

Regulatory Disclosures

30 June 2022



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1. Key prudential ratios, key metrics and overview of RWA

KM1: Key prudential ratios

	(a)	(b)	(c)	(d)	(e)
	At 30 June 2022	At 31 March 2022	At 31 December 2021	At 30 September 2021	At 30 June 2021
	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m
Regulatory capital					
1 Common Equity Tier 1 (CET1)	229,606	226,324	224,189	226,671	225,551
2 Tier 1	253,082	249,800	247,665	250,147	249,027
3 Total capital	283,299	280,197	277,841	280,466	279,814
RWA					
4 Total RWA	1,300,061	1,330,262	1,296,488	1,292,202	1,414,072
Risk-based regulatory capital ratios (as a percentage of RWA)					
5 CET1 ratio (%)	17.66%	17.01%	17.29%	17.54%	15.95%
6 Tier 1 ratio (%)	19.47%	18.78%	19.10%	19.36%	17.61%
7 Total capital ratio (%)	21.79%	21.06%	21.43%	21.70%	19.79%
Additional CET1 buffer requirements (as a percentage of RWA)					
8 Capital conservation buffer requirement (%)	2.500%	2.500%	2.500%	2.500%	2.500%
9 Countercyclical capital buffer requirement (%)	0.812%	0.802%	0.799%	0.800%	0.820%
10 Higher loss absorbency requirements (%) (applicable only to G-SIBs or D-SIBs)	1.500%	1.500%	1.500%	1.500%	1.500%
11 Total AI-specific CET1 buffer requirements (%)	4.812%	4.802%	4.799%	4.800%	4.820%
12 CET1 available after meeting the AI's minimum capital requirements (%)	13.16%	12.51%	12.79%	13.04%	11.45%
Basel III leverage ratio					
13 Total leverage ratio (LR) exposure measure	3,300,345	3,309,535	3,357,468	3,268,216	3,546,391
14 LR (%)	7.67%	7.55%	7.38%	7.65%	7.02%
Liquidity Coverage Ratio (LCR)/Liquidity Maintenance Ratio (LMR)					
Applicable to category 1 institution only:					
15 Total high quality liquid assets (HQLA)	886,662	1,034,777	942,170	889,577	897,070
16 Total net cash outflows	594,283	647,998	659,760	680,775	687,483
17 LCR (%)	149.49%	159.16%	142.96%	131.01%	130.81%
Applicable to category 2 institution only:					
17a LMR (%)	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
Net Stable Funding Ratio (NSFR)/Core Funding Ratio (CFR)					
Applicable to category 1 institution only:					
18 Total available stable funding	1,907,244	1,877,886	1,849,386	1,821,450	1,778,438
19 Total required stable funding	1,503,313	1,516,181	1,473,818	1,461,466	1,517,142
20 NSFR (%)	126.87%	123.86%	125.48%	124.63%	117.22%
Applicable to category 2A institution only:					
20a CFR (%)	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable

1. Key prudential ratios, key metrics and overview of RWA (continued)

KM2(A): Key metrics – LAC requirements for material subsidiaries (at LAC consolidation group level)

		(a)	(b)	(c)	(d)	(e)
		At 30 June 2022	At 31 March 2022	At 31 December 2021	At 30 September 2021	At 30 June 2021
		HK\$m	HK\$m	HK\$m	HK\$m	HK\$m
Of the material entity at LAC consolidation group level						
1	Internal loss-absorbing capacity available	259,823	256,721	254,365	256,990	256,338
2	Risk-weighted amount under the LAC Rules	1,300,061	1,330,262	1,296,488	1,292,202	1,414,072
3	Internal LAC risk-weighted ratio	19.99%	19.30%	19.62%	19.89%	18.13%
4	Exposure measure under the LAC Rules	3,300,345	3,309,535	3,357,468	3,268,216	3,546,391
5	Internal LAC leverage ratio	7.87%	7.76%	7.58%	7.86%	7.23%
6a	Does the subordination exemption in the antepenultimate paragraph of Section 11 of the FSB 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 pari passu with excluded liabilities and that is recognised as external loss-absorbing capacity, divided by funding issued that ranks pari passu with excluded liabilities and that would be recognised as external loss-absorbing capacity if no cap was applied ¹	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable

Footnote:

¹ The subordination exemptions under Section 11 of the Financial Stability Board ("FSB") Total Loss-absorbing Capacity Term Sheet ("TLAC Term Sheet") do not apply in Hong Kong under the LAC Rules.

1. Key prudential ratios, key metrics and overview of RWA (continued)

KM2(B): Key metrics – TLAC requirements for non-HK resolution entity (at resolution group level)

		(a)	(b)	(c)	(d)	(e)
		At 30 June 2022 ¹	At 31 March 2022 ¹	At 31 December 2021 ¹	At 30 September 2021 ¹	At 30 June 2021 ¹
		HK\$m	HK\$m	HK\$m	HK\$m	HK\$m
Of the non-HK resolution entity at resolution group level						
1	External loss-absorbing capacity available	3,304,501	3,424,470	3,310,539	3,126,922	3,036,509
2	Total risk-weighted amount under the relevant non-HK LAC regime	19,448,240	Not applicable ²	20,023,532	Not applicable ²	19,451,738
3	External loss-absorbing capacity as a percentage of risk-weighted amount	16.99%	16.64%	16.53%	16.00%	15.61%
4	Leverage ratio exposure measure under the relevant non-HK LAC regime	34,979,020	36,036,848	34,868,074	33,537,472	33,489,199
5	External loss-absorbing capacity as a percentage of leverage ratio exposure measure	9.45%	9.50%	9.49%	9.32%	9.07%
6a	Does the subordination exemption in the antepenultimate paragraph of Section 11 of the FSB TLAC Term Sheet apply?	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?	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
6c	If the capped subordination exemption applies, the amount of funding issued that ranks pari passu with excluded liabilities and that is recognised as external loss-absorbing capacity, divided by funding issued that ranks pari passu with excluded liabilities and that would be recognised as external loss-absorbing capacity if no cap was applied	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable

Footnote:

¹ The relevant non-HK LAC regime in the non-HK jurisdiction is not yet implemented and that the values for rows 1 to 5 are reported on the regulatory capital regime of the non-HK jurisdiction as proxies.

² "Not applicable" is reported because the value was not published by the non-HK resolution entity.

1. Key prudential ratios, key metrics and overview of RWA (continued)

OV1: Overview of RWA

		(a)	(b)	(c)
		RWA		Minimum capital requirements
		At 30 June 2022	At 31 March 2022	At 30 June 2022
		HK\$m	HK\$m	HK\$m
1	Credit risk for non-securitization exposures	1,120,571	1,151,188	94,607
2	Of which STC approach	87,062	93,858	6,965
2a	Of which BSC approach	-	-	-
3	Of which foundation IRB approach	1,031,083	1,054,805	87,436
4	Of which supervisory slotting criteria approach	2,426	2,525	206
5	Of which advanced IRB approach	-	-	-
6	Counterparty default risk and default fund contributions	16,129	11,976	1,360
7	Of which SA-CCR approach	15,880	11,704	1,340
7a	Of which CEM	-	-	-
8	Of which IMM(CCR) approach	-	-	-
9	Of which others	249	272	20
10	CVA risk	6,954	6,124	556
11	Equity positions in banking book under the simple risk-weight method and internal models method	-	-	-
12	Collective investment scheme ("CIS") exposures – LTA	Not applicable	Not applicable	Not applicable
13	CIS exposures – MBA	Not applicable	Not applicable	Not applicable
14	CIS exposures – FBA	Not applicable	Not applicable	Not applicable
14a	CIS exposures – combination of approaches	Not applicable	Not applicable	Not applicable
15	Settlement risk	-	-	-
16	Securitization exposures in banking book	-	-	-
17	Of which SEC-IRBA	-	-	-
18	Of which SEC-ERBA (including IAA)	-	-	-
19	Of which SEC-SA	-	-	-
19a	Of which SEC-FBA	-	-	-
20	Market risk	19,268	21,033	1,541
21	Of which STM approach	1,878	1,415	150
22	Of which IMM approach	17,390	19,618	1,391
23	Capital charge for switch between exposures in trading book and banking book (not applicable before the revised market risk framework takes effect)	Not applicable	Not applicable	Not applicable
24	Operational risk	94,652	94,833	7,572
24a	Sovereign concentration risk	-	-	-
25	Amounts below the thresholds for deduction (subject to 250% RW)	6,983	8,389	559
26	Capital floor adjustment	-	-	-
26a	Deduction to RWA	27,378	27,351	2,190
26b	Of which portion of regulatory reserve for general banking risks and collective provisions which is not included in Tier 2 Capital	-	-	-
26c	Of which portion of cumulative fair value gains arising from the revaluation of land and buildings which is not included in Tier 2 Capital	27,378	27,351	2,190
27	Total	1,237,179	1,266,192	104,005

In this table, RWAs for credit risk calculated under the IRB approach are before the application of the 1.06 scaling factor. Minimum capital requirement represents the amount of capital required to be held for that risk based on its RWAs after any applicable scaling factor multiplied by 8%.

Compared with 31 March 2022, RWA under STC approach decreased by HK\$6,796 million, which was mainly due to decrease in RWA in Southeast Asian entities. Compared with 31 March 2022, the 35% increase in RWA of counterparty default risk and default fund contributions was mainly driven by change in outstanding derivative transaction volume.

