion allowable in AT1 capital</i>	–	1,388	32
<i>of which: portion allowable in Tier 2 capital</i>	–	1,090	33
Total equity	877,902	850,047	
Total liabilities and equity	10,412,875	9,578,884	

Capital and RWAs

Regulatory capital disclosures

The following table sets out the detailed composition of the group's regulatory capital using the 'Composition of regulatory capital disclosures' template, as specified by the HKMA.

Table 4: CC1 – Composition of regulatory capital

	a	b
	At 30 Jun 2023	
	Component of regulatory capital	Cross-referenced to Table 3
	HK\$m	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
CET1 capital: instruments and reserves		
1	178,727	19
2	467,657	26
3	94,214	22
5	28,830	31
6	769,428	
CET1 capital: regulatory deductions		
7	2,414	25+30
8	8,153	4+6+9-16
9	24,410	7+10-17
10	3,697	8
11	(586)	24
14	(169)	-(12+13+15)
15	55	11-18
19	144,745	5
26	87,413	
26a	68,335	23+29
26b	19,078	27
28	270,132	
29	499,296	
AT1 capital: instruments		
30	52,465	21
31	52,465	21
34	1,388	32
36	53,853	
AT1 capital: regulatory deductions		
40	54	1
43	54	
44	53,799	
45	553,095	
Tier 2 capital: instruments and provisions		
46	25,249	14
48	1,090	33
50	14,023	28-2
51	40,362	
Tier 2 capital: regulatory deductions		
55	5,755	3
56	(31,405)	
56a	(31,405)	(20+23+29)x45%
57	(25,650)	
58	66,012	
59	619,107	
60	3,166,612	

Table 4: CC1 – Composition of regulatory capital (continued)

		a	b
		At 30 Jun 2023	
		Component of regulatory capital	Cross-referenced to Table 3
		HK\$m	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
Capital ratios (as a percentage of RWA)			
61	CET1 capital ratio	15.8%	
62	Tier 1 capital ratio	17.5%	
63	Total capital ratio	19.6%	
64	Institution-specific buffer requirement (capital conservation buffer plus countercyclical capital buffer plus higher loss absorbency requirements)	5.57%	
65	<i>of which: capital conservation buffer requirement</i>	2.50%	
66	<i>of which: bank specific countercyclical capital buffer requirement</i>	0.57%	
67	<i>of which: higher loss absorbency requirement</i>	2.50%	
68	CET1 (as a percentage of RWA) available after meeting minimum capital requirements	11.3%	
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	18,958	
73	Significant LAC investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	64,404	
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 basic indicator ('BSC') approach, or the standardise (credit risk) ('STC') approach and SEC-ERBA, SEC-SA and SEC-FBA (prior to application of cap)	3,132	
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	3,315	
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)	10,891	
79	Cap for inclusion of provisions in Tier 2 under the IRB approach and SEC-IRBA	14,253	

Total regulatory capital increased by HK\$11.8bn in the first half of 2023, mainly due to :

- a HK\$28.5bn increase from regulatory profits, net of dividends;
- a HK\$5.9bn increase from the issuance of new Tier 2 capital instruments;

partly offset by

- a HK\$15.8bn decrease from unfavourable foreign currency translation differences;
- a HK\$3.8bn increase in the threshold deduction for significant investments in financial sector entities; and
- a HK\$2.7bn increase in regulatory reserves deduction.

Table 4: CC1 – Composition of regulatory capital (continued)

Notes to the template:

		At 30 Jun 2023	
		Hong Kong basis	Basel III basis
		HK\$m	HK\$m
10	Deferred tax assets (net of associated deferred tax liabilities)	3,697	132

Explanation:

As set out in paragraphs 69 and 87 of the Basel III text issued by the Basel Committee (December 2010), Deferred Tax Assets ('DTAs') of the bank to be realised 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 Mortgage Servicing Rights ('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.

		At 30 Jun 2023	
		Hong Kong basis	Basel III basis
		HK\$m	HK\$m
19	Significant LAC investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	144,745	143,143

Explanation:

For the purpose of determining the total amount of significant LAC investments in CET1 capital instruments issued by financial sector entities, an AI is required to aggregate any amount of loans, facilities or other credit exposures provided by it to any of its connected companies, where the connected company is a financial sector entity, as if such loans, facilities or other credit exposures were direct holdings, indirect holdings or synthetic holdings of the AI in the capital instruments of the financial sector entity, except where the AI demonstrates to the satisfaction of the HKMA 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.

Remarks:

The amount of the 10% threshold 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.

Table 5: CCA – Capital instruments

		At 30 Jun 2023	
		Total amount	Amount recognised in regulatory capital
			HK\$m
CET1 capital instruments			
	Ordinary shares	HK\$180,181m	178,727
AT1 capital instruments			
	Fixed rate perpetual subordinated loans, callable from 2024	US\$1,100m	8,617
	Fixed rate perpetual subordinated loans, callable from 2024	US\$900m	7,044
	Fixed rate perpetual subordinated loans, callable from 2025	US\$1,000m	7,834
	Fixed rate perpetual subordinated loans, callable from 2025	US\$700m	5,467
	Fixed rate perpetual subordinated loans, callable from 2025	US\$500m	3,905
	Fixed rate perpetual subordinated loans, callable from 2026	US\$900m	7,063
	Fixed rate perpetual subordinated loans, callable from 2027	US\$600m	4,685
	Fixed rate perpetual subordinated loans, callable from 2028	US\$1,000m	7,850
Tier 2 capital instruments			
	Subordinated loan due 2030, callable from 2025	US\$1,000m	7,516
	Subordinated loan due 2030, callable from 2025	US\$180m	1,359
	Subordinated loan due 2031, callable from 2026	US\$600m	4,430
	Subordinated loan due 2032, callable from 2027	SG\$900m	5,333
	Subordinated loan due 2032, callable from 2027	JPY11,900m	674
	Subordinated loan due 2033, callable from 2028	SG\$1,000m	5,937

A description of the main features and the full terms and conditions of the group's capital instruments can be found in the Regulatory Disclosures section of our website, www.hsbc.com.hk.

Countercyclical capital buffer ratio

The CCyB is calculated as the weighted average of the applicable CCyB ratios in effect in the jurisdictions in which banks have private sector credit exposures. The group uses country of business as the basis of geographical allocation for the majority of its credit risk and risk country for market risk, which is defined by considering the country of incorporation, location of guarantor, headquarter domicile, distribution of revenue and booking country.

Table 6: CCyB1 – Geographical distribution of credit exposures used in countercyclical capital buffer

Geographical breakdown by Jurisdiction ('J')	a	c	d	e
	At 30 Jun 2023			
	Applicable JCCyB ratio in effect %	RWAs used in computation of CCyB ratio HK\$m	AI-specific CCyB ratio %	CCyB amount HK\$m
1 Hong Kong ¹	1.00	1,126,473		
2 Australia	1.00	112,991		
3 Bulgaria	1.50	2		
4 Croatia	0.50	1		
5 Czech Republic	2.50	1		
6 Denmark	2.50	63		
7 France	0.50	1,444		
8 Germany	0.75	2,081		
9 Iceland	2.00	41		
10 Ireland	0.50	2,457		
11 Luxembourg	0.50	3,779		
12 Netherlands	1.00	9,328		
13 Norway	2.50	41		
14 Romania	0.50	21		
15 Sweden	2.00	69		
16 United Kingdom	1.00	15,444		
Sum²		1,274,236		
Total³		2,241,356	0.57	17,945

1 The jurisdictional countercyclical capital buffer ('JCCyB') of Hong Kong used in the calculation of the CCyB buffer requirement has been 1.0% since 31 March 2020. The JCCyB of other countries used in the calculation of the CCyB requirement ranged from 0% to 2.5% at 30 June 2023.

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

3 The total RWAs used in the computation of the CCyB ratio in column (c) represents the total RWAs for the private sector credit exposures in all jurisdictions to which the group is exposed, including jurisdictions with no countercyclical buffer rate or with a countercyclical buffer rate set at zero. The CCyB amount in column (e) represents the group's total RWAs in row 4 of Table 1 of this document multiplied by the group specific CCyB ratio in column (d).

RWAs used in the computation of CCyB ratio decreased by HK\$78.6bn in the first half of 2023, mainly due to movements in asset size in Hong Kong corporate portfolios.

Leverage ratio

The following table shows the leverage ratio, Tier 1 capital and total exposure measure as contained in the 'Leverage Ratio' return submitted to the HKMA under the requirements specified in Part 1C of the BCR.

Table 7: LR2 – Leverage ratio

	a	b	
	30 Jun 2023 HK\$m	31 Mar 2023 HK\$m	
On-balance sheet exposures			
1	On-balance sheet exposures (excluding those arising from derivative contracts and securities financing transactions ('SFTs'), but including collateral)	7,795,479	7,713,134
2	Less: Asset amounts deducted in determining Tier 1 capital	(271,810)	(271,948)
3	Total on-balance sheet exposures (excluding derivative contracts and SFTs)	7,523,669	7,441,186
Exposures arising from derivative contracts			
4	Replacement cost associated with all derivative contracts (where applicable net of eligible cash variation margin and/or with bilateral netting)	148,893	108,735
5	Add-on amounts for potential future exposure ('PFE') associated with all derivative contracts	298,780	277,082
7	Less: Deductions of receivables assets for cash variation margin provided under derivative contracts	(112,422)	(90,534)
8	Less: Exempted central counterparty ('CCP') leg of client-cleared trade exposures	(42,830)	(38,139)
9	Adjusted effective notional amount of written credit-related derivative contracts	207,642	218,114
10	Less: Adjusted effective notional offsets and add-on deductions for written credit-related derivative contracts	(192,347)	(198,959)
11	Total exposures arising from derivative contracts	307,716	276,299
Exposures arising from SFTs			
12	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	1,012,820	1,103,517
13	Less: Netted amounts of cash payables and cash receivables of gross SFT assets	(25,922)	(27,118)
14	CCR exposure for SFT assets	32,961	36,621
16	Total exposures arising from SFTs	1,019,859	1,113,020
Other off-balance sheet exposures			
17	Off-balance sheet exposure at gross notional amount	3,695,925	3,687,520
18	Less: Adjustments for conversion to credit equivalent amounts	(3,006,572)	(3,000,971)
19	Off-balance sheet items	689,353	686,549
Capital and total exposures			
20	Tier 1 capital	553,095	564,908
20a	Total exposures before adjustments for specific and collective provisions	9,540,597	9,517,054
20b	Adjustments for specific and collective provisions	(41,263)	(41,720)
21	Total exposures after adjustments for specific and collective provisions	9,499,334	9,475,334
Leverage ratio			
22	Leverage ratio (%) ¹	5.8	6.0

¹ Leverage ratio is the ratio of Tier 1 capital to the total exposures after adjustments for specific and collective provisions.