2. Composition of regulatory capital

CC1: Composition of regulatory capital

		At 30 June 2022	
		(a)	(b)
		HK\$m	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
	CET1 capital: instruments and reserves		
1	Directly issued qualifying CET1 capital instruments plus any related share premium	43,043	(6)
2	Retained earnings	207,042	(7)
3	Disclosed reserves	37,612	(9)+(10)+(11)+(12)
4	<i>Directly issued capital subject to phase-out arrangements from CET1 (only applicable to non-joint stock companies)</i>	Not applicable	Not applicable
5	Minority interests arising from CET1 capital instruments issued by consolidated bank subsidiaries and held by third parties (amount allowed in CET1 capital of the consolidation group)	-	
6	CET1 capital before regulatory deductions	287,697	
	CET1 capital: regulatory deductions		
7	Valuation adjustments	38	Not applicable
8	Goodwill (net of associated deferred tax liabilities)	-	
9	Other intangible assets (net of associated deferred tax liabilities)	1,647	(3)-(5)
10	Deferred tax assets (net of associated deferred tax liabilities)	218	(2)
11	Cash flow hedge reserve	-	
12	Excess of total EL amount over total eligible provisions under the IRB approach	-	
13	Credit-enhancing interest-only strip, and any gain-on-sale and other increase in the CET1 capital arising from securitization transactions	-	
14	Gains and losses due to changes in own credit risk on fair valued liabilities	144	(1)+(4)
15	Defined benefit pension fund net assets (net of associated deferred tax liabilities)	-	
16	Investments in own CET1 capital instruments (if not already netted off paid-in capital on reported balance sheet)	-	
17	Reciprocal cross-holdings in CET1 capital instruments	-	
18	Insignificant LAC investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-	
19	Significant LAC investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-	
20	Mortgage servicing rights (net of associated deferred tax liabilities)	Not applicable	Not applicable
21	Deferred tax assets arising from temporary differences (net of associated deferred tax liabilities)	Not applicable	Not applicable
22	Amount exceeding the 15% threshold	Not applicable	Not applicable
23	of which: significant investments in the ordinary share of financial sector entities	Not applicable	Not applicable
24	of which: mortgage servicing rights	Not applicable	Not applicable
25	of which: deferred tax assets arising from temporary differences	Not applicable	Not applicable
26	National specific regulatory adjustments applied to CET1 capital	56,044	
26a	Cumulative fair value gains arising from the revaluation of land and buildings (own-use and investment properties)	49,779	(8)+(9)
26b	Regulatory reserve for general banking risks	6,265	(11)
26c	Securitization exposures specified in a notice given by the MA	-	
26d	Cumulative losses below depreciated cost arising from the institution's holdings of land and buildings	-	
26e	Capital shortfall of regulated non-bank subsidiaries	-	
26f	Capital investment in a connected company which is a commercial entity (amount above 15% of the reporting institution's capital base)	-	

2. Composition of regulatory capital (continued)

CC1: Composition of regulatory capital (continued)

		At 30 June 2022	
		(a)	(b)
		HK\$m	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
27	Regulatory deductions applied to CET1 capital due to insufficient AT1 capital and Tier 2 capital to cover deductions	-	
28	Total regulatory deductions to CET1 capital	58,091	
29	CET1 capital	229,606	
	AT1 capital: instruments		
30	Qualifying AT1 capital instruments plus any related share premium	23,476	
31	of which: classified as equity under applicable accounting standards	23,476	(13)
32	of which: classified as liabilities under applicable accounting standards	-	
33	<i>Capital instruments subject to phase-out arrangements from AT1 capital</i>	-	
34	AT1 capital instruments issued by consolidated bank subsidiaries and held by third parties (amount allowed in AT1 capital of the consolidation group)	-	
35	<i>of which: AT1 capital instruments issued by subsidiaries subject to phase-out arrangements</i>	-	
36	AT1 capital before regulatory deductions	23,476	
	AT1 capital: regulatory deductions		
37	Investments in own AT1 capital instruments	-	
38	Reciprocal cross-holdings in AT1 capital instruments	-	
39	Insignificant LAC investments in AT1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-	
40	Significant LAC investments in AT1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	-	
41	National specific regulatory adjustments applied to AT1 capital	-	
42	Regulatory deductions applied to AT1 capital due to insufficient Tier 2 capital to cover deductions	-	
43	Total regulatory deductions to AT1 capital	-	
44	AT1 capital	23,476	
45	Tier 1 capital (T1 = CET1 + AT1)	253,082	
	Tier 2 capital: instruments and provisions		
46	Qualifying Tier 2 capital instruments plus any related share premium	-	
47	<i>Capital instruments subject to phase-out arrangements from Tier 2 capital</i>	-	
48	Tier 2 capital instruments issued by consolidated bank subsidiaries and held by third parties (amount allowed in Tier 2 capital of the consolidation group)	-	
49	<i>of which: capital instruments issued by subsidiaries subject to phase-out arrangements</i>	-	
50	Collective provisions and regulatory reserve for general banking risks eligible for inclusion in Tier 2 capital	7,816	Not applicable
51	Tier 2 capital before regulatory deductions	7,816	
	Tier 2 capital: regulatory deductions		
52	Investments in own Tier 2 capital instruments	-	
53	Reciprocal cross-holdings in Tier 2 capital instruments and non-capital LAC liabilities	-	

2. Composition of regulatory capital (continued)

CC1: Composition of regulatory capital (continued)

		At 30 June 2022	
		(a)	(b)
		HK\$m	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
54	Insignificant LAC investments in Tier 2 capital instruments issued by, and non-capital LAC liabilities of, financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold and, where applicable, 5% threshold)	-	
54a	Insignificant LAC investments in non-capital LAC liabilities of financial sector entities that are outside the scope of regulatory consolidation (amount formerly designated for the 5% threshold but no longer meets the conditions) (for institutions defined as "section 2 institution" under §2(1) of Schedule 4F to BCR only)	-	
55	Significant LAC investments in Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-	
55a	Significant LAC investments in non-capital LAC liabilities of financial sector entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-	
56	National specific regulatory adjustments applied to Tier 2 capital	(22,401)	
56a	Add back of cumulative fair value gains arising from the revaluation of land and buildings (own-use and investment properties) eligible for inclusion in Tier 2 capital	(22,401)	[(8)+(9)]*45%
56b	Regulatory deductions applied to Tier 2 capital to cover the required deductions falling within §48(1)(g) of BCR	-	
57	Total regulatory adjustments to Tier 2 capital	(22,401)	
58	Tier 2 capital (T2)	30,217	
59	Total regulatory capital (TC = T1 + T2)	283,299	
60	Total RWA	1,300,061	
Capital ratios (as a percentage of RWA)			
61	CET1 capital ratio	17.66%	
62	Tier 1 capital ratio	19.47%	
63	Total capital ratio	21.79%	
64	Institution-specific buffer requirement (capital conservation buffer plus countercyclical capital buffer plus higher loss absorbency requirements)	4.812%	
65	of which: capital conservation buffer requirement	2.500%	
66	of which: bank specific countercyclical capital buffer requirement	0.812%	
67	of which: higher loss absorbency requirement	1.500%	
68	CET1 (as a percentage of RWA) available after meeting minimum capital requirements	13.16%	
National minima (if different from Basel 3 minimum)			
69	National CET1 minimum ratio	Not applicable	Not applicable
70	National Tier 1 minimum ratio	Not applicable	Not applicable
71	National Total capital minimum ratio	Not applicable	Not applicable
Amounts below the thresholds for deduction (before risk weighting)			
72	Insignificant LAC investments in CET1, AT1 and Tier 2 capital instruments issued by, and non-capital LAC liabilities of, financial sector entities that are outside the scope of regulatory consolidation	21,796	
73	Significant LAC investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	3,293	
74	Mortgage servicing rights (net of associated deferred tax liabilities)	Not applicable	Not applicable
75	Deferred tax assets arising from temporary differences (net of associated deferred tax liabilities)	Not applicable	Not applicable

2. Composition of regulatory capital (continued)

CC1: Composition of regulatory capital (continued)

		At 30 June 2022	
		(a)	(b)
		HK\$m	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
	Applicable caps on the inclusion of provisions in Tier 2 capital		
76	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to the BSC approach, or the STC approach and SEC-ERBA, SEC-SA and SEC-FBA (prior to application of cap)	1,150	
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	1,193	
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)	8,182	
79	Cap for inclusion of provisions in Tier 2 under the IRB approach and SEC-IRBA	6,666	
	Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2018 and 1 Jan 2022)		
80	<i>Current cap on CET1 capital instruments subject to phase-out arrangements</i>	Not applicable	Not applicable
81	<i>Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)</i>	Not applicable	Not applicable
82	<i>Current cap on AT1 capital instruments subject to phase-out arrangements</i>	-	
83	<i>Amount excluded from AT1 capital due to cap (excess over cap after redemptions and maturities)</i>	-	
84	<i>Current cap on Tier 2 capital instruments subject to phase-out arrangements</i>	-	
85	<i>Amount excluded from Tier 2 capital due to cap (excess over cap after redemptions and maturities)</i>	-	

2. Composition of regulatory capital (continued)

CC1: Composition of regulatory capital (continued)

Notes to the Template

Row No.	Description	Hong Kong basis	Basel III basis
		HK\$m	HK\$m
9	Other intangible assets (net of associated deferred tax liabilities)	1,647	-
	Explanation As set out in paragraph 87 of the Basel III text issued by the Basel Committee (December 2010), mortgage servicing rights ("MSRs") may be given limited recognition in CET1 capital (and hence be excluded from deduction from CET1 capital up to the specified threshold). In Hong Kong, an AI is required to follow the accounting treatment of including MSRs as part of intangible assets reported in the AI's financial statements and to deduct MSRs in full from CET1 capital. Therefore, the amount to be deducted as reported in row 9 may be greater than that required under Basel III. The amount reported under the column "Basel III basis" in this box represents the amount reported in row 9 (i.e. the amount reported under the "Hong Kong basis") adjusted by reducing the amount of MSRs to be deducted to the extent not in excess of the 10% threshold set for MSRs and the aggregate 15% threshold set for MSRs, DTAs arising from temporary differences and significant investments in CET1 capital instruments issued by financial sector entities (excluding those that are loans, facilities or other credit exposures to connected companies) under Basel III.		
10	Deferred tax assets (net of associated deferred tax liabilities)	218	-
	Explanation As set out in paragraphs 69 and 87 of the Basel III text issued by the Basel Committee (December 2010), DTAs of the bank to be realized are to be deducted, whereas DTAs which relate to temporary differences may be given limited recognition in CET1 capital (and hence be excluded from deduction from CET1 capital up to the specified threshold). In Hong Kong, an AI is required to deduct all DTAs in full, irrespective of their origin, from CET1 capital. Therefore, the amount to be deducted as reported in row 10 may be greater than that required under Basel III. The amount reported under the column "Basel III basis" in this box represents the amount reported in row 10 (i.e. the amount reported under the "Hong Kong basis") adjusted by reducing the amount of DTAs to be deducted which relate to temporary differences to the extent not in excess of the 10% threshold set for DTAs arising from temporary differences and the aggregate 15% threshold set for MSRs, DTAs arising from temporary differences and significant investments in CET1 capital instruments issued by financial sector entities (excluding those that are loans, facilities or other credit exposures to connected companies) under Basel III.		
18	Insignificant LAC investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-	-
	Explanation For the purpose of determining the total amount of insignificant 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 MA that any such loan was made, any such facility was granted, or any such other credit exposure was incurred, in the ordinary course of the AI's business. Therefore, the amount to be deducted as reported in row 18 may be greater than that required under Basel III. The amount reported under the column "Basel III basis" in this box represents the amount reported in row 18 (i.e. the amount reported under the "Hong Kong basis") adjusted by excluding the aggregate amount of loans, facilities or other credit exposures to the AI's connected companies which were subject to deduction under the Hong Kong approach.		
19	Significant LAC investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-	-
	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 MA that any such loan was made, any such facility was granted, or any such other credit exposure was incurred, in the ordinary course of the AI's business. Therefore, the amount to be deducted as reported in row 19 may be greater than that required under Basel III. The amount reported under the column "Basel III basis" in this box represents the amount reported in row 19 (i.e. the amount reported under the "Hong Kong basis") adjusted by excluding the aggregate amount of loans, facilities or other credit exposures to the AI's connected companies which were subject to deduction under the Hong Kong approach.		