Table 8: LR1 – Summary comparison of accounting assets against leverage ratio exposure measure

Item	a	
	Value under the LR framework 30 Jun 2023 HK\$m	
1	Total consolidated assets as per published financial statements	10,412,875
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	(778,135)
2a	Adjustment for securitised exposures that meet the operational requirements for the recognition of risk transference	(5,458)
4	Adjustments for derivative contracts	(191,681)
5	Adjustment for SFTs (i.e. repos and similar secured lending)	32,961
6	Adjustment for off-balance sheet ('OBS') items (i.e. conversion to credit equivalent amounts of OBS exposures)	689,977
6a	Adjustments for prudent valuation adjustments ('PVA') and specific and collective provisions that are allowed to be excluded from exposure measure	(3,670)
7	Other adjustments	(657,535)
8	Leverage ratio exposure measure	9,499,334

Other adjustments mainly represent the Hong Kong Government certificates of indebtedness and assets deducted in determining Tier 1 capital. These are excluded in deriving the leverage ratio exposure measure in accordance with the HKMA requirements specified in Part 1C of the BCR.

Overview of RWAs and the minimum capital requirements

Table 9: OV1 – Overview of RWAs

	a	b	c
	RWAs ¹	RWAs ¹	Minimum ² capital requirements
	30 Jun 2023 HK\$m	31 Mar 2023 HK\$m	30 Jun 2023 HK\$m
1 Credit risk for non-securitisation exposures	2,209,037	2,240,536	186,158
2 <i>of which: STC approach</i>	243,236	244,006	19,459
4 <i>of which: supervisory slotting criteria approach</i>	133,624	134,714	11,331
5 <i>of which: advanced IRB approach</i>	1,832,177	1,861,816	155,368
6 Counterparty default risk and default fund contributions	101,434	84,261	8,521
7 <i>of which: SA-CCR approach</i>	47,215	35,694	3,973
8 <i>of which: IMM (CCR) approach</i>	33,424	29,384	2,811
9 <i>of which: Others</i>	20,795	19,183	1,737
10 Credit valuation adjustment ('CVA') Risk	46,221	37,830	3,698
11 Equity positions in banking book under the simple risk weight method and the internal models method	28,093	28,960	2,382
12 Collective investment scheme ('CIS') exposures – look-through approach ('LTA')	1,227	1,258	104
13 CIS exposures – mandate-based approach ('MBA')	313	319	27
15 Settlement risk	51	167	4
16 Securitisation exposures in banking book	6,303	4,673	504
17 <i>of which: securitisation internal ratings-based approach ('SEC-IRBA')</i>	20	22	2
18 <i>of which: SEC-ERBA including internal assessment approach ('IAA')</i>	1,603	1,200	128
19 <i>of which: SEC-SA</i>	4,680	3,451	374
20 Market risk	158,369	158,119	12,673
21 <i>of which: STM approach</i>	1,811	1,182	148
22 <i>of which: IMM approach</i>	156,558	156,937	12,525
24 Operational risk	357,414	346,045	28,593
24a Sovereign concentration risk	1,034	8,258	83
25 Amounts below the thresholds for deduction (subject to 250% risk weight ('RW'))	161,010	164,933	13,654
26a Deduction to RWAs	38,384	37,467	3,071
26c <i>of which: portion of cumulative fair value gains arising from the revaluation of land and buildings which is not included in Tier 2 Capital</i>	38,384	37,467	3,071
27 Total	3,032,122	3,037,892	253,330

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

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

Credit risk for non-securitisation exposures

RWAs decreased by HK\$31.5bn in the second quarter of 2023, mainly due to foreign currency translation differences of HK\$25.8bn.

Counterparty default risk and default fund contributions

RWAs increased by HK\$17.1bn in the second quarter of 2023, mainly due to increases in derivative contracts' asset size, margin requirements and mark-to-market for foreign exchange products.

RWA flow statements

RWA flow statement for credit risk

Table 10: CR8 – RWA flow statement of credit risk exposures under IRB approach

		a
		HK\$m
1	RWAs as at 31 Mar 2023	1,996,530
2	Asset size	(12,195)
3	Asset quality	3,479
5	Methodology and policy	(526)
7	Foreign exchange movements	(21,487)
9	RWAs as at 30 Jun 2023	1,965,801

1 Credit risk in this table represents the credit risk for non-securitisation exposures excluding counterparty credit risk.

RWAs under the IRB approach decreased by HK\$30.7bn in the second quarter of 2023. Excluding the decrease arising from foreign currency translation differences of HK\$21.5bn, the decrease of HK\$9.2bn was mainly due to a decrease in asset size of HK\$12.2bn primarily from corporate lending in Hong Kong.

RWA flow statement for counterparty credit risk

Table 11: CCR7 – RWA flow statement of default risk exposures under IMM(CCR) approach

		a
		HK\$m
1	RWAs as at 31 Mar 2023	29,384
2	Asset size	4,205
3	Credit quality of counterparties	(112)
7	Foreign exchange movements	(53)
9	RWAs as at 30 Jun 2023	33,424

RWA flow statement for market risk

Table 12: MR2 – RWA flow statement of market risk exposures under IMM approach

		a	b	c	e	f
		Value at Risk (‘VaR’)	Stressed VaR	Incremental Risk Charge	Other	Total RWAs
		HK\$m	HK\$m	HK\$m	HK\$m	HK\$m
1	RWAs as at 31 Mar 2023	24,029	49,729	35,756	47,423	156,937
2	Movement in risk levels	(1,199)	(6,016)	(2,576)	9,696	(95)
6	Foreign exchange movements	(43)	(90)	(65)	(86)	(284)
8	RWAs as at 30 Jun 2023	22,787	43,623	33,115	57,033	156,558

Loss-absorbing Capacity

Table 13: KM2(A) – Key metrics – LAC requirements for material subsidiaries

	a	b	c	d	e	
	At					
	30 Jun 2023	31 Mar 2023	31 Dec 2022	30 Sep 2022	30 Jun 2022	
Of the group at LAC consolidation group level						
1	Internal loss-absorbing capacity available (HK\$m)	864,323	904,573	841,962	802,755	808,512
2	Risk-weighted amount under the LAC Rules (HK\$m)	3,166,612	3,173,613	3,222,168	3,186,026	3,252,522
3	Internal LAC risk-weighted ratio (%)	27.3	28.5	26.1	25.2	24.9
4	Exposure measure under the LAC Rules (HK\$m)	9,493,579	9,469,537	9,294,951	9,259,655	9,415,660
5	Internal LAC leverage ratio (%)	9.1	9.6	9.1	8.7	8.6
6a	Does the subordination exemption in the antepenultimate paragraph of Section 11 of the Financial Stability Board ('FSB') Total Loss-absorbing Capacity ('TLAC') Term Sheet apply? ¹	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? ¹	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
6c	If the capped subordination exemption applies, the amount of funding issued that ranks <i>pari passu</i> with excluded liabilities and that is recognised as external loss-absorbing capacity, divided by funding issued that ranks <i>pari passu</i> with excluded liabilities and that would be recognised as external loss-absorbing capacity if no cap was applied (%) ¹	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable

1 The subordination exemption in the antepenultimate and penultimate paragraphs of Section 11 of the FSB TLAC Term Sheet do not apply in Hong Kong under the LAC Rules.

Internal LAC available decreased by HK\$40.3bn in the second quarter of 2023, arising from a decrease of HK\$10.7bn in regulatory capital elements and a decrease of HK\$29.6bn in non-regulatory capital elements. The decrease in regulatory capital was mainly due to:

- unfavourable foreign currency translation differences of HK\$8.8bn;
- an increase in regulatory reserves deduction of HK\$2.6bn; and
- an increase in the threshold deduction for significant investments in financial sector entities of HK\$1.6bn;

partly offset by

- an increase in regulatory profits net of dividend paid of HK\$1.3bn.

The decrease in non-regulatory capital was driven by the redemption of LAC instruments of HK\$29.4bn and a decrease in carrying value of LAC instruments of HK\$3.7bn, partly offset by the issuance of new LAC instruments of HK\$3.5bn.

Table 14: TLAC1(A) – TLAC composition

	a	
	At 30 Jun 2023	
Regulatory capital elements of internal loss-absorbing capacity and adjustments (HK\$m)		
1	Common Equity Tier 1 ('CET1') capital	499,296
2	Additional tier 1 ('AT1') capital before LAC adjustments	53,799
5	AT1 capital eligible under the LAC Rules	53,799
6	Tier 2 ('T2') capital before LAC adjustments	66,012
10	T2 capital eligible under the LAC Rules	66,012
11	Internal loss-absorbing capacity arising from regulatory capital	619,107
Non-regulatory capital elements of internal loss-absorbing capacity (HK\$m)		
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	245,216
17	Internal loss-absorbing capacity arising from non-capital LAC debt instruments before adjustments	245,216
Non-regulatory capital elements of internal loss-absorbing capacity: adjustments (HK\$m)		
18	Internal loss-absorbing capacity before deductions	864,323
22	Internal loss-absorbing capacity after deductions	864,323
Risk-weighted amount and exposure measure under the LAC Rules for internal loss-absorbing capacity purposes (HK\$m)		
23	Risk-weighted amount under the LAC Rules	3,166,612
24	Exposure measure under the LAC Rules	9,493,579
Internal LAC ratios and buffers (%)		
25	Internal LAC risk-weighted ratio	27.3%
26	Internal LAC leverage ratio	9.1%
27	CET1 capital (as a percentage of RWA under the BCR) available after meeting the LAC consolidation group's minimum capital and LAC requirements	9.3%
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)	5.57%
29	<i>of which: capital conservation buffer requirement</i>	2.50%
30	<i>of which: institution-specific countercyclical capital buffer requirement</i>	0.57%
31	<i>of which: higher loss absorbency requirement</i>	2.50%

Table 15: TLAC2 – The Hongkong and Shanghai Banking Corporation Limited creditor ranking

		Creditor ranking (HK\$m)					Sum of 1 to 5
		1 (most junior)	2	3	4	5 (most senior)	
1	Is the resolution entity or a non-HK resolution entity the creditor/investor? (yes or no)	Yes	Yes	No ¹	Yes	Yes	
2	Description of creditor ranking	Ordinary shares ²	AT1 instruments	Primary capital notes	Tier 2 instruments	LAC loans	
3	Total capital and liabilities net of credit risk mitigation ('CRM')	180,181	52,499	3,134	25,601	257,879	519,294
5	Total capital and liabilities less excluded liabilities	180,181	52,499	3,134	25,601	257,879	519,294
6	– of row 5 that are eligible as internal loss-absorbing capacity	180,181	52,499	–	25,601	257,879	516,160
7	– of row 6 with 1 year ≤ residual maturity < 2 years	–	–	–	–	36,238	36,238
8	– of row 6 with 2 years ≤ residual maturity < 5 years	–	–	–	–	73,068	73,068
9	– of row 6 with 5 years ≤ residual maturity < 10 years	–	–	–	25,601	90,472	116,073
10	– of row 6 with residual maturity ≥ 10 years, but excluding perpetual securities	–	–	–	–	58,101	58,101
11	– of row 6 that are perpetual securities	180,181	52,499	–	–	–	232,680

¹ The company's primary capital notes are held by third parties.

² Excludes the value of share premium and reserves attributable to ordinary shareholders.

Credit risk

Credit quality of assets

Credit quality of exposures

Tables 16 to 17 present information on the credit quality of exposures by exposure category and changes in defaulted loans and debt securities on a regulatory consolidation basis. For further details on the credit quality of IRB and STC exposures, refer to Tables 24 to 26 and 28 respectively.

The loans covered in these tables are generally referred to as any on-balance sheet exposures included as credit risk for non-securitisation exposures, covering exposures to customers, banks, sovereigns and others. Cash items and non-financial assets are excluded.

Table 16: CR1 – Credit quality of exposures

		a		b		c		d		e		f		g	
		Gross carrying amounts of				of which: Expected Credit Loss ('ECL') accounting provisions ¹ for credit losses on STC approach exposures				of which: ECL accounting provisions for credit losses on IRB approach exposures				Net values (a+b-c)	
		Defaulted exposures	Non-defaulted exposures	Allowances/ impairments		Allocated in regulatory category of specific provisions	Allocated in regulatory category of collective provisions								
	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	
1	Loans	67,779	4,423,125	40,118	1,705	1,083			37,330					4,450,786	
2	Debt securities	—	1,825,945	224	—	22			202					1,825,721	
3	Off-balance sheet exposures	2,002	3,732,863	1,070	330	82			658					3,733,795	
4	Total at 30 Jun 2023	69,781	9,981,933	41,412	2,035	1,187			38,190					10,010,302	

1 The categorisation of 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. Provisions made for purchased or originated credit-impaired financial assets, under which any changes in lifetime expected credit losses will be recognised in the profit or loss account as an impairment gain or loss, are treated as specific provisions.

Table 17: CR2 – Changes in defaulted loans and debt securities

	a	
	HK\$m	
1	Defaulted loans and debt securities at 31 Dec 2022	63,498
2	Loans and debt securities that have defaulted since 31 Dec 2022	13,751
3	Returned to non-defaulted status	(1,111)
4	Amounts written off	(3,794)
5	Other changes ¹	(4,565)
6	Defaulted loans and debt securities at 30 Jun 2023	67,779

1 Other changes include repayment and foreign exchange movements.

Tables 18 and 19 analyse credit-impaired exposures and impairment allowances on a regulatory consolidation basis. For customer loans and advances, where the industry sector comprises not less than 10% of the group's total gross loans and advances to customers, the analysis of gross impaired loans and advances and allowances by major industry sectors based on categories and definitions used by the HSBC Group is as follows:

Table 18: Credit-impaired exposures and impairment allowances by industry

	Total gross loans and advances to customers	Gross credit-impaired loans and advances	Specific provisions ¹	Collective provisions ¹
	HK\$m	HK\$m	HK\$m	HK\$m
At 30 Jun 2023				
Residential mortgages	1,212,890	4,193	(222)	(111)
Real Estate	512,472	31,530	(15,091)	(3,743)
Wholesale and retail trade	368,530	9,328	(6,084)	(771)
Manufacturing	359,437	4,595	(2,930)	(748)
Others ²	1,223,058	15,953	(4,513)	(5,546)
Total	3,676,387	65,599	(28,840)	(10,919)

1 The classification of specific and collective provisions follows the treatment specified in the completion instructions of the HKMA Capital Adequacy Ratio – MA(BS)3 return. Details can be found in footnote 1 under table 16 of this document.

2 Any segment which constitutes less than 10% of total gross loans and advances to customers is disclosed on an aggregated basis under the category 'others'.

The geographical information shown below has been classified by the location of the principal operations of the subsidiary and by the location of the branch responsible for advancing the funds.

Table 19: Credit-impaired exposures and impairment allowances by geographical location

	Total gross loans and advances to customers HK\$m	Gross credit-impaired loans and advances HK\$m	Overdue loans and advances HK\$m	Specific provisions ¹ HK\$m	Collective provisions ¹ HK\$m
At 30 Jun 2023					
Hong Kong	2,289,957	47,836	11,232	(20,958)	(7,114)
Mainland China	361,001	2,736	1,608	(1,240)	(1,763)
Others ²	1,025,429	15,027	17,171	(6,642)	(2,042)
Total	3,676,387	65,599	30,011	(28,840)	(10,919)

¹ The classification of specific and collective provisions follows the treatment specified in the completion instructions of the HKMA Capital Adequacy Ratio – MA(BS)3 return. Details can be found in footnote 1 under table 16 of this document.

² Any geographical location which constitutes less than 10% of total gross loans and advances to customers is disclosed on an aggregated basis under the category 'others'.

Loans and advances to customers

Tables 20 to 22 analyse loans and advances to customers by geographical locations, by industries and by which are overdue and rescheduled on an accounting consolidation basis. The accounting consolidation basis is different from the regulatory consolidation basis as explained in the 'Basis of consolidation' section of this document.

The following analysis of loans and advances to customers by geographical areas is in accordance with the location of counterparties, after recognised risk transfer.

Table 20: Loans and advances to customers by geographical locations

	Hong Kong HK\$m	Rest of Asia-Pacific HK\$m	Other HK\$m	Total HK\$m
At 30 Jun 2023				
Gross loans and advances to customers	2,015,718	1,475,856	188,211	3,679,785

Tables 21 and 22 analyse the group's loans and advances to customers based on the categories used by the HKMA in the 'Quarterly Analysis of Loans and Advances and Provisions – (MA(BS)2A)' return.

Table 21: Loans and advances to customers by industry

	Gross Advances at 30 Jun 2023 HK\$m	Collateral and other security at 30 Jun 2023 HK\$m
Industrial, commercial and financial	881,515	510,336
– property development	117,194	44,119
– property investment	274,832	246,345
– financial concerns	104,615	53,510
– stockbrokers	4,713	2,165
– wholesale and retail trade	82,856	38,775
– manufacturing	47,608	11,476
– transport and transport equipment	45,157	31,522
– recreational activities	1,016	675
– information technology	43,108	845
– others	160,416	80,904
Individuals	992,435	886,975
– advances for the purchase of flats under the Hong Kong Government's Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme	76,380	76,369
– advances for the purchase of other residential properties	726,920	726,854
– credit card advances	64,731	–
– others	124,404	83,752
Gross loans and advances to customers for use in Hong Kong	1,873,950	1,397,311
Trade Finance	134,677	24,223
Gross loans and advances to customers for use outside Hong Kong	1,671,158	673,152
Gross loans and advances to customers	3,679,785	2,094,686

The categories of advances, and the relevant definitions, used by the HKMA differ from those used for internal purposes by the group as disclosed in Note 3 on the group's *Interim Report 2023*.

Collateral includes any tangible security that has a determinable fair market value and is readily marketable. This includes (but is not limited to) cash and deposits, stocks and bonds, mortgages over properties and charges over other fixed assets, such as plant and equipment. Where collateral values are greater than gross advances, only the amount of collateral up to the gross advance has been included.

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Rescheduled loans and advances to customers are those loans and advances that have been restructured or renegotiated because of deterioration in the financial position of the borrower, or because of the inability of the borrower to meet the original repayment schedule.

Rescheduled loans and advances to customers are stated net of any loans and advances that have subsequently become overdue for more than three months and which are included in overdue loans and advances to customers.

Table 22: Overdue and rescheduled loans and advances to customers

	Hong Kong		Rest of Asia-Pacific		Total	
	HK\$m	% ¹	HK\$m	% ¹	HK\$m	% ¹
At 30 Jun 2023						
Gross amounts which have been overdue with respect to either principal or interest for:						
– more than three months but not more than six months	7,004	0.3	1,816	0.1	8,820	0.2
– more than six months but not more than one year	6,200	0.3	1,177	0.1	7,377	0.2
– more than one year	12,114	0.5	5,689	0.4	17,803	0.4
Total	25,318	1.1	8,682	0.6	34,000	0.8
Specific provisions made in respect of amounts overdue ²	(11,129)		(5,114)		(16,243)	
Fair value of collateral held in respect of amounts overdue	6,774		4,219		10,993	
Rescheduled loans and advances to customers	5,403	0.2	3,311	0.2	8,714	0.2

¹ Percentages shown are of gross loans and advances to customers.

² The classification of specific provisions follows the treatment specified in the completion instructions of the HKMA Capital Adequacy Ratio – MA(BS)3 return. Details can be found in footnote 1 under Table 16 of this document.

Off-balance sheet exposures other than derivative transactions

The following table gives the nominal contract amounts and risk-weighted amounts of contingent liabilities and commitments. The information is consistent with that in the 'Capital Adequacy Ratio' return submitted to the HKMA by the group. The return is prepared on a consolidated basis as specified by the HKMA under the requirements of section 3C(1) of the BCR.

For accounting purposes, acceptances and endorsements are recognised on the balance sheet in 'Other assets'. For the purpose of the BCR, acceptances and endorsements are included in the capital adequacy calculation as if they were contingencies.