2. Composition of regulatory capital (continued)

CC1: Composition of regulatory capital (continued)

Row No.	Description	Hong Kong basis	Basel III basis
		HK\$m	HK\$m
39	Insignificant LAC investments in AT1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-	-
	<u>Explanation</u> The effect of treating loans, facilities or other credit exposures to connected companies which are financial sector entities as CET1 capital instruments for the purpose of considering deductions to be made in calculating the capital base (see note re row 18 to the template above) will mean the headroom within the threshold available for the exemption from capital deduction of other insignificant LAC investments in AT1 capital instruments may be smaller. Therefore, the amount to be deducted as reported in row 39 may be greater than that required under Basel III. The amount reported under the column "Basel III basis" in this box represents the amount reported in row 39 (i.e. the amount reported under the "Hong Kong basis") adjusted by excluding the aggregate amount of loans, facilities or other credit exposures to the AI's connected companies which were subject to deduction under the Hong Kong approach.		
54	Insignificant LAC investments in Tier 2 capital instruments issued by, and non-capital LAC liabilities of, financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold and, where applicable, 5% threshold)	-	-
	<u>Explanation</u> The effect of treating loans, facilities or other credit exposures to connected companies which are financial sector entities as CET1 capital instruments for the purpose of considering deductions to be made in calculating the capital base (see note re row 18 to the template above) will mean the headroom within the threshold available for the exemption from capital deduction of other insignificant LAC investments in Tier 2 capital instruments and non-capital LAC liabilities may be smaller. Therefore, the amount to be deducted as reported in row 54 may be greater than that required under Basel III. The amount reported under the column "Basel III basis" in this box represents the amount reported in row 54 (i.e. the amount reported under the "Hong Kong basis") adjusted by excluding the aggregate amount of loans, facilities or other credit exposures to the AI's connected companies which were subject to deduction under the Hong Kong approach.		
Remarks: The amount of the 10% threshold and 5% threshold mentioned above is calculated based on the amount of CET1 capital determined in accordance with the deduction methods set out in BCR Schedule 4F. The 15% threshold is referring to paragraph 88 of the Basel III text issued by the Basel Committee (December 2010) and has no effect to the Hong Kong regime.			

Abbreviations:

CET1: Common Equity Tier 1

AT1: Additional Tier 1

2. Composition of regulatory capital (continued)

CC2: Reconciliation of regulatory capital to balance sheet

	(a)	(b)	(c)
	Balance sheet as in published financial statements as at 30 June 2022 HK\$m	Under regulatory scope of consolidation as at 30 June 2022 HK\$m	Reference
ASSETS			
Cash and balances and placements with banks and other financial institutions	435,748	435,256	
Financial assets at fair value through profit or loss	40,475	40,295	
Derivative financial instruments	58,892	58,892	
- of which: <i>debit valuation adjustments in respect of derivative contracts</i>		7	(1)
Hong Kong SAR Government certificates of indebtedness	212,660	212,660	
Advances and other accounts	1,678,224	1,678,238	
Investment in securities	884,499	884,491	
Interests in subsidiaries	-	801	
Interests in associates and joint ventures	674	674	
Investment properties	18,134	17,998	
Properties, plant and equipment	45,189	44,740	
Current tax assets	15	12	
Deferred tax assets	222	218	(2)
Other assets	50,159	54,904	
- of which: <i>other intangible assets</i>		1,970	(3)
Total assets	3,424,891	3,429,179	
LIABILITIES			
Hong Kong SAR currency notes in circulation	212,660	212,660	
Deposits and balances from banks and other financial institutions	314,025	314,025	
Financial liabilities at fair value through profit or loss	26,463	26,463	
Derivative financial instruments	35,940	35,940	
- of which: <i>debit valuation adjustments in respect of derivative contracts</i>		(137)	(4)
Deposits from customers	2,407,295	2,407,628	
Debt securities and certificates of deposit in issue	3,733	3,733	
Other accounts and provisions	103,732	108,554	
Current tax liabilities	4,819	4,785	
Deferred tax liabilities	4,355	4,218	
- of which: <i>deferred tax liabilities related to other intangible assets</i>		323	(5)
Total liabilities	3,113,022	3,118,006	

2. Composition of regulatory capital (continued)

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

	(a)	(b)	(c)
	Balance sheet as in published financial statements as at 30 June 2022 HK\$m	Under regulatory scope of consolidation as at 30 June 2022 HK\$m	Reference
EQUITY			
Share capital	43,043	43,043	(6)
Reserves	245,095	244,654	
- Retained earnings	206,453	207,042	(7)
- of which: cumulative fair value gains arising from the revaluation of investment properties		11,947	(8)
- Premises revaluation reserve	38,857	37,832	(9)
- Reserve for financial assets at FVOCI	(4,898)	(4,896)	(10)
- Regulatory reserve	6,265	6,265	(11)
- Translation reserve	(1,582)	(1,589)	(12)
Capital and reserves attributable to equity holders of the Bank	288,138	287,697	
Other equity instruments of the Bank	23,476	23,476	(13)
Non-controlling interests	255	-	
Total equity	311,869	311,173	
Total liabilities and equity	3,424,891	3,429,179	

2. Composition of regulatory capital (continued)

CCA(A): Main features of regulatory capital instruments and non-capital LAC debt instruments

(i) Instruments that meet both regulatory capital and LAC requirements		(a)
		CET1 Capital Ordinary shares
1	Issuer	Bank of China (Hong Kong) Limited
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	Not applicable
3	Governing law(s) of the instrument	Hong Kong law
3a	Means by which enforceability requirement of Section 13 of the TLAC Term Sheet is achieved (for non-capital LAC debt instruments governed by non-Hong Kong law)	Not applicable
<i>Regulatory treatment</i>		
4	Transitional Basel III rules ¹	Not applicable
5	Post-transitional Basel III rules ²	Common Equity Tier 1
6	Eligible at solo*/group/solo and group (for regulatory capital purposes)	Solo and Group
6a	Eligible at solo*/LAC consolidation group/solo and LAC consolidation group (for LAC purposes)	Solo and LAC consolidation group
7	Instrument type (types to be specified by each jurisdiction)	Ordinary shares
8	Amount recognised in regulatory capital (currency in millions, as of most recent reporting date)	HK\$43,043m (as of 30 June 2022)
8a	Amount recognised in loss-absorbing capacity (currency in millions, as of most recent reporting date)	HK\$43,043m (as of 30 June 2022)
9	Par value of instrument	No par value (refer to Note 1 for details)
10	Accounting classification	Shareholders' equity
11	Original date of issuance	1 October 2001 (refer to Note 2 for details)
12	Perpetual or dated	Perpetual
13	Original maturity date	No maturity date
14	Issuer call subject to prior supervisory approval	No
15	Optional call date, contingent call dates and redemption price	Not applicable
16	Subsequent call dates, if applicable	Not applicable
<i>Coupons/dividends</i>		
17	Fixed or floating dividend/coupon	Floating
18	Coupon rate and any related index	Not applicable
19	Existence of a dividend stopper	No
20	Fully discretionary, partially discretionary or mandatory	Fully discretionary
21	Existence of step-up or other incentive to redeem	No
22	Non-cumulative or cumulative	Non-cumulative
23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	Not applicable
25	If convertible, fully or partially	Not applicable
26	If convertible, conversion rate	Not applicable
27	If convertible, mandatory or optional conversion	Not applicable
28	If convertible, specify instrument type convertible into	Not applicable
29	If convertible, specify issuer of instrument it converts into	Not applicable
30	Write-down feature	No
31	If write-down, write-down trigger(s)	Not applicable
32	If write-down, full or partial	Not applicable
33	If write-down, permanent or temporary	Not applicable
34	If temporary write-down, description of write-up mechanism	Not applicable
34a	Type of subordination	Contractual
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument in the insolvency creditor hierarchy of the legal entity concerned)	Subordinated capital securities mentioned in column (b) of this main features table
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	Not applicable
Full terms and conditions		Click here to download