Table 23: Off-balance sheet exposures other than derivative transactions

	30 Jun 2023 HK\$m
Contract amounts	
Direct credit substitutes	46,997
Transaction-related contingencies	322,176
Trade-related contingencies	124,122
Forward asset purchases	2,801
Commitments that are unconditionally cancellable without prior notice	2,856,311
Commitments which have an original maturity of not more than one year	80,197
Commitments which have an original maturity of more than one year	303,365
Total	3,735,969
Risk-weighted amounts	344,408

Credit risk under internal ratings-based approach

Table 24.1: CR6 – Credit risk exposures by portfolio and PD range – for IRB approach (Wholesale)

	a	b	c	d	e	f	g	h	i	j	k	l
Probability of Default ('PD') scale	Original on-balance sheet gross exposure HK\$m	Off-balance sheet exposures pre-credit conversion factor ('CCF') HK\$m	Average CCF %	Exposure at default ('EAD') post-CRM and post-CCF HK\$m	Average PD %	Number of obligors	Average loss given default ('LGD') %	Average maturity years	RWAs HK\$m	RWA density %	Expected loss ('EL') HK\$m	Provisions HK\$m
Portfolio (i) – Sovereign												
0.00 to < 0.15	2,071,142	1,915	20.9	2,071,542	0.02	638	35.5	1.59	118,540	6	136	
0.15 to < 0.25	8,988	34	50.0	9,005	0.22	38	45.0	1.02	2,895	32	9	
0.25 to < 0.50	607	–	–	607	0.37	11	45.0	1.00	267	44	1	
0.50 to < 0.75	8,585	–	–	8,585	0.63	8	45.0	1.05	5,112	60	24	
0.75 to < 2.50	11,484	299	22.8	11,552	0.87	13	45.0	1.22	8,278	72	45	
2.50 to < 10.00	1,207	–	–	1,207	4.35	6	45.0	1.08	1,520	126	24	
10.00 to < 100.00	3,187	–	–	3,187	75.00	6	88.0	1.00	7,664	240	2,104	
100.00 (Default)	1,406	–	30.0	1,406	100.00	9	18.8	4.28	3,080	219	25	
Sub-total at 30 Jun 2023	2,106,606	2,248	21.6	2,107,091	0.21	729	35.7	1.58	147,356	7	2,368	1,817
Portfolio (ii) – Bank												
0.00 to < 0.15	479,910	72,990	40.6	509,521	0.05	16,921	40.5	1.20	66,805	13	93	
0.15 to < 0.25	13,949	7,239	40.1	16,855	0.22	556	44.6	0.94	6,742	40	17	
0.25 to < 0.50	3,222	3,501	32.8	4,371	0.37	1,161	40.4	1.23	2,361	54	7	
0.50 to < 0.75	6,233	4,088	38.5	7,805	0.63	321	39.6	1.15	4,911	63	19	
0.75 to < 2.50	2,311	1,282	49.5	2,946	1.27	213	42.9	0.99	2,313	79	16	
2.50 to < 10.00	671	431	4.8	692	4.19	68	52.8	0.41	919	133	14	
10.00 to < 100.00	16	2,394	0.9	38	51.58	27	68.1	1.00	86	225	15	
100.00 (Default)	112	–	–	112	100.00	1	64.7	1.00	2	2	93	
Sub-total at 30 Jun 2023	506,424	91,925	39.1	542,340	0.10	19,268	40.7	1.19	84,139	16	274	896
Portfolio (iii) – Corporate – small and medium sized corporates												
0.00 to < 0.15	13,992	32,077	34.4	24,765	0.10	1,072	38.1	1.61	4,165	17	9	
0.15 to < 0.25	9,011	17,781	27.2	13,854	0.22	972	44.0	1.87	4,756	34	13	
0.25 to < 0.50	17,814	22,551	27.1	23,926	0.37	1,158	30.7	1.78	7,522	31	27	
0.50 to < 0.75	25,593	22,371	24.9	31,162	0.63	1,089	30.7	1.68	12,533	40	60	
0.75 to < 2.50	98,952	57,392	26.7	114,247	1.35	4,017	29.1	1.86	61,520	54	449	
2.50 to < 10.00	27,933	13,532	25.1	31,334	4.13	1,128	33.1	1.50	24,794	79	440	
10.00 to < 100.00	4,518	1,279	26.0	4,851	23.16	186	34.1	1.16	5,537	114	415	
100.00 (Default)	5,572	84	18.6	5,588	100.00	95	34.6	1.43	15,298	274	944	
Sub-total at 30 Jun 2023	203,385	167,067	27.9	249,727	3.96	9,717	31.9	1.74	136,125	55	2,357	2,284
Portfolio (iv) – Corporate – other												
0.00 to < 0.15	625,932	857,217	26.8	844,416	0.08	20,813	45.5	1.55	169,034	20	309	
0.15 to < 0.25	174,623	257,185	25.7	240,028	0.22	5,011	47.8	1.51	96,557	40	252	
0.25 to < 0.50	134,193	225,541	26.0	192,707	0.37	4,867	45.1	1.49	96,423	50	321	
0.50 to < 0.75	129,820	186,980	23.3	173,308	0.63	3,653	42.8	1.38	104,617	60	468	
0.75 to < 2.50	360,867	384,473	23.0	449,102	1.46	9,278	37.5	1.32	339,884	76	2,425	
2.50 to < 10.00	86,960	95,442	22.4	108,332	4.47	2,997	38.4	1.34	122,425	113	1,879	
10.00 to < 100.00	28,927	7,594	26.4	30,931	21.50	439	35.3	1.28	56,650	183	2,230	
100.00 (Default)	50,239	1,691	32.9	50,795	100.00	619	44.4	1.15	68,015	134	24,587	
Sub-total at 30 Jun 2023	1,591,561	2,016,123	25.3	2,089,619	3.44	47,677	43.2	1.45	1,053,605	50	32,471	43,562

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Table 24.2: CR6 – Credit risk exposures by portfolio and PD range – for IRB approach (Retail)

	a	b	c	d	e	f	g	h	i	j	k	l
	Original on-balance sheet gross exposure	Off-balance sheet exposures pre-CCF	Average CCF	EAD post-CRM and post-CCF	Average PD	Number of obligors	Average LGD	Average maturity ¹	RWAs	RWA density	EL	Provisions
PD scale	HK\$m	HK\$m	%	HK\$m	%		%	years	HK\$m	%	HK\$m	HK\$m
Portfolio (v) – Retail – qualifying revolving retail exposures												
0.00 to < 0.15	30,684	463,390	33.7	186,696	0.06	4,246,736	100.7	–	7,268	4	114	
0.15 to < 0.25	3,377	19,151	47.9	12,552	0.22	259,705	100.6	–	1,480	12	28	
0.25 to < 0.50	8,806	33,805	39.2	22,054	0.40	380,812	97.2	–	4,053	18	85	
0.50 to < 0.75	6,503	7,737	53.0	10,601	0.58	95,493	97.7	–	2,691	25	60	
0.75 to < 2.50	17,572	33,132	39.2	30,543	1.36	315,438	96.3	–	14,296	47	400	
2.50 to < 10.00	9,731	5,844	60.9	13,290	4.48	118,312	90.9	–	13,635	103	546	
10.00 to < 100.00	3,649	1,086	84.7	4,570	23.03	38,931	87.9	–	8,684	190	946	
100.00 (Default)	185	55	0.9	185	100.00	2,345	99.9	–	327	176	159	
Sub-total at 30 Jun 2023	80,507	564,200	35.5	280,491	0.91	5,457,772	99.1	–	52,434	19	2,338	2,774
Portfolio (vi) – Retail – Residential mortgage exposures												
0.00 to < 0.15	478,935	31,097	53.5	495,924	0.09	169,232	16.3	–	60,080	12	70	
0.15 to < 0.25	207,771	11,874	87.5	218,230	0.19	118,666	12.9	–	27,576	13	53	
0.25 to < 0.50	184,930	2,533	68.6	186,693	0.37	64,664	11.2	–	26,492	14	80	
0.50 to < 0.75	83,115	528	123.2	83,765	0.58	34,682	12.8	–	12,978	15	62	
0.75 to < 2.50	104,724	789	95.3	105,477	1.11	48,496	11.8	–	19,278	18	136	
2.50 to < 10.00	41,007	280	105.6	41,302	4.40	18,081	12.2	–	17,332	42	225	
10.00 to < 100.00	6,799	62	102.7	6,863	20.41	5,030	16.9	–	6,450	94	241	
100.00 (Default)	4,680	50	–	4,680	100.00	4,520	13.2	–	6,453	138	225	
Sub-total at 30 Jun 2023	1,111,961	47,213	64.5	1,142,934	0.97	463,371	14.0	–	176,639	15	1,092	1,062
Portfolio (vii) – Retail – small business retail exposures												
0.00 to < 0.15	2,996	11	100.0	3,008	0.07	1,316	12.2	–	79	3	–	
0.15 to < 0.25	435	2	100.0	437	0.19	125	16.0	–	28	6	–	
0.25 to < 0.50	430	–	–	430	0.31	90	38.6	–	89	21	1	
0.50 to < 0.75	414	1	100.0	415	0.55	163	7.4	–	22	5	–	
0.75 to < 2.50	420	2	100.0	422	1.28	97	26.5	–	125	30	1	
2.50 to < 10.00	365	–	100.0	365	5.38	150	8.2	–	44	12	1	
10.00 to < 100.00	66	1	100.0	66	21.15	31	18.2	–	28	42	4	
100.00 (Default)	3	–	–	3	100.00	1	32.4	–	11	395	–	
Sub-total at 30 Jun 2023	5,129	17	100.0	5,146	0.94	1,973	15.3	–	426	8	7	3
Portfolio (viii) – Other retail exposures to individuals												
0.00 to < 0.15	6,871	28,429	28.9	15,096	0.08	72,421	14.9	–	441	3	2	
0.15 to < 0.25	2,740	20,802	29.4	8,847	0.21	52,732	5.6	–	208	2	1	
0.25 to < 0.50	10,004	12,288	35.8	14,407	0.34	81,070	59.0	–	4,755	33	28	
0.50 to < 0.75	4,312	4,273	41.1	6,069	0.65	20,898	42.1	–	2,065	34	15	
0.75 to < 2.50	10,461	2,211	31.8	11,166	1.47	37,692	70.5	–	9,253	83	121	
2.50 to < 10.00	4,579	2,620	42.3	5,687	3.66	23,175	45.5	–	3,776	66	115	
10.00 to < 100.00	667	37	62.3	690	18.88	5,618	86.8	–	1,228	178	119	
100.00 (Default)	115	23	21.6	120	100.00	1,172	62.9	–	228	191	60	
Sub-total at 30 Jun 2023	39,749	70,683	31.6	62,082	1.19	294,778	40.2	–	21,954	35	461	364

Table 24.3: CR6 – Credit risk exposures by portfolio and PD range – for IRB approach (Total)

	a	b	c	d	e	f	g	h	i	j	k	l
	Original on-balance sheet gross exposure	Off-balance sheet exposures pre-CCF	Average CCF	EAD post-CRM and post-CCF	Average PD	Number of obligors	Average LGD	Average ¹ maturity	RWAs	RWA density	EL	Provisions ²
	HK\$m	HK\$m	%	HK\$m	%		%	years	HK\$m	%	HK\$m	HK\$m
Total (sum of all portfolios) at 30 Jun 2023	5,645,322	2,959,476	28.6	6,479,430	1.56	6,295,285	37.4	1.49	1,672,678	26	41,368	52,762

¹ The average maturity is relevant to wholesale portfolios only.

² 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.

RWAs decreased by HK\$85.2bn in the first half of 2023 mainly due to a lower risk-weight floor for Hong Kong residential mortgage exposures.

Table 25: CR10 – Specialised Lending under supervisory slotting criteria approach – High volatility commercial real estate ('HVCRE')

	a	b	c	d	e	f
	On-balance sheet exposure amount	Off-balance sheet exposure amount	Supervisory risk weight ('SRW')	EAD amount	RWAs	EL amount
	HK\$m	HK\$m	%	HK\$m	HK\$m	HK\$m
Supervisory Rating Grade	Remaining maturity					
Strong [^]	Less than 2.5 years	500	—	70	500	350
Strong	Equal to or more than 2.5 years	89	—	95	89	85
Good	Equal to or more than 2.5 years	111	10	120	121	145
Total at 30 Jun 2023		700	10	710	580	3

[^] Use of preferential risk-weights.

Table 26: CR10 – Specialised Lending under supervisory slotting criteria approach – Other than HVCRE

	a	b	c	d(i)	d(iv)	d(v)	e	f
	On-balance sheet exposure amount	Off-balance sheet exposure amount	SRW	EAD amount			RWAs	EL amount
	HK\$m	HK\$m		Project Finance ('PF')	Producing Real Estate ('PRE')	Total		
	HK\$m	HK\$m	%	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m
Strong [^]	Less than 2.5 years	42,667	7,944	50	2,767	42,257	45,024	22,512
Strong	Less than 2.5 years	6,571	3,979	70	2,127	5,776	7,903	5,532
Strong [^]	Equal to or more than 2.5	3,516	1,409	50	4,055	—	4,055	2,028
Strong	Equal to or more than 2.5	34,285	1,338	70	12,721	22,238	34,959	24,471
Good [^]	Less than 2.5 years	25,965	4,612	70	775	26,602	27,377	19,164
Good	Less than 2.5 years	7,469	3,104	90	—	8,482	8,482	7,634
Good [^]	Equal to or more than 2.5	4,249	175	70	4,347	—	4,347	3,043
Good	Equal to or more than 2.5	17,263	1,602	90	—	17,846	17,846	16,061
Satisfactory		17,993	1,454	115	2,594	15,791	18,385	21,142
Weak		4,575	17	250	—	4,583	4,583	11,457
Default		2,256	33	—	864	1,407	2,271	—
Total at 30 Jun 2023		166,809	25,667		30,250	144,982	175,232	133,044

[^] Use of preferential risk weights.

Table 27: CR10 – Equity exposures under the simple risk weight method

	a	c	d	e
	On-balance sheet exposure amount	SRW	EAD amount	RWAs
	HK\$m	%	HK\$m	HK\$m
Categories				
Publicly traded equity exposures	—	300	—	1
All other equity exposures	7,023	400	7,023	28,092
Total at 30 Jun 2023	7,023		7,023	28,093

Credit risk under standardised approach

Table 28: CR5 – Credit risk exposures by asset classes and by risk weights – for STC approach

Risk Weight	Exposure class	a	c	d	e	f	g	h	j
		0% HK\$m	20% HK\$m	35% HK\$m	50% HK\$m	75% HK\$m	100% HK\$m	150% HK\$m	Total credit risk exposures amount (post-CCF and post-CRM) HK\$m
1	Sovereign exposures	29,120	268	–	40	–	–	–	29,428
2	Public sector entities ('PSE') exposures	79,554	26,034	–	1,842	–	10,613	–	118,043
2a	of which: domestic PSEs	–	16,570	–	1,210	–	–	–	17,780
2b	of which: foreign PSEs	79,554	9,464	–	632	–	10,613	–	100,263
4	Bank exposures	–	552	–	2,063	–	61	–	2,676
5	Securities firm exposures	–	–	–	633	–	–	–	633
6	Corporate exposures	–	11,311	–	3,065	–	119,911	591	134,878
10	Regulatory retail exposures	–	–	–	–	51,839	–	–	51,839
11	Residential mortgage loans	–	–	97,303	–	9,133	6,296	–	112,732
12	Other exposures which are not past due exposures	–	–	–	–	–	11,327	–	11,327
13	Past due exposures	114	4	–	–	–	232	1,778	2,128
15	Total at 30 Jun 2023	108,788	38,169	97,303	7,643	60,972	148,440	2,369	463,684

Credit risk mitigation

Table 29: CR3 – Overview of recognised credit risk mitigation

	Exposure class	a	b1	b	d
		Exposures unsecured: carrying amount HK\$m	Exposures to be secured HK\$m	Exposures secured by recognised collateral HK\$m	Exposures secured by recognised guarantees HK\$m
1	Loans	2,108,669	2,342,117	1,978,773	363,344
2	Debt securities	1,800,632	25,089	–	25,089
3	Total at 30 Jun 2023	3,909,301	2,367,206	1,978,773	388,433
4	of which: defaulted	15,568	23,846	21,548	2,298

Unsecured exposures increased by HK\$61.3bn in the first half of 2023, primarily due to an increase in holding of debt securities in Hong Kong.

Table 30: CR7 – Effects on RWAs of recognised credit derivative contracts used as recognised credit risk mitigation – for IRB approach

	Exposure class	a	b
		Pre-credit derivatives RWAs HK\$m	Actual RWAs HK\$m
1	Corporate – Specialised lending under supervisory slotting criteria approach (project finance)	20,373	20,373
4	Corporate – Specialised lending under supervisory slotting criteria approach (income-producing real estate)	112,671	112,671
5	Corporate – Specialised lending (high-volatility commercial real estate)	580	580
6	Corporate – Small-and-medium sized corporates	136,125	136,125
7	Corporate – Other corporates	1,053,605	1,053,605
8	Sovereigns	144,492	144,492
10	Multilateral development banks	2,864	2,864
11	Bank exposures – Banks	65,594	65,594
12	Bank exposures – Securities firms	18,545	18,545
14	Retail – Small business retail exposures	425	425
15	Retail – Residential mortgages to individuals	174,025	174,025
16	Retail – Residential mortgages to property-holding shell companies	2,614	2,614
17	Retail – Qualifying revolving retail exposures ('QRRE')	52,434	52,434
18	Retail – Other retail exposures to individuals	21,954	21,954
19	Equity – Equity exposures under market-based approach (simple risk weight method)	28,093	28,093
25	Equity – Equity exposures associated with equity investments in funds (CIS exposures)	1,540	1,540
26	Other – Cash items	2,090	2,090
27	Other – Other items	157,461	157,461
28	Total (under the IRB calculation approaches) at 30 Jun 2023	1,995,485	1,995,485

Table 31: CR4 – Credit risk exposures and effects of recognised credit risk mitigation – for STC approach

	a	b	c	d	e	f
	Exposures pre-CCF and pre-CRM		Exposures post-CCF and post-CRM		RWAs 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	RWAs HK\$m	RWA density %
Exposure classes						
1 Sovereign exposures	2	—	28,779	649	74	—
2 PSE exposures	149,932	13,340	114,058	3,985	16,741	14
2a of which: domestic PSEs	16,114	2,972	16,474	1,306	3,919	22
2b of which: foreign PSEs	133,818	10,368	97,584	2,679	12,822	13
4 Bank exposures	2,399	907	2,576	100	1,203	45
5 Securities firm exposures	633	35	633	—	317	50
6 Corporate exposures	145,403	211,141	124,503	10,375	124,591	92
10 Regulatory retail exposures	53,450	493,410	51,637	202	38,880	75
11 Residential mortgage loans	112,372	10,667	111,939	793	47,202	42
12 Other exposures which are not past due exposures	21,664	17,345	11,101	226	11,327	100
13 Past due exposures	2,108	66	2,108	20	2,901	136
15 Total at 30 Jun 2023	487,963	746,911	447,334	16,350	243,236	52

Counterparty credit risk exposures

Counterparty default risk exposures

CCR arises from derivatives and SFTs. It is calculated in both the trading and non-trading books, and is the risk that a counterparty may default before settlement of the transaction. An economic loss occurs if the transaction or portfolio of transactions with the counterparty has a positive economic value at the time of default. CCR is generated primarily in our wholesale global businesses.

Table 32: CCR1 – Analysis of counterparty default risk exposures (other than those to CCPs) by approaches

	a	b	c	d	e	f
	Replacement cost ('RC')	PFE	Effective expected positive exposures ('EEPE')	Alpha (α) used for computing default risk exposure	Default risk exposure after CRM	RWAs
	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m
1 SA-CCR approach (for derivative contracts)	33,217	68,121		1.4	141,872	47,215
2 IMM (CCR) approach			68,083	1.45	98,720	33,424
4 Comprehensive approach (for SFTs)					143,364	19,501
6 Total at 30 Jun 2023						100,140

Table 33: CCR2 – CVA capital charge

	a	b
	EAD post CRM	RWAs
	HK\$m	HK\$m
Netting sets for which CVA capital charge is calculated by the advanced CVA method	98,720	14,752
1 (i) VaR (after application of multiplication factor if applicable)		3,053
2 (ii) Stressed VaR (after application of multiplication factor if applicable)		11,699
3 Netting sets for which CVA capital charge is calculated by the standardised CVA method	142,200	31,469
4 Total at 30 Jun 2023	240,920	46,221

Table 34: CCR6 – Credit-related derivatives contracts

	a	b
	Protection bought	Protection sold
	HK\$m	HK\$m
At 30 Jun 2023		
Notional amounts		
Single-name credit default swaps	122,878	118,591
Index credit default swaps	96,441	87,718
Total return swaps	20,164	3,914
Total notional amounts	239,483	210,223
Fair values		
Positive fair value (asset)	732	2,221
Negative fair value (liability)	(2,222)	(233)

Table 35: CCR5 – Composition of collateral for counterparty default risk exposures (including those for contracts or transactions cleared through CCPs)

	a	b	c	d	e	f
	Derivative contracts				SFTs	
	Fair value of recognised collateral received		Fair value of posted collateral		Fair value of recognised collateral received	Fair value of posted collateral
	Segregated	Unsegregated	Segregated	Unsegregated		
	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m
Cash – domestic currency	–	8,065	–	7,973	31,146	16,372
Cash – other currencies	–	99,280	–	121,276	618,237	1,086,593
Domestic sovereign debt	–	–	–	21	2,956	36,059
Other sovereign debt	311	16,173	14,956	31,180	832,363	676,276
Government agency debt	–	102	–	212	–	–
Corporate bonds	7,357	7,614	6,734	–	256,824	56,016
Equity securities	–	2,581	–	–	110,605	101,542
Other collateral	–	8,462	–	–	228	–
Total at 30 Jun 2023	7,668	142,277	21,690	160,662	1,852,359	1,972,858

The received and posted collateral for SFTs increased by HK\$90.9bn and HK\$84.2bn respectively in the first half of 2023, due to higher demand for repo transactions with sovereign counterparties.