2. Composition of regulatory capital (continued)

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

(ii) Instruments that meet only regulatory capital (but not LAC) requirements		(b) Additional Tier 1 Capital Subordinated capital securities
1	Issuer	Bank of China (Hong Kong) Limited
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	Rule 144A: CUSIP - 06428JAA7 ISIN - US06428JAA79 Regulation S: CUSIP - 06428YAA4 ISIN - US06428YAA47
3	Governing law(s) of the instrument	English law, except that the provisions of the Capital Securities relating to subordination shall be governed by Hong Kong law
3a	Means by which enforceability requirement of Section 13 of the TLAC Term Sheet is achieved (for non-capital LAC debt instruments governed by non-Hong Kong law)	Not applicable
<i>Regulatory treatment</i>		
4	Transitional Basel III rules ¹	Not applicable
5	Post-transitional Basel III rules ²	Additional Tier 1
6	Eligible at solo*/group/solo and group (for regulatory capital purposes)	Solo and Group
6a	Eligible at solo*/LAC consolidation group/solo and LAC consolidation group (for LAC purposes)	Not applicable
7	Instrument type (types to be specified by each jurisdiction)	Perpetual debt instruments
8	Amount recognised in regulatory capital (currency in millions, as of most recent reporting date)	HK\$23,476m (as of 30 June 2022)
8a	Amount recognised in loss-absorbing capacity (currency in millions, as of most recent reporting date)	Not applicable
9	Par value of instrument	USD3,000m
10	Accounting classification	Shareholders' equity
11	Original date of issuance	14 September 2018
12	Perpetual or dated	Perpetual
13	Original maturity date	No maturity date
14	Issuer call subject to prior supervisory approval	Yes
15	Optional call date, contingent call dates and redemption price	First call date: 14 September 2023 The issuer may redeem all but not some only of the Capital Securities then outstanding Also early redemption for tax reasons; tax deduction reasons; capital event; at the option of the issuer etc (please refer to "Terms & Conditions of the Capital Securities" at p.100 of the Supplemental Offering Circular dated 11 September 2018 for further details on call dates and redemption amounts)
16	Subsequent call dates, if applicable	Any distribution payment date after the first call date
<i>Coupons/dividends</i>		
17	Fixed or floating dividend/coupon	Fixed

2. Composition of regulatory capital (continued)

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

		(b) Additional Tier 1 Capital Subordinated capital securities
18	Coupon rate and any related index	Years 1-5: 5.90% per annum payable semi-annually in arrear; Year 5 onwards: resettable on year 5 and every 5 years thereafter at the then prevailing 5-year US Treasury rate plus 3.036% p.a.
19	Existence of a dividend stopper	Yes
20	Fully discretionary, partially discretionary or mandatory	Fully discretionary
21	Existence of step-up or other incentive to redeem	No
22	Non-cumulative or cumulative	Non-cumulative
23	Convertible or non-convertible	Non-convertible (refer to Note 3 for details)
24	If convertible, conversion trigger(s)	Not applicable
25	If convertible, fully or partially	Not applicable
26	If convertible, conversion rate	Not applicable
27	If convertible, mandatory or optional conversion	Not applicable
28	If convertible, specify instrument type convertible into	Not applicable
29	If convertible, specify issuer of instrument it converts into	Not applicable
30	Write-down feature	Yes
31	If write-down, write-down trigger(s)	Upon the occurrence of a Non-Viability Event
32	If write-down, full or partial	Full or Partial
33	If write-down, permanent or temporary	Permanent
34	If temporary write-down, description of write-up mechanism	Not applicable
34a	Type of subordination	Contractual
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument in the insolvency creditor hierarchy of the legal entity concerned)	(i) Subordinate to (a) all unsubordinated creditors of the issuer (including its depositors), (b) creditors in respect of Tier 2 Capital Securities, and (c) all other subordinated creditors whose claims are stated to rank senior to the Capital Securities; (ii) Pari passu to parity obligations; and (iii) Senior to junior obligations (Please refer to Condition 3(B) of the "Terms & Conditions of the Capital Securities")
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	Not applicable
Full terms and conditions		Click here to download

Footnote:

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

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

* Include solo-consolidated

2. Composition of regulatory capital (continued)

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

Note 1:

Pursuant to the Hong Kong Companies Ordinance (Chapter 622) which commenced operation on 3 March 2014, all shares issued by a company incorporated in Hong Kong before, on and after that commencement date shall have no par value and the relevant concept of authorised share capital is abolished.

Note 2:

- The authorised share capital of Bank of China (Hong Kong) Limited ("BOCHK"), comprising 4 million ordinary shares of HK\$100 each, was subdivided into 400 million ordinary shares of HK\$1 each pursuant to shareholders written resolution of BOCHK passed on 3 September 2001.
- On 30 September 2001, 400 million shares in the capital of BOCHK were transferred from Bank of China Limited to BOC Hong Kong (Holdings) Limited ("BOCHK Holdings") pursuant to Supplemental Merger Agreement.
- BOCHK then issued a total of 42,642,840,858 ordinary shares at par value of HK\$1 each to BOCHK Holdings on 1 October 2001. Hence, the total issued and paid-up share capital of BOCHK was HK\$43,042,840,858 since 2001.
- The concepts of par value for shares and authorised share capital have been abolished following the commencement of the Hong Kong Companies Ordinance (Chapter 622) as mentioned in Note 1.

Note 3:

Contractually, the Additional Tier 1 capital securities are non-convertible.

2. Composition of regulatory capital (continued)

TLAC1(A): LAC composition of material subsidiary (at LAC consolidation group level)

		At 30 June 2022
		(a)
		HK\$m
	Regulatory capital elements of internal loss-absorbing capacity and adjustments	
1	Common Equity Tier 1 ("CET1") capital	229,606
2	Additional Tier 1 ("AT1") capital before LAC adjustments	23,476
3	AT1 capital instruments ineligible as internal loss-absorbing capacity as not issued directly or indirectly to, and held directly or indirectly by, the resolution entity or non-HK resolution entity in the material subsidiary's resolution group	(23,476)
4	Other adjustments	-
5	AT1 capital eligible under the LAC Rules	-
6	Tier 2 ("T2") capital before LAC adjustments	30,217
7	Amortized portion of T2 capital instruments that are internal LAC debt instruments issued directly or indirectly to, and held directly or indirectly by, the resolution entity or non-HK resolution entity in the material subsidiary's resolution group	-
8	T2 capital instruments ineligible as internal loss-absorbing capacity as not issued directly or indirectly to, and held directly or indirectly by, the resolution entity or non-HK resolution entity in the material subsidiary's resolution group	-
9	Other adjustments	-
10	T2 capital eligible under the LAC Rules	30,217
11	Internal loss-absorbing capacity arising from regulatory capital	259,823
	Non-regulatory capital elements of internal loss-absorbing capacity	
12	Internal non-capital LAC debt instruments issued directly or indirectly to, and held indirectly or indirectly by, the resolution entity or non-HK resolution entity in the material subsidiary's resolution group	-
17	Internal loss-absorbing capacity arising from non-capital LAC debt instruments before adjustments	-
	Non-regulatory capital elements of internal loss-absorbing capacity: adjustments	
18	Internal loss-absorbing capacity before deductions	259,823
19	Deductions of exposures between the material subsidiary's LAC consolidation group and group companies outside that group that correspond to non-capital items eligible for internal loss-absorbing capacity	-
20	Deduction of holdings of its own non-capital LAC liabilities	-
21	Other adjustments to internal loss-absorbing capacity	-
22	Internal loss-absorbing capacity after deductions	259,823
	Risk-weighted amount and exposure measure under the LAC Rules for internal loss-absorbing capacity purposes	
23	Risk-weighted amount under the LAC Rules	1,300,061
24	Exposure measure under the LAC Rules	3,300,345
	Internal LAC ratios and buffers	
25	Internal LAC risk-weighted ratio	19.99%
26	Internal LAC leverage ratio	7.87%
27	CET1 capital (as a percentage of RWA under the Banking (Capital) Rules ("BCR")) available after meeting the LAC consolidation group's minimum capital and LAC requirements	13.16%
28	Institution-specific buffer requirement (capital conservation buffer plus countercyclical capital buffer requirements plus higher loss absorbency requirement, expressed as a percentage of RWA under the BCR)	4.812%
29	Of which: capital conservation buffer requirement	2.500%
30	Of which: institution-specific countercyclical capital buffer requirement	0.812%
31	Of which: higher loss absorbency requirement	1.500%

2. Composition of regulatory capital (continued)

TLAC2: Material subsidiary – creditor ranking at legal entity level

		At 30 June 2022		
		Creditor ranking		Sum of values in columns 1
		1 (most junior)	1 (most junior)	
		HK\$m	HK\$m	HK\$m
1	Is a resolution entity or a non-HK resolution entity the creditor/investor?	No	Yes	
2	Description of creditor ranking	Ordinary shares ¹		
3	Total capital and liabilities net of credit risk mitigation	14,609	28,434	43,043
4	Subset of row 3 that are excluded liabilities	-	-	-
5	Total capital and liabilities less excluded liabilities	14,609	28,434	43,043
6	Subset of row 5 that are eligible as internal loss-absorbing capacity	14,609	28,434	43,043
7	Subset of row 6 with 1 year ≤ residual maturity < 2 years	-	-	-
8	Subset of row 6 with 2 years ≤ residual maturity < 5 years	-	-	-
9	Subset of row 6 with 5 years ≤ residual maturity < 10 years	-	-	-
10	Subset of row 6 with residual maturity ≥ 10 years, but excluding perpetual securities	-	-	-
11	Subset of row 6 that is perpetual securities	14,609	28,434	43,043

Footnote:

¹ Issued and fully paid ordinary shares.

3. Macroprudential supervisory measures

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

		At 30 June 2022			
		(a)	(c)	(d)	(e)
		Applicable JCCyB ratio in effect	RWA used in computation of CCyB ratio	AI-specific CCyB ratio	CCyB amount
		%	HK\$m	%	HK\$m
1	Geographical breakdown by Jurisdiction (J)				
1	Hong Kong SAR	1.000%	786,313		
2	Luxembourg	0.500%	514		
	Sum		786,827		
	Total		968,264	0.812%	10,556

4. Leverage ratio

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

		At 30 June 2022
		(a)
		Value under the LR framework
		HK\$m
1	Total consolidated assets as per published financial statements	3,424,891
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	(2,746)
2a	Adjustment for securitised exposures that meet the operational requirements for the recognition of risk transference	-
3	Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting standard but excluded from the LR exposure measure	-
3a	Adjustments for eligible cash pooling transactions	-
4	Adjustments for derivative contracts	(4,237)
5	Adjustment for SFTs (i.e. repos and similar secured lending)	51
6	Adjustment for off-balance sheet ("OBS") items (i.e. conversion to credit equivalent amounts of OBS exposures)	153,590
6a	Adjustments for prudent valuation adjustments and specific and collective provisions that are allowed to be excluded from exposure measure	(590)
7	Other adjustments	(270,614)
	<i>of which: Hong Kong SAR Government certificates of indebtedness</i>	<i>(212,660)</i>
8	Leverage ratio exposure measure	3,300,345

4. Leverage ratio (continued)

LR2: Leverage ratio

		At 30 June 2022	At 31 March 2022
		(a)	(b)
		HK\$m	HK\$m
On-balance sheet exposures			
1	On-balance sheet exposures (excluding those arising from derivative contracts and SFTs, but including collateral)	3,086,140	3,085,861
2	Less: Asset amounts deducted in determining Tier 1 capital	(57,954)	(57,319)
3	Total on-balance sheet exposures (excluding derivative contracts and SFTs)	3,028,186	3,028,542
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)	22,983	15,673
5	Add-on amounts for PFE associated with all derivative contracts	31,673	26,579
6	Gross-up for collateral provided in respect of derivative contracts where deducted from the balance sheet assets pursuant to the applicable accounting framework	-	-
7	Less: Deductions of receivables assets for cash variation margin provided under derivative contracts	-	(185)
8	Less: Exempted CCP leg of client-cleared trade exposures	-	-
9	Adjusted effective notional amount of written credit-related derivative contracts	-	-
10	Less: Adjusted effective notional offsets and add-on deductions for written credit-related derivative contracts	-	-
11	Total exposures arising from derivative contracts	54,656	42,067
Exposures arising from SFTs			
12	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	76,057	83,986
13	Less: Netted amounts of cash payables and cash receivables of gross SFT assets	-	-
14	CCR exposure for SFT assets	51	53
15	Agent transaction exposures	-	-
16	Total exposures arising from SFTs	76,108	84,039
Other off-balance sheet exposures			
17	Off-balance sheet exposure at gross notional amount	746,559	767,017
18	Less: Adjustments for conversion to credit equivalent amounts	(592,969)	(600,381)
19	Off-balance sheet items	153,590	166,636
Capital and total exposures			
20	Tier 1 capital	253,082	249,800
20a	Total exposures before adjustments for specific and collective provisions	3,312,540	3,321,284
20b	Adjustments for specific and collective provisions	(12,195)	(11,749)
21	Total exposures after adjustments for specific and collective provisions	3,300,345	3,309,535
Leverage ratio			
22	Leverage ratio	7.67%	7.55%

5. Liquidity

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 template: (71)		For the quarter ended 30 June 2022	
		(a)	(b)
Basis of disclosure: consolidated		Unweighted value (average)	Weighted value (average)
		HK\$m	HK\$m
A. HQLA			
1	Total HQLA		886,662
B. Cash Outflows			
2	Retail deposits and small business funding, of which:	1,141,944	75,923
3	<i>Stable retail deposits and stable small business funding</i>	405,937	12,178
4	<i>Less stable retail deposits and less stable small business funding</i>	530,584	53,058
4a	<i>Retail term deposits and small business term funding</i>	205,423	10,687
5	Unsecured wholesale funding (other than small business funding), and debt securities and prescribed instruments issued by the AI, of which:	1,272,970	590,262
6	<i>Operational deposits</i>	491,478	121,381
7	<i>Unsecured wholesale funding (other than small business funding) not covered in row 6</i>	781,492	468,881
8	<i>Debt securities and prescribed instruments issued by the AI and redeemable within the LCR period</i>	-	-
9	Secured funding transactions (including securities swap transactions)		2,324
10	Additional requirements, of which:	463,158	77,856
11	<i>Cash outflows arising from derivative contracts and other transactions, and additional liquidity needs arising from related collateral requirements</i>	33,556	33,554
12	<i>Cash outflows arising from obligations under structured financing transactions and repayment of funding obtained from such transactions</i>	-	-
13	<i>Potential drawdown of undrawn committed facilities (including committed credit facilities and committed liquidity facilities)</i>	429,602	44,302
14	Contractual lending obligations (not otherwise covered in Section B) and other contractual cash outflows	79,620	79,620
15	Other contingent funding obligations (whether contractual or non-contractual)	338,462	3,850
16	Total Cash Outflows		829,835
C. Cash Inflows			
17	Secured lending transactions (including securities swap transactions)	14,705	3,250
18	Secured and unsecured loans (other than secured lending transactions covered in row 17) and operational deposits placed at other financial institutions	247,036	168,351
19	Other cash inflows	68,971	63,951
20	Total Cash Inflows	330,712	235,552
D. Liquidity Coverage Ratio		Adjusted value	
21	Total HQLA		886,662
22	Total Net Cash Outflows		594,283
23	LCR (%)		149.49%

5. Liquidity (continued)

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

Notes:

- The weighted amount of HQLA is to be calculated as the amount after applying the haircuts as required under the Banking (Liquidity) Rules.
- The unweighted amounts of cash inflows and cash outflows are to be calculated as the principal amounts in the calculation of the LCR as required under the Banking (Liquidity) Rules.
- The weighted amounts of cash inflows and cash outflows are to be calculated as the amounts after applying the inflow and outflow rates as required under the Banking (Liquidity) Rules.
- The adjusted value of total HQLA and the total net cash outflows have taken into account any applicable ceiling as required under the Banking (Liquidity) Rules.

The Group's average LCR of the first and second quarter in 2022 were 159.16% and 149.49% respectively, continuously maintained at stable and healthy level.

The HQLA consists of cash, balances at central banks and high quality marketable securities issued or guaranteed by sovereigns, central banks, public sector entities or multilateral development banks and non-financial corporate debt securities. The majority of the HQLA was composed of Level 1 HQLA.

The net cash outflow was mainly from retail and corporate customer deposit which are the Group's primary source of funds, together with deposit and balance from bank and other financial institution. To ensure stable, sufficient and diversified source of funds, the Group actively attracts new deposits, keeps the core deposit and obtains supplementary funding from the interbank market or by issuing debts in the capital market. Other cash outflow, such as commitment, cash outflow under derivative contract and potential collateral requirement, had a minimal impact to the LCR.

The majority of the Group's customer deposits are denominated in HKD, USD and RMB. As the supply of HQLA denominated in HKD in the market is relatively limited, the Group exchanges surplus funds in HKD for USD and other currencies through swap transactions, part of which being used for investment in HQLA.

5. Liquidity (continued)

LIQ2: Net Stable Funding Ratio – for category 1 institution

For the quarter ended 30 June 2022 (HK\$m)		(a)	(b)	(c)	(d)	(e)
Basis of disclosure: consolidated		Unweighted value by residual maturity				Weighted amount
		No specified term to maturity	< 6 months or repayable on demand	6 months to < 12 months	12 months or more	
A. Available stable funding (“ASF”) item						
1	Capital:	319,379	-	-	-	319,379
2	Regulatory capital	319,379	-	-	-	319,379
2a	Minority interests not covered by row 2	-	-	-	-	-
3	Other capital instruments	-	-	-	-	-
4	Retail deposits and small business funding:	-	1,125,363	39,973	1,171	1,071,871
5	Stable deposits		431,879	6,072	195	416,248
6	Less stable deposits		693,484	33,901	976	655,623
7	Wholesale funding:	-	1,523,003	43,283	1,652	502,613
8	Operational deposits		486,270	-	-	243,135
9	Other wholesale funding	-	1,036,733	43,283	1,652	259,478
10	Liabilities with matching interdependent assets	212,660	-	-	-	-
11	Other liabilities:	60,475	51,345	2,318	12,222	13,381
12	Net derivative liabilities	-				
13	All other funding and liabilities not included in the above categories	60,475	51,345	2,318	12,222	13,381
14	Total ASF					1,907,244
B. Required stable funding (“RSF”) item						
15	Total HQLA for NSFR purposes	932,937				94,386
16	Deposits held at other financial institutions for operational purposes	-	1,229	-	-	614
17	Performing loans and securities:	19,799	664,728	227,084	1,186,874	1,284,260
18	Performing loans to financial institutions secured by Level 1 HQLA	-	3,766	-	-	377
19	Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	66	258,782	31,207	33,312	87,799
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:	18,999	351,487	152,684	752,374	887,954
21	With a risk-weight of less than or equal to 35% under the STC approach	4	3,052	334	38,824	26,931
22	Performing residential mortgages, of which:	-	8,819	8,313	344,738	232,783
23	With a risk-weight of less than or equal to 35% under the STC approach	-	8,327	8,195	344,050	231,893
24	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	734	41,874	34,880	56,450	75,347
25	Assets with matching interdependent liabilities	212,660	-	-	-	-
26	Other assets:	128,267	42,088	801	1,226	103,392
27	Physical traded commodities, including gold	4,820				4,097
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs	6,403				5,443
29	Net derivative assets	398				398
30	Total derivative liabilities before adjustments for deduction of variation margin posted	31,411				1,571
31	All other assets not included in the above categories	85,235	42,088	801	1,226	91,883
32	Off-balance sheet items		746,621			20,661
33	Total RSF					1,503,313
34	Net Stable Funding Ratio (%)					126.87%