Table 36: CCR8 – Exposures to CCPs

	a	b
	Exposure after CRM HK\$m	RWAs HK\$m
At 30 Jun 2023		
1	Exposures of the AI as clearing member or clearing client to qualifying CCPs (total)	
2		1,156
2	Default risk exposures to qualifying CCPs (excluding items disclosed in rows 7 to 10)	
3	16,766	398
3	<i>of which: (i) OTC derivative transactions</i>	
4	6,190	186
4	<i>of which: (ii) exchange-traded derivative contracts</i>	
7	10,576	212
7	Segregated initial margin	
8	20,938	
8	Unsegregated initial margin	
9	13,133	266
9	Funded default fund contributions	
11	1,820	492
11	Exposures of the AI as clearing member or clearing client to non-qualifying CCPs (total)	
18		138
18	Unsegregated initial margin	
19	138	138
19	Funded default fund contributions	
	–	–

Counterparty default risk under internal ratings-based approach

Table 37: CCR4 – Counterparty default risk exposures (other than those to CCPs) by portfolio and PD range – for IRB approach

	a	b	c	d	e	f	g
PD scale	EAD post- CRM HK\$m	Average PD %	Number of obligors	Average LGD %	Average maturity years	RWAs HK\$m	RWA density %
Portfolio (i) – Sovereign							
0.00 to < 0.15	49,655	0.04	50	44.7	0.32	3,263	7
0.15 to < 0.25	236	0.22	2	45.0	1.00	83	35
0.25 to < 0.50	–	–	1	–	–	–	–
0.50 to < 0.75	–	–	1	–	–	–	–
0.75 to < 2.50	–	–	–	–	–	–	–
2.50 to < 10.00	–	–	–	–	–	–	–
10.00 to < 100.00	–	–	–	–	–	–	–
100.00 (Default)	–	–	–	–	–	–	–
Sub-total at 30 Jun 2023	49,891	0.04	54	44.7	0.32	3,346	7
Portfolio (ii) – Bank							
0.00 to < 0.15	209,883	0.06	1,954	37.8	0.81	28,996	14
0.15 to < 0.25	9,877	0.22	169	47.3	0.76	4,050	41
0.25 to < 0.50	4,705	0.37	177	46.9	0.51	2,466	52
0.50 to < 0.75	2,826	0.63	34	45.9	1.00	2,187	77
0.75 to < 2.50	1,575	1.26	30	45.8	0.93	1,599	102
2.50 to < 10.00	26	3.05	3	45.7	1.00	35	137
10.00 to < 100.00	13	75.00	1	76.2	1.00	28	208
100.00 (Default)	–	–	–	–	–	–	–
Sub-total at 30 Jun 2023	228,905	0.09	2,368	38.6	0.81	39,361	17
Portfolio (iii) – Corporate							
0.00 to < 0.15	44,390	0.08	1,909	48.0	1.67	10,720	24
0.15 to < 0.25	8,771	0.22	586	49.9	1.27	4,014	46
0.25 to < 0.50	16,675	0.37	448	48.6	2.73	14,161	85
0.50 to < 0.75	2,276	0.62	324	44.8	1.42	1,552	68
0.75 to < 2.50	9,263	1.36	792	48.3	1.07	8,599	93
2.50 to < 10.00	1,994	4.39	222	40.2	2.25	2,570	129
10.00 to < 100.00	40	13.42	6	48.8	1.40	86	215
100.00 (Default)	609	100.00	4	48.0	0.04	–	–
Sub-total at 30 Jun 2023	84,018	1.14	4,291	48.1	1.77	41,702	50
Total (sum of all portfolios) at 30 Jun 2023	362,814	0.33	6,713	41.6	0.96	84,409	23

The increase in average RW% from 21% at 31 December 2022 to 23% at 30 June 2023 was mainly due to an increase in the average PD for counterparty credit risk exposures within the bank portfolio.

At 30 June 2023, the percentage of total RWAs covered by IRB models is 96% for sovereign exposures, 99% for bank exposures and 75% for corporate exposures. Details on the scope of models for each of the regulatory portfolios can be found in the 'Credit risk under internal ratings-based approach' section from pages 20 to 22.

Counterparty default risk under standardised approach

Table 38: CCR3 – Counterparty default risk exposures (other than those to CCPs) by asset classes and by risk weights – for STC approach

Risk Weight	Exposure class	a	c	d	e	f	g	i
		0% HK\$m	20% HK\$m	50% HK\$m	75% HK\$m	100% HK\$m	150% HK\$m	Total default risk exposure after CRM HK\$m
1	Sovereign exposures	–	722	–	–	–	–	722
2	PSE exposures	1,564	1,401	1,550	–	4	–	4,519
2a	of which: domestic PSEs	–	959	–	–	–	–	959
2b	of which: foreign PSEs	1,564	442	1,550	–	4	–	3,560
4	Bank exposures	–	1,211	530	–	1	–	1,742
5	Securities firm exposures	–	–	35	–	–	–	35
6	Corporate exposures	–	–	1	–	13,663	4	13,668
8	Regulatory retail exposures	–	–	–	361	–	–	361
12	Total at 30 Jun 2023	1,564	3,334	2,116	361	13,668	4	21,047

Securitisation

Analysis of securitisation exposures

Table 39: SEC1 – Securitisation exposures in banking book

	a	b	c	g	h	i
	Acting as originator (excluding sponsor)			Acting as investor		
	Traditional HK\$m	Synthetic HK\$m	Sub-total HK\$m	Traditional HK\$m	Synthetic HK\$m	Sub-total HK\$m
At 30 Jun 2023						
1 Retail (total) – of which:	48,448	–	48,448	25,586	–	25,586
2 <i>residential mortgage</i>	48,448	–	48,448	7,904	–	7,904
4 <i>other retail exposures</i>	–	–	–	17,682	–	17,682

Table 40: SEC2 – Securitisation exposures in trading book

	g		i
	Acting as investor		
	Traditional HK\$m	Sub-total HK\$m	
At 30 Jun 2023			
1 Retail (total) – of which:	7,517	7,517	
2 <i>residential mortgage</i>	1,583	1,583	
4 <i>other retail exposures</i>	5,934	5,934	

Table 41: SEC4 – Securitisation exposures in banking book and associated capital requirements – where AI acts as investor

	a	b	c	d	g	h	k	l	o	p
	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	SEC- ERBA (including IAA)	SEC-SA	SEC- ERBA (including IAA)	SEC-SA	SEC- ERBA (including IAA)	SEC-SA
	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m
At 30 Jun 2023										
1 Total exposures	19,528	3,557	2,394	107	8,805	16,781	1,603	4,680	128	374
2 Traditional securitisation	19,528	3,557	2,394	107	8,805	16,781	1,603	4,680	128	374
3 <i>of which: securitisation</i>	19,528	3,557	2,394	107	8,805	16,781	1,603	4,680	128	374
4 <i>of which: retail</i>	19,528	3,557	2,394	107	8,805	16,781	1,603	4,680	128	374

Market risk

Market risk under standardised approach

Table 42: MR1 – Market risk under STM approach

		a
		RWAs HK\$m
Outright product exposures		
2	Equity exposures (general and specific risk)	1,216
4	Commodity exposures	1
8	Securitisation exposures	594
9	Total at 30 Jun 2023	1,811

Analysis of VaR, stressed VaR and incremental risk charge measures

The following table is prepared in accordance with the basis of preparation used to calculate the group's market risk capital charge under the IMM approach.

Table 43: MR3 – IMM approach values for market risk exposures

		a
		HK\$m
At 30 Jun 2023		
VaR (10 day – one-tailed 99% confidence interval)¹		
1	Maximum Value	838
2	Average Value	576
3	Minimum Value	436
4	Period End	748
Stressed VaR (10 day – one-tailed 99% confidence interval)¹		
5	Maximum Value	1,412
6	Average Value	1,050
7	Minimum Value	605
8	Period End	1,089
IRC (99.9% confidence interval)		
9	Maximum Value	3,154
10	Average Value	2,691
11	Minimum Value	2,185
12	Period End	2,654

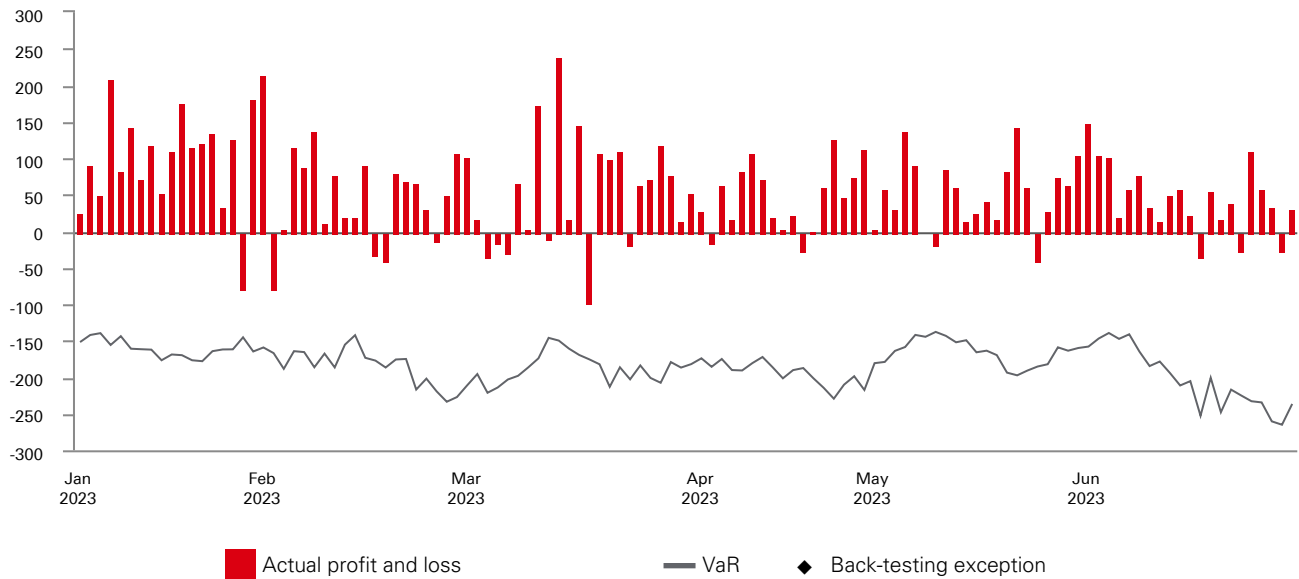
¹ The total VaR excludes Risks not in VaR ('RNIV').