5. Liquidity (continued)

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

For the quarter ended 31 March 2022 (HK\$m)		(a)	(b)	(c)	(d)	(e)
Basis of disclosure: consolidated		Unweighted value by residual maturity				Weighted amount
		No specified term to maturity	< 6 months or repayable on demand	6 months to < 12 months	12 months or more	
A. Available stable funding (“ASF”) item						
1	Capital:	316,124	-	-	-	316,124
2	Regulatory capital	316,124	-	-	-	316,124
2a	Minority interests not covered by row 2	-	-	-	-	-
3	Other capital instruments	-	-	-	-	-
4	Retail deposits and small business funding:	-	1,137,452	14,393	672	1,059,059
5	Stable deposits		432,141	2,403	105	412,920
6	Less stable deposits		705,311	11,990	567	646,139
7	Wholesale funding:	-	1,578,720	28,501	1,698	489,924
8	Operational deposits		488,520	-	-	244,260
9	Other wholesale funding	-	1,090,200	28,501	1,698	245,664
10	Liabilities with matching interdependent assets	210,180	-	-	-	-
11	Other liabilities:	52,849	36,048	177	12,691	12,779
12	Net derivative liabilities	2,380				
13	All other funding and liabilities not included in the above categories	50,469	36,048	177	12,691	12,779
14	Total ASF					1,877,886
B. Required stable funding (“RSF”) item						
15	Total HQLA for NSFR purposes	937,800				98,360
16	Deposits held at other financial institutions for operational purposes	-	5,970	-	-	2,985
17	Performing loans and securities:	18,239	686,098	220,902	1,184,570	1,289,493
18	Performing loans to financial institutions secured by Level 1 HQLA	-	13,247	-	-	1,325
19	Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	79	287,661	33,197	34,306	94,133
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:	17,401	336,870	150,807	701,904	853,070
21	With a risk-weight of less than or equal to 35% under the STC approach	11	2,511	-	2,832	3,103
22	Performing residential mortgages, of which:	-	8,712	8,718	377,491	254,242
23	With a risk-weight of less than or equal to 35% under the STC approach	-	8,712	8,718	376,703	253,572
24	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	759	39,608	28,180	70,869	86,723
25	Assets with matching interdependent liabilities	210,180	-	-	-	-
26	Other assets:	122,690	20,357	825	1,329	103,521
27	Physical traded commodities, including gold	7,119				6,050
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs	4,805				4,085
29	Net derivative assets	-				-
30	Total derivative liabilities before adjustments for deduction of variation margin posted	23,700				1,185
31	All other assets not included in the above categories	87,066	20,357	825	1,329	92,201
32	Off-balance sheet items		768,031			21,822
33	Total RSF					1,516,181
34	Net Stable Funding Ratio (%)					123.86%

6. Credit risk for non-securitization exposures

CR1: Credit quality of exposures

		At 30 June 2022						
		(a)	(b)	(c)	(d)	(e)	(f)	(g)
		Gross carrying amounts of		Allowances/ impairments	Of which ECL accounting provisions 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		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
1	Loans	6,896	2,097,833	(11,129)	(1,470)	(1,164)	(8,495)	2,093,600
2	Debt securities	-	882,534	(59)	-	(29)	(30)	882,475
3	Off-balance sheet exposures	320	746,239	(590)	(17)	(61)	(512)	745,969
4	Total	7,216	3,726,606	(11,778)	(1,487)	(1,254)	(9,037)	3,722,044

The Group identifies the exposures as “default” if the exposure is past due for more than 90 days or the borrower is unlikely to pay in full for the credit obligations to the Group.

CR2: Changes in defaulted loans and debt securities

		(a)
		HK\$m
1	Defaulted loans and debt securities at 31 December 2021	3,681
2	Loans and debt securities that have defaulted since the last reporting period	3,758
3	Returned to non-defaulted status	(36)
4	Amounts written off	(299)
5	Other changes	(208)
6	Defaulted loans and debt securities at 30 June 2022	6,896

The increase in defaulted exposures in the current reporting period was due to default of a few corporate loans.

CR3: Overview of recognized credit risk mitigation

		At 30 June 2022				
		(a)	(b1)	(b)	(d)	(f)
		Exposures unsecured: carrying amount	Exposures to be secured	Exposures secured by recognized collateral	Exposures secured by recognized guarantees	Exposures secured by recognized credit derivative contracts
		HK\$m	HK\$m	HK\$m	HK\$m	HK\$m
1	Loans	1,593,257	500,343	82,881	417,462	-
2	Debt securities	837,760	44,715	-	44,715	-
3	Total	2,431,017	545,058	82,881	462,177	-
4	Of which defaulted	2,705	827	700	127	-

6. Credit risk for non-securitization exposures (continued)

CR4: Credit risk exposures and effects of recognized credit risk mitigation – for STC approach

		At 30 June 2022					
		(a)	(b)	(c)	(d)	(e)	(f)
		Exposures pre-CCF and pre-CRM		Exposures post-CCF and post-CRM		RWA and RWA density	
Exposure classes		On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
		HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	%
1	Sovereign exposures	673,529	1,105	673,529	221	13,753	2
2	PSE exposures	58,088	4,558	61,376	4,648	7,056	11
2a	Of which: domestic PSEs	8,602	4,558	11,890	4,648	3,308	20
2b	Of which: foreign PSEs	49,486	-	49,486	-	3,748	8
3	Multilateral development bank exposures	57,674	-	57,674	-	-	-
4	Bank exposures	756	237	2,133	133	872	38
5	Securities firm exposures	248	25	248	9	128	50
6	Corporate exposures	46,392	36,169	42,105	8,404	47,438	94
7	CIS exposures	-	-	-	-	-	-
8	Cash items	402	-	402	-	-	-
9	Exposures in respect of failed delivery on transactions entered into on a basis other than a delivery-versus-payment basis	-	-	-	-	-	-
10	Regulatory retail exposures	7,916	18,632	7,388	737	6,093	75
11	Residential mortgage loans	5,144	6,849	1,853	-	966	52
12	Other exposures which are not past due exposures	28,826	23,770	10,114	97	10,211	100
13	Past due exposures	365	-	365	-	545	149
14	Significant exposures to commercial entities	-	-	-	-	-	-
15	Total	879,340	91,345	857,187	14,249	87,062	10

6. Credit risk for non-securitization exposures (continued)

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

<div style="text-align: center;"> <div style="transform: rotate(-45deg); display: inline-block;">Risk Weight</div> <div style="display: inline-block;">Exposure class</div> </div>		At 30 June 2022										Total credit risk exposures amount (post CCF and post CRM)
		(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(ha)	(i)	
		0%	10%	20%	35%	50%	75%	100%	150%	250%	Others	
		HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m
1	Sovereign exposures	652,215	-	3,475	-	12,442	-	3,180	2,438	-	-	673,750
2	PSE exposures	40,243	-	19,447	-	6,334	-	-	-	-	-	66,024
2a	Of which: domestic PSEs	-	-	16,538	-	-	-	-	-	-	-	16,538
2b	Of which: foreign PSEs	40,243	-	2,909	-	6,334	-	-	-	-	-	49,486
3	Multilateral development bank exposures	57,674	-	-	-	-	-	-	-	-	-	57,674
4	Bank exposures	-	-	875	-	1,389	-	2	-	-	-	2,266
5	Securities firm exposures	-	-	-	-	257	-	-	-	-	-	257
6	Corporate exposures	-	-	1,035	-	4,951	-	44,059	464	-	-	50,509
7	CIS exposures	-	-	-	-	-	-	-	-	-	-	-
8	Cash items	402	-	-	-	-	-	-	-	-	-	402
9	Exposures in respect of failed delivery on transactions entered into on a basis other than a delivery-versus-payment basis	-	-	-	-	-	-	-	-	-	-	-
10	Regulatory retail exposures	-	-	-	-	-	8,125	-	-	-	-	8,125
11	Residential mortgage loans	-	-	-	1,067	-	776	10	-	-	-	1,853
12	Other exposures which are not past due exposures	-	-	-	-	-	-	10,211	-	-	-	10,211
13	Past due exposures	2	-	-	-	-	-	-	363	-	-	365
14	Significant exposures to commercial entities	-	-	-	-	-	-	-	-	-	-	-
15	Total	750,536	-	24,832	1,067	25,373	8,901	57,462	3,265	-	-	871,436

6. Credit risk for non-securitization exposures (continued)

CR6: Credit risk exposures by portfolio and PD ranges – for IRB approach

(a) FIRB approach

	PD scale	At 30 June 2022											
		(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	RWA	RWA density	EL	Provisions
		%	HK\$m	HK\$m	%	HK\$m	%	%	Year	HK\$m	%	HK\$m	HK\$m
Portfolio (i) – Sovereign	0.00 to < 0.15	-	-	-	-	-	-	-	-	-	-	-	-
	0.15 to < 0.25	-	-	-	-	-	-	-	-	-	-	-	-
	0.25 to < 0.50	-	-	-	-	-	-	-	-	-	-	-	-
	0.50 to < 0.75	-	-	-	-	-	-	-	-	-	-	-	-
	0.75 to < 2.50	-	-	-	-	-	-	-	-	-	-	-	-
	2.50 to < 10.00	-	-	-	-	-	-	-	-	-	-	-	-
	10.00 to < 100.00	-	-	-	-	-	-	-	-	-	-	-	-
	100.00 (Default)	-	-	-	-	-	-	-	-	-	-	-	-
	Sub-total	-	-	-	-	-	-	-	-	-	-	-	-
Portfolio (ii) – Bank	0.00 to < 0.15	387,813	22,480	35	406,864	0.06	275	45	2.50	115,039	28	103	-
	0.15 to < 0.25	13,356	8,547	3	13,976	0.22	61	43	2.50	8,052	58	13	-
	0.25 to < 0.50	1,919	3,377	-	1,919	0.39	18	38	2.50	1,211	63	3	-
	0.50 to < 0.75	1,022	4,789	-	1,047	0.57	21	14	2.50	289	28	1	-
	0.75 to < 2.50	636	497	-	636	1.06	17	43	2.50	566	89	3	-
	2.50 to < 10.00	1,846	15	-	1,846	4.78	12	45	2.50	2,717	147	39	-
	10.00 to < 100.00	1	-	-	1	18.00	1	45	2.50	4	265	-	-
	100.00 (Default)	-	-	-	-	-	-	-	-	-	-	-	-
	Sub-total	406,593	39,705	20	426,289	0.09	405	45	2.50	127,878	30	162	1,795
Portfolio (iii) – Corporate – specialized lending (other than HVCRE) – FIRB/AIRB	0.00 to < 0.15	-	-	-	-	-	-	-	-	-	-	-	-
	0.15 to < 0.25	-	-	-	-	-	-	-	-	-	-	-	-
	0.25 to < 0.50	-	-	-	-	-	-	-	-	-	-	-	-
	0.50 to < 0.75	-	-	-	-	-	-	-	-	-	-	-	-
	0.75 to < 2.50	-	-	-	-	-	-	-	-	-	-	-	-
	2.50 to < 10.00	-	-	-	-	-	-	-	-	-	-	-	-
	10.00 to < 100.00	-	-	-	-	-	-	-	-	-	-	-	-
	100.00 (Default)	-	-	-	-	-	-	-	-	-	-	-	-
	Sub-total	-	-	-	-	-	-	-	-	-	-	-	-

6. Credit risk for non-securitization exposures (continued)

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

(a) FIRB approach (continued)

	PD scale	At 30 June 2022											
		(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	RWA	RWA density	EL	Provisions
		%	HK\$m	HK\$m	%	HK\$m	%	%	Year	HK\$m	%	HK\$m	HK\$m
Portfolio (iv) – Corporate – small-and-medium sized corporates	0.00 to < 0.15	10,474	3,937	8	12,612	0.09	244	43	2.50	3,016	24	5	
	0.15 to < 0.25	3,088	3,476	11	9,455	0.22	174	42	2.50	3,272	35	9	
	0.25 to < 0.50	5,002	3,661	7	11,921	0.39	236	42	2.50	5,849	49	19	
	0.50 to < 0.75	10,334	6,567	5	12,051	0.57	311	41	2.50	6,659	55	28	
	0.75 to < 2.50	35,028	8,427	16	29,489	1.23	587	42	2.50	22,694	77	153	
	2.50 to < 10.00	23,364	4,360	27	20,455	3.85	263	39	2.50	20,272	99	302	
	10.00 to < 100.00	536	137	1	490	11.78	28	39	2.50	687	140	23	
	100.00 (Default)	34	1	-	21	100.00	4	45	2.50	28	130	14	
	Sub-total	87,860	30,566	12	96,494	1.43	1,847	41	2.50	62,477	65	553	812
Portfolio (v) – Corporate – HVCRE – FIRB/AIRB	0.00 to < 0.15	-	-	-	-	-	-	-	-	-	-	-	
	0.15 to < 0.25	-	-	-	-	-	-	-	-	-	-	-	
	0.25 to < 0.50	-	-	-	-	-	-	-	-	-	-	-	
	0.50 to < 0.75	-	-	-	-	-	-	-	-	-	-	-	
	0.75 to < 2.50	-	-	-	-	-	-	-	-	-	-	-	
	2.50 to < 10.00	-	-	-	-	-	-	-	-	-	-	-	
	10.00 to < 100.00	-	-	-	-	-	-	-	-	-	-	-	
	100.00 (Default)	-	-	-	-	-	-	-	-	-	-	-	
	Sub-total	-	-	-	-	-	-	-	-	-	-	-	-
Portfolio (vi) – Corporate – other (including purchased corporate receivables)	0.00 to < 0.15	354,012	110,411	43	606,291	0.10	632	45	2.50	183,887	30	277	
	0.15 to < 0.25	83,999	56,369	16	112,911	0.22	238	45	2.50	53,402	47	111	
	0.25 to < 0.50	95,571	54,436	26	153,151	0.39	259	43	2.50	92,311	60	255	
	0.50 to < 0.75	269,530	104,416	16	132,087	0.59	489	44	2.50	97,564	74	345	
	0.75 to < 2.50	245,225	82,478	17	176,228	1.24	866	42	2.50	159,940	91	881	
	2.50 to < 10.00	69,901	34,693	9	37,960	3.45	287	42	2.50	47,366	125	550	
	10.00 to < 100.00	8,660	2,734	24	5,653	18.29	41	42	2.50	12,628	223	427	
	100.00 (Default)	5,217	237	50	5,220	100.00	41	43	2.50	5,160	99	2,362	
	Sub-total	1,132,115	445,774	26	1,229,501	0.97	2,853	44	2.50	652,258	53	5,208	10,767

6. Credit risk for non-securitization exposures (continued)

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

(a) FIRB approach (continued)

	PD scale	At 30 June 2022											
		(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	RWA	RWA density	EL	Provisions
		%	HK\$m	HK\$m	%	HK\$m	%	%	Year	HK\$m	%	HK\$m	HK\$m
Portfolio (vii) – Equity – PD/LGD approach	0.00 to < 0.15	-	-	-	-	-	-	-	-	-	-	-	-
	0.15 to < 0.25	-	-	-	-	-	-	-	-	-	-	-	-
	0.25 to < 0.50	-	-	-	-	-	-	-	-	-	-	-	-
	0.50 to < 0.75	-	-	-	-	-	-	-	-	-	-	-	-
	0.75 to < 2.50	-	-	-	-	-	-	-	-	-	-	-	-
	2.50 to < 10.00	-	-	-	-	-	-	-	-	-	-	-	-
	10.00 to < 100.00	-	-	-	-	-	-	-	-	-	-	-	-
	100.00 (Default)	-	-	-	-	-	-	-	-	-	-	-	-
	Sub-total	-	-	-	-	-	-	-	-	-	-	-	-
Portfolio (viii) – Retail – QRRE	0.00 to < 0.15	-	-	-	-	-	-	-	-	-	-	-	-
	0.15 to < 0.25	-	-	-	-	-	-	-	-	-	-	-	-
	0.25 to < 0.50	-	-	-	-	-	-	-	-	-	-	-	-
	0.50 to < 0.75	-	-	-	-	-	-	-	-	-	-	-	-
	0.75 to < 2.50	-	-	-	-	-	-	-	-	-	-	-	-
	2.50 to < 10.00	-	-	-	-	-	-	-	-	-	-	-	-
	10.00 to < 100.00	-	-	-	-	-	-	-	-	-	-	-	-
	100.00 (Default)	-	-	-	-	-	-	-	-	-	-	-	-
	Sub-total	-	-	-	-	-	-	-	-	-	-	-	-
Portfolio (ix) – Retail – Residential mortgage exposures (including both to individuals and to property-holding shell companies)	0.00 to < 0.15	-	-	-	-	-	-	-	-	-	-	-	-
	0.15 to < 0.25	-	-	-	-	-	-	-	-	-	-	-	-
	0.25 to < 0.50	-	-	-	-	-	-	-	-	-	-	-	-
	0.50 to < 0.75	-	-	-	-	-	-	-	-	-	-	-	-
	0.75 to < 2.50	-	-	-	-	-	-	-	-	-	-	-	-
	2.50 to < 10.00	-	-	-	-	-	-	-	-	-	-	-	-
	10.00 to < 100.00	-	-	-	-	-	-	-	-	-	-	-	-
	100.00 (Default)	-	-	-	-	-	-	-	-	-	-	-	-
	Sub-total	-	-	-	-	-	-	-	-	-	-	-	-

6. Credit risk for non-securitization exposures (continued)

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

(a) FIRB approach (continued)

	PD scale	At 30 June 2022											
		(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	RWA	RWA density	EL	Provisions
		%	HK\$m	HK\$m	%	HK\$m	%		%	Year	HK\$m	%	HK\$m
Portfolio (x) – Retail – small business retail exposures	0.00 to < 0.15	-	-	-	-	-	-	-	-	-	-	-	
	0.15 to < 0.25	-	-	-	-	-	-	-	-	-	-	-	
	0.25 to < 0.50	-	-	-	-	-	-	-	-	-	-	-	
	0.50 to < 0.75	-	-	-	-	-	-	-	-	-	-	-	
	0.75 to < 2.50	-	-	-	-	-	-	-	-	-	-	-	
	2.50 to < 10.00	-	-	-	-	-	-	-	-	-	-	-	
	10.00 to < 100.00	-	-	-	-	-	-	-	-	-	-	-	
	100.00 (Default)	-	-	-	-	-	-	-	-	-	-	-	
	Sub-total	-	-	-	-	-	-	-	-	-	-	-	-
Portfolio (xi) – Other retail exposures to individuals	0.00 to < 0.15	-	-	-	-	-	-	-	-	-	-	-	
	0.15 to < 0.25	-	-	-	-	-	-	-	-	-	-	-	
	0.25 to < 0.50	-	-	-	-	-	-	-	-	-	-	-	
	0.50 to < 0.75	-	-	-	-	-	-	-	-	-	-	-	
	0.75 to < 2.50	-	-	-	-	-	-	-	-	-	-	-	
	2.50 to < 10.00	-	-	-	-	-	-	-	-	-	-	-	
	10.00 to < 100.00	-	-	-	-	-	-	-	-	-	-	-	
	100.00 (Default)	-	-	-	-	-	-	-	-	-	-	-	
	Sub-total	-	-	-	-	-	-	-	-	-	-	-	-
Total (sum of all portfolios)		1,626,568	516,045	50	1,752,284	0.78	5,105	43	2.50	842,613	48	5,923	13,374

Compared with 31 December 2021, the 13% decrease in RWA of “Portfolio (ii) – Bank” was mainly due to decrease in “EAD post-CRM and post-CCF”.