The group's trading VaR and Stressed VaR at 30 June 2023 were higher than 31 December 2022 mainly due to an increase in interest rate risk exposures and higher level of market volatilities.

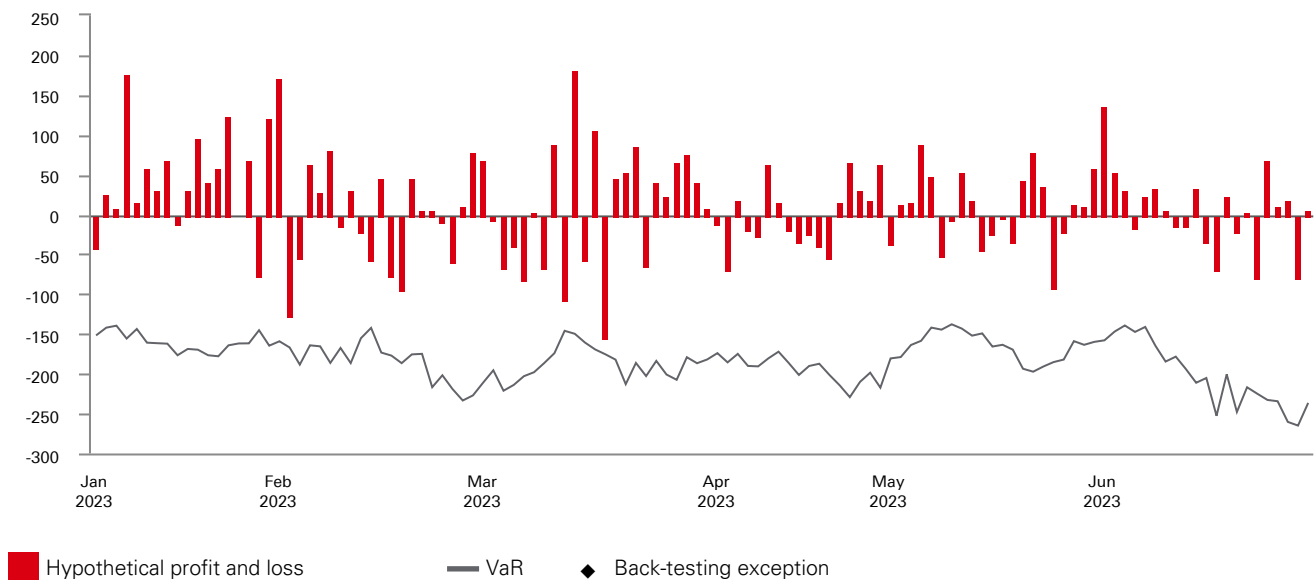
Trading IRC at 30 June 2023 was higher than 31 December 2022 due to an increase in bond trading exposures.

Table 44: MR4 – Comparison of VaR estimates with gains or losses

VaR back-testing exceptions against actual profit and loss (HK\$m)



VaR back-testing exceptions against hypothetical profit and loss (HK\$m)



There was no VaR back-testing loss exception in the first half of year 2023.

Liquidity information

The liquidity coverage ratio ('LCR') aims to ensure that a bank has sufficient unencumbered high quality liquid assets ('HQLA') to meet its liquidity needs in a 30 calendar day liquidity stress scenario. The group also uses the net stable funding ratio ('NSFR') as a basis for ensuring operating entities raise sufficient stable funding to support their business activities. The NSFR requires institutions to maintain a minimum amount of stable funding based on assumptions of asset liquidity.

Table 45: LIQ1 – Liquidity coverage ratio – for category 1 institution

Number of data points used in calculating the average value of the LCR and related components set out in this table for the quarters ended on 30 June 2023 was 71.		a	b
		Quarter ended 30 Jun 2023	
Basis of disclosure: consolidated		Unweighted value (average)	Weighted value (average)
		HK\$m	HK\$m
A	HQLA		
1	Total HQLA		1,951,506
B	Cash outflows		
2	Retail deposits and small business funding, of which:	3,635,429	344,114
3	Stable retail deposits and stable small business funding	278,081	8,379
4	Less stable retail deposits and less stable small business funding	3,357,348	335,735
5	Unsecured wholesale funding (other than small business funding) and debt securities and prescribed instruments issued by the AI, of which:	2,500,434	1,172,030
6	Operational deposits	724,845	176,847
7	Unsecured wholesale funding (other than small business funding) not covered in row 6	1,766,017	985,611
8	Debt securities and prescribed instruments issued by the AI and redeemable within the LCR period	9,572	9,572
9	Secured funding transactions (including securities swap transactions)		45,241
10	Additional requirements, of which:	1,242,356	368,076
11	Cash outflows arising from derivative contracts and other transactions, and additional liquidity needs arising from related collateral requirements	241,897	241,870
12	Cash outflows arising from obligations under structured financing transactions and repayment of funding obtained from such transactions	3,846	3,846
13	Potential drawdown of undrawn committed facilities (including committed credit facilities and committed liquidity facilities)	996,613	122,360
14	Contractual lending obligations (not otherwise covered in Section B) and other contractual cash outflows	180,282	180,282
15	Other contingent funding obligations (whether contractual or non-contractual)	2,650,151	22,764
16	Total cash outflows		2,132,507
C	Cash inflows		
17	Secured lending transactions (including securities swap transactions)	1,035,645	112,877
18	Secured and unsecured loans (other than secured lending transactions covered in row 17) and operational deposits placed at other financial institutions	918,897	500,149
19	Other cash inflows	284,091	283,095
20	Total cash inflows	2,238,633	896,121
D	Liquidity coverage ratio (adjusted value)		
21	Total HQLA		1,951,506
22	Total net cash outflows		1,236,386
23	LCR (%)		158.0

Table 46: LIQ2 – Net stable funding ratio – for category 1 institution

		a	b	c	d	e
		Quarter ended 30 Jun 2023				
		Unweighted value by residual maturity				
		<6 months No specified term to maturity HK\$m	or repayable on demand HK\$m	6 months to < 12 months HK\$m	12 months or more HK\$m	Weighted amount HK\$m
Basis of disclosure: consolidated						
A	Available stable funding ('ASF') item					
1	Capital:	834,380	—	—	33,613	867,993
2	Regulatory capital	834,380	—	—	26,339	860,719
3	Other capital instruments	—	—	—	7,274	7,274
4	Retail deposits and small business funding:		3,633,863	—	—	3,284,611
5	Stable deposits		282,673	—	—	268,540
6	Less stable deposits		3,351,190	—	—	3,016,071
7	Wholesale funding:	—	3,460,867	48,839	14,039	1,137,442
8	Operational deposits		702,509	—	—	351,254
9	Other wholesale funding	—	2,758,358	48,839	14,039	786,188
10	Liabilities with matching interdependent assets	332,284	—	—	—	—
11	Other liabilities:	289,323	226,215	30,521	274,366	289,626
12	All other funding and liabilities not included in the above categories	289,323	226,215	30,521	274,366	289,626
14	Total ASF					5,579,672
B	Required stable funding ('RSF') item					
15	Total HQLA for NSFR purposes ¹		2,089,706			102,268
17	Performing loans and securities:	459,287	2,714,185	428,936	2,315,567	3,015,790
18	Performing loans to financial institutions secured by Level 1 HQLA	—	935,916	13,607	11,767	112,162
19	Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	12,637	348,419	82,466	159,690	265,823
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:	166,427	1,020,013	295,728	992,430	1,571,357
21	With a risk-weight of less than or equal to 35% under the STC approach	303	4,888	1,224	34,333	31,723
22	Performing residential mortgages, of which:	—	12,026	10,906	1,082,664	733,370
23	With a risk-weight of less than or equal to 35% under the STC approach	—	9,970	9,611	992,363	654,939
24	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	280,223	397,811	26,229	69,016	333,078
25	Assets with matching interdependent liabilities	332,284	—	—	—	—
26	Other assets:	962,261	126,932	19	1,929	540,870
27	Physical traded commodities, including gold	18,676				15,875
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs	57,206				48,625
29	Net derivative assets	28,654				28,654
30	Total derivative liabilities before adjustments for deduction of variation margin posted	350,114				17,506
31	All other assets not included in the above categories	507,611	126,932	19	1,929	430,210
32	Off-balance sheet items ¹			3,700,138		49,925
33	Total RSF					3,708,853
34	Net Stable Funding Ratio (%)					150.4

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Table 46: LIQ2 – Net stable funding ratio – for category 1 institution (continued)