6. Credit risk for non-securitization exposures (continued)

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

(b) Retail IRB approach

	PD scale	At 30 June 2022											
		(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	RWA	RWA density	EL	Provisions
		%	HK\$m	HK\$m	%	HK\$m	%	%	Year	HK\$m	%	HK\$m	HK\$m
Portfolio (i) – Sovereign	0.00 to < 0.15	-	-	-	-	-	-	-	-	-	-	-	-
	0.15 to < 0.25	-	-	-	-	-	-	-	-	-	-	-	-
	0.25 to < 0.50	-	-	-	-	-	-	-	-	-	-	-	-
	0.50 to < 0.75	-	-	-	-	-	-	-	-	-	-	-	-
	0.75 to < 2.50	-	-	-	-	-	-	-	-	-	-	-	-
	2.50 to < 10.00	-	-	-	-	-	-	-	-	-	-	-	-
	10.00 to < 100.00	-	-	-	-	-	-	-	-	-	-	-	-
	100.00 (Default)	-	-	-	-	-	-	-	-	-	-	-	-
	Sub-total	-	-	-	-	-	-	-	-	-	-	-	-
Portfolio (ii) – Bank	0.00 to < 0.15	-	-	-	-	-	-	-	-	-	-	-	-
	0.15 to < 0.25	-	-	-	-	-	-	-	-	-	-	-	-
	0.25 to < 0.50	-	-	-	-	-	-	-	-	-	-	-	-
	0.50 to < 0.75	-	-	-	-	-	-	-	-	-	-	-	-
	0.75 to < 2.50	-	-	-	-	-	-	-	-	-	-	-	-
	2.50 to < 10.00	-	-	-	-	-	-	-	-	-	-	-	-
	10.00 to < 100.00	-	-	-	-	-	-	-	-	-	-	-	-
	100.00 (Default)	-	-	-	-	-	-	-	-	-	-	-	-
	Sub-total	-	-	-	-	-	-	-	-	-	-	-	-
Portfolio (iii) – Corporate – specialized lending (other than HVCRE) – FIRB/AIRB	0.00 to < 0.15	-	-	-	-	-	-	-	-	-	-	-	-
	0.15 to < 0.25	-	-	-	-	-	-	-	-	-	-	-	-
	0.25 to < 0.50	-	-	-	-	-	-	-	-	-	-	-	-
	0.50 to < 0.75	-	-	-	-	-	-	-	-	-	-	-	-
	0.75 to < 2.50	-	-	-	-	-	-	-	-	-	-	-	-
	2.50 to < 10.00	-	-	-	-	-	-	-	-	-	-	-	-
	10.00 to < 100.00	-	-	-	-	-	-	-	-	-	-	-	-
	100.00 (Default)	-	-	-	-	-	-	-	-	-	-	-	-
	Sub-total	-	-	-	-	-	-	-	-	-	-	-	-

6. Credit risk for non-securitization exposures (continued)

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

(b) Retail IRB approach (continued)

	PD scale	At 30 June 2022											
		(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	RWA	RWA density	EL	Provisions
		%	HK\$m	HK\$m	%	HK\$m	%	%	Year	HK\$m	%	HK\$m	HK\$m
Portfolio (iv) – Corporate – small-and-medium sized corporates	0.00 to < 0.15	-	-	-	-	-	-	-	-	-	-	-	-
	0.15 to < 0.25	-	-	-	-	-	-	-	-	-	-	-	-
	0.25 to < 0.50	-	-	-	-	-	-	-	-	-	-	-	-
	0.50 to < 0.75	-	-	-	-	-	-	-	-	-	-	-	-
	0.75 to < 2.50	-	-	-	-	-	-	-	-	-	-	-	-
	2.50 to < 10.00	-	-	-	-	-	-	-	-	-	-	-	-
	10.00 to < 100.00	-	-	-	-	-	-	-	-	-	-	-	-
	100.00 (Default)	-	-	-	-	-	-	-	-	-	-	-	-
	Sub-total	-	-	-	-	-	-	-	-	-	-	-	-
Portfolio (v) – Corporate – HVCRE – FIRB/AIRB	0.00 to < 0.15	-	-	-	-	-	-	-	-	-	-	-	-
	0.15 to < 0.25	-	-	-	-	-	-	-	-	-	-	-	-
	0.25 to < 0.50	-	-	-	-	-	-	-	-	-	-	-	-
	0.50 to < 0.75	-	-	-	-	-	-	-	-	-	-	-	-
	0.75 to < 2.50	-	-	-	-	-	-	-	-	-	-	-	-
	2.50 to < 10.00	-	-	-	-	-	-	-	-	-	-	-	-
	10.00 to < 100.00	-	-	-	-	-	-	-	-	-	-	-	-
	100.00 (Default)	-	-	-	-	-	-	-	-	-	-	-	-
	Sub-total	-	-	-	-	-	-	-	-	-	-	-	-
Portfolio (vi) – Corporate – other (including purchased corporate receivables)	0.00 to < 0.15	-	-	-	-	-	-	-	-	-	-	-	-
	0.15 to < 0.25	-	-	-	-	-	-	-	-	-	-	-	-
	0.25 to < 0.50	-	-	-	-	-	-	-	-	-	-	-	-
	0.50 to < 0.75	-	-	-	-	-	-	-	-	-	-	-	-
	0.75 to < 2.50	-	-	-	-	-	-	-	-	-	-	-	-
	2.50 to < 10.00	-	-	-	-	-	-	-	-	-	-	-	-
	10.00 to < 100.00	-	-	-	-	-	-	-	-	-	-	-	-
	100.00 (Default)	-	-	-	-	-	-	-	-	-	-	-	-
	Sub-total	-	-	-	-	-	-	-	-	-	-	-	-

6. Credit risk for non-securitization exposures (continued)

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

(b) Retail IRB approach (continued)

	PD scale	At 30 June 2022											
		(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	RWA	RWA density	EL	Provisions
		%	HK\$m	%	HK\$m	%		%	Year	HK\$m	%	HK\$m	HK\$m
Portfolio (vii) – Equity – PD/LGD approach	0.00 to < 0.15	-	-	-	-	-	-	-		-	-	-	
	0.15 to < 0.25	-	-	-	-	-	-	-		-	-	-	
	0.25 to < 0.50	-	-	-	-	-	-	-		-	-	-	
	0.50 to < 0.75	-	-	-	-	-	-	-		-	-	-	
	0.75 to < 2.50	-	-	-	-	-	-	-		-	-	-	
	2.50 to < 10.00	-	-	-	-	-	-	-		-	-	-	
	10.00 to < 100.00	-	-	-	-	-	-	-		-	-	-	
	100.00 (Default)	-	-	-	-	-	-	-		-	-	-	
	Sub-total	-	-	-	-	-	-	-		-	-	-	-
Portfolio (viii) – Retail – QRRE	0.00 to < 0.15	5,000	55,553	-	33,839	0.10	674,834	90		1,874	6	31	
	0.15 to < 0.25	1,351	30,548	-	24,487	0.23	697,624	89		2,645	11	51	
	0.25 to < 0.50	481	15,237	-	12,484	0.33	421,643	89		1,766	14	36	
	0.50 to < 0.75	777	2,684	-	2,665	0.57	73,111	93		610	23	14	
	0.75 to < 2.50	647	1,289	-	1,757	1.28	40,515	94		758	43	21	
	2.50 to < 10.00	1,155	1,046	-	1,873	5.53	32,492	95		2,259	121	98	
	10.00 to < 100.00	479	156	-	611	17.44	12,356	96		1,341	219	101	
	100.00 (Default)	43	82	-	107	100.00	2,592	88		744	698	37	
	Sub-total	9,933	106,595	-	77,823	0.63	1,955,167	90		11,997	15	389	186
Portfolio (ix) – Retail – Residential mortgage exposures (including both to individuals and to property-holding shell companies)	0.00 to < 0.15	136,527	-	-	136,527	0.11	68,557	11		27,941	20	16	
	0.15 to < 0.25	59,697	-	-	59,697	0.22	17,667	11		13,279	22	15	
	0.25 to < 0.50	61,111	-	-	61,111	0.39	17,385	11		14,661	24	27	
	0.50 to < 0.75	84,600	-	-	84,600	0.61	25,045	13		21,788	26	68	
	0.75 to < 2.50	51,523	-	-	51,523	0.97	13,158	14		13,555	26	72	
	2.50 to < 10.00	1,174	-	-	1,174	5.22	504	12		487	42	8	
	10.00 to < 100.00	660	-	-	660	25.63	281	12		449	68	20	
	100.00 (Default)	203	-	-	203	100.00	127	13		316	156	1	
	Sub-total	395,495	-	-	395,495	0.50	142,724	12		92,476	23	227	1,182

6. Credit risk for non-securitization exposures (continued)

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

(b) Retail IRB approach (continued)

	PD scale	At 30 June 2022											
		(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	RWA	RWA density	EL	Provisions
		%	HK\$m	HK\$m	%	HK\$m	%	%	Year	HK\$m	%	HK\$m	HK\$m
Portfolio (x) – Retail – small business retail exposures	0.00 to < 0.15	865	1,683	34	1,444	0.08	1,260	13		40	3	-	
	0.15 to < 0.25	354	174	39	422	0.22	238	13		23	5	-	
	0.25 to < 0.50	382	255	37	477	0.39	284	13		37	8	-	
	0.50 to < 0.75	438	295	32	533	0.58	331	13		55	10	-	
	0.75 to < 2.50	762	333	31	867	1.33	699	17		156	18	2	
	2.50 to < 10.00	185	27	59	201	3.50	155	14		41	20	2	
	10.00 to < 100.00	8	-	99	8	22.36	9	18		3	38	-	
	100.00 (Default)	22	1	109	22	100.00	21	43		38	171	13	
	Sub-total	3,016	2,768	35	3,974	1.26	2,997	14		393	10	17	18
Portfolio (xi) – Other retail exposures to individuals	0.00 to < 0.15	3,537	9,305	-	12,273	0.05	3,691	16		312	3	1	
	0.15 to < 0.25	4,884	67	-	4,939	0.22	5,622	13		279	6	1	
	0.25 to < 0.50	35,181	30	-	35,204	0.37	16,839	12		2,463	7	15	
	0.50 to < 0.75	17,790	35	1	17,818	0.61	7,877	14		1,947	11	15	
	0.75 to < 2.50	15,957	19,267	1	17,777	1.38	9,589	31		6,541	37	93	
	2.50 to < 10.00	744	10	-	752	3.93	326	24		255	34	7	
	10.00 to < 100.00	408	-	-	408	17.51	771	27		222	54	22	
	100.00 (Default)	113	-	-	113	100.00	771	58		592	526	21	
	Sub-total	78,614	28,714	-	89,284	0.80	45,486	17		12,611	14	175	182
Total (sum of all portfolios)		487,058	138,077	1	566,576	0.57	2,146,374	24		117,477	21	808	1,568

6. Credit risk for non-securitization exposures (continued)

CR7: Effects on RWA of recognized credit derivative contracts used as recognized credit risk mitigation – for IRB approach

		At 30 June 2022	
		(a)	(b)
		Pre-credit derivatives RWA	Actual RWA
		HK\$m	HK\$m
1	Corporate – Specialized lending under supervisory slotting criteria approach (project finance)	2,426	2,426
2	Corporate – Specialized lending under supervisory slotting criteria approach (object finance)	-	-
3	Corporate – Specialized lending under supervisory slotting criteria approach (commodities finance)	-	-
4	Corporate – Specialized lending under supervisory slotting criteria approach (income-producing real estate)	-	-
5	Corporate – Specialized lending (high-volatility commercial real estate