Basis of disclosure: consolidated	a	b	c	d	e
	Quarter ended				
	31 Mar 2023				
	Unweighted value by residual maturity				Weighted amount HK\$m
	No specified term to maturity HK\$m	<6 months or repayable on demand HK\$m	6 months to < 12 months HK\$m	12 months or more HK\$m	
	HK\$m	HK\$m	HK\$m	HK\$m	
A Available stable funding ('ASF') item					
1 Capital:	851,649	—	—	33,775	885,424
2 <i>Regulatory capital</i>	851,649	—	—	26,510	878,159
3 <i>Other capital instruments</i>	—	—	—	7,265	7,265
4 Retail deposits and small business funding:		3,658,232	—	28	3,306,379
5 <i>Stable deposits</i>		278,850	—	—	264,907
6 <i>Less stable deposits</i>		3,379,382	—	28	3,041,472
7 Wholesale funding:	—	3,354,712	58,607	25,499	1,158,326
8		735,019	—	—	367,510
9 <i>Operational deposits</i>	—	2,619,693	58,607	25,499	790,816
10 Liabilities with matching interdependent assets	337,614	—	—	—	—
11 Other liabilities:	298,631	225,455	23,974	284,843	296,830
12 <i>Net derivative liabilities</i>	2,212				
13 <i>All other funding and liabilities not included in the above categories</i>	296,419	225,455	23,974	284,843	296,830
14 Total ASF					5,646,959
B Required stable funding ('RSF') item					
15 Total HQLA for NSFR purposes ¹		2,102,394			92,723
17 Performing loans and securities:	421,643	2,686,773	363,442	2,487,227	3,073,519
18 <i>Performing loans to financial institutions secured by Level 1 HQLA</i>	—	1,138,795	14,374	3,053	124,120
19 <i>Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions</i>	15,173	174,636	66,105	193,716	268,137
20 <i>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:</i>	164,152	1,024,208	242,408	1,160,504	1,670,905
21 <i>With a risk-weight of less than or equal to 35% under the STC approach</i>	292	3,865	1,325	31,368	27,980
22 <i>Performing residential mortgages, of which:</i>	—	20,508	20,687	1,039,862	714,267
23 <i>With a risk-weight of less than or equal to 35% under the STC approach</i>	—	18,625	18,488	951,597	637,201
24 <i>Securities that are not in default and do not qualify as HQLA, including exchange-traded equities</i>	242,318	328,626	19,868	90,092	296,090
25 Assets with matching interdependent liabilities	337,614	—	—	—	—
26 Other assets:	831,568	97,970	5	1,965	486,006
27 <i>Physical traded commodities, including gold</i>	17,649				15,002
28 <i>Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs</i>	60,995				51,846
30 <i>Total derivative liabilities before adjustments for deduction of variation margin</i>	274,049				13,702
31 <i>All other assets not included in the above categories</i>	478,875	97,970	5	1,965	405,456
32 Off-balance sheet items ¹			3,677,565		51,268
33 Total RSF					3,703,516
34 Net Stable Funding Ratio (%)					152.5

¹ The unweighted values disclosed in these rows are not required to be split by residual maturity.

Other disclosures

Mainland activities

The analysis of mainland activities is based on the categories of non-bank counterparties and the type of direct exposures defined by the HKMA under the BDR with reference to the HKMA's Return of Mainland Activities – (MA(BS)20), which includes the mainland exposures extended by the Bank's Hong Kong offices and wholly-owned banking subsidiaries in mainland China.

Table 47: Mainland activities

	On-balance sheet exposure HK\$m	Off-balance sheet exposure HK\$m	Total exposures HK\$m	
At 30 Jun 2023				
Types of counterparties				
1	Central government, central government-owned entities and their subsidiaries and joint ventures ('JVs')	261,849	30,821	292,670
2	Local governments, local government-owned entities and their subsidiaries and JVs	94,096	5,011	99,107
3	People's Republic of China ('PRC') nationals residing in mainland China or other entities incorporated in mainland China and their subsidiaries and JVs	427,835	77,161	504,996
4	Other entities of central government not reported in item 1 above	13,586	4,322	17,908
5	Other entities of local governments not reported in item 2 above	9,056	1,607	10,663
6	PRC nationals residing outside mainland China or entities incorporated outside mainland China where the credit is granted for use in mainland China	27,881	3,098	30,979
7	Other counterparties where the exposures are considered by the reporting institution to be non-bank mainland China exposures	33,647	4,120	37,767
Total		867,950	126,140	994,090
Total assets after provision		6,655,881		
On-balance sheet exposures as percentage of total assets		13.04%		

International claims

The group's country risk exposures in the table below are prepared in accordance with the HKMA Return of International Banking Statistics – (MA(BS)21) guidelines. International claims are on-balance sheet exposures to counterparties based on the location of the counterparties, after taking into account the transfer of risk, and represent the sum of cross-border claims in all currencies and local claims in foreign currencies.

The table shows claims on individual countries and territories or areas, after recognised risk transfer, amounting to not less than 10% of the group's total international claims.

Table 48: International claims

	Banks HK\$m	Official sector HK\$m	Non-bank financial institutions HK\$m	Non-financial private sector HK\$m	Total HK\$m
At 30 Jun 2023					
Developed countries	538,643	719,398	410,356	586,341	2,254,738
<i>of which: United States</i>	45,415	483,829	144,278	218,670	892,192
Offshore centres	113,196	62,234	186,835	450,000	812,265
<i>of which: Hong Kong</i>	56,193	4,348	124,149	286,809	471,499
Developing Asia and Pacific	540,618	154,774	105,521	454,552	1,255,465
<i>of which: Mainland China</i>	392,323	95,178	68,507	278,928	834,936

Foreign currency positions

The group's foreign exchange exposures in the tables below are prepared in accordance with the HKMA return 'Foreign Currency Position Return – (MA(BS)6)'. The group had the following net structural foreign currency exposures that were not less than 10% of total net structural foreign currency positions at 30 June 2023:

Table 49: Net structural foreign currency exposures

	Net structural position	
	LCYm	HK\$m
At 30 Jun 2023		
Renminbi	251,948	271,982
US dollars	11,389	89,237

The group had the following non-structural foreign currency positions that were not less than 10% of the net non-structural positions in all foreign currencies at 30 June 2023:

Table 50: Non-structural foreign currency positions

HK\$m equivalent	United States	Chinese Renminbi	Australian dollars	Euro dollars
	HK\$m	HK\$m	HK\$m	HK\$m
At 30 Jun 2023				
Spot assets	2,569,582	905,226	626,918	162,774
Spot liabilities	(3,341,611)	(813,880)	(580,618)	(145,076)
Forward purchases	12,795,439	2,471,200	1,781,551	1,444,860
Forward sales	(12,018,239)	(2,560,699)	(1,826,226)	(1,464,230)
Net options positions	(8,283)	4,928	43	566
Net long (net short) position¹	(3,112)	6,775	1,668	(1,106)

¹ The net options positions reported above are calculated using the delta-weighted positions of the options contracts.

Other information

Abbreviations

The following abbreviated terms are used throughout this document.

Currencies

HK\$m	Millions of Hong Kong dollars
HK\$b	Billions (thousands of millions) of Hong Kong dollars
US\$m	Millions of United States dollars

A

AI	Authorised institution
ASF	Available stable funding
AT1	Additional tier 1

B

Bank	The Hongkong and Shanghai Banking Corporation Limited
BCBS	Basel Committee on Banking Supervision
BCR	Banking (Capital) Rules
BDR	Banking (Disclosure) Rules
BLR	Banking (Liquidity) Rules
BSC	Basic approach

C

CCF	Credit conversion factor
CCP ¹	Central counterparty
CCR ¹	Counterparty credit risk
CCyB ¹	Countercyclical capital buffer
CET1 ¹	Common equity tier 1
CIS	Collective investment scheme
CRM ¹	Credit risk mitigation/mitigant
CSA	Credit support annex
CVA ¹	Credit valuation adjustment

D

D-SIB	Domestic systemically important authorised institution
DTAs	Deferred tax assets

E

EAD ¹	Exposure at default
ECL ¹	Expected credit loss
EL	Expected loss
EEPE	Effective expected positive exposures

F

FIRO	Financial Institutions (Resolution) Ordinance
FSB	Financial Stability Board

G

Group	HSBC Holdings together with its subsidiary undertakings
group	The Hongkong and Shanghai Banking Corporation Limited together with its subsidiary undertakings
G-SIB ¹	Global systemically important authorised institution

H

HAHO	HSBC Asia Holdings Limited
HKFRS	Hong Kong Financial Reporting Standards
HKMA	Hong Kong Monetary Authority
Hong Kong	The Hong Kong Special Administrative Region of the People's Republic of China
HQLA	High-quality liquid assets
HSBC	HSBC Holdings together with its subsidiary undertakings
HSBC Group	HSBC Holdings together with its subsidiary undertakings
HVCRE	High volatility commercial real estate

I

IAA	Internal assessment approach
IMM ¹	Internal Models Method
IMM(CCR)	Internal models (counterparty credit risk)
IPRE	Income producing real estate
IRB ¹	Internal ratings-based approach

IRC	Incremental risk charge
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J

JCCyB	Jurisdictional countercyclical capital buffer
JVs	Joint ventures

L

LAC	Loss-absorbing capacity
LAC Rules	Financial Institutions (Resolution) (Loss-absorbing Capacity Requirements - Banking Sector) Rules

LCR ¹	Liquidity Coverage Ratio
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LGD ¹	Loss given default
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LR	Leverage ratio
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LTA	Look-through approach
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M

MBA	Mandate-based approach
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MSRs	Mortgage servicing rights
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N

NSFR ¹	Net stable funding ratio
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O

OBS	Off-balance sheet
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OTC ¹	Over-the-counter
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P

PD ¹	Probability of default
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PF	Project finance
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PFE	Potential future exposure
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PRC	People's Republic of China
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PSE	Public sector entities
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PVA	Prudent valuation adjustments
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Q

QRRE	Qualifying revolving retail exposures
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R

RC	Replacement cost
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RNIV	Risks not in VaR
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RSF	Required stable funding
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RW	Risk weight
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RWA ¹	Risk-weighted asset/risk-weighted amount
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S

SA-CCR	Standardised (counterparty credit risk) approach
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SEC-ERBA	Securitisation external ratings-based approach
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SEC-FBA	Securitisation fall-back approach
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SEC-IRBA	Securitisation internal ratings-based approach
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SEC-SA	Securitisation standardised approach
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SFT	Securities Financing Transactions
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SRW	Supervisory risk weight
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STC	Standardised (credit risk) approach
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STM	Standardised (market risk) approach
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STO	Standardised (operational risk) approach
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T

T1	Tier 1
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T2	Tier 2
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TC	Total regulatory capital
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TLAC ¹	Total Loss-absorbing Capacity
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V

VaR ¹	Value at risk
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¹ Full definition included in the Glossary published on HSBC website www.hsbc.com

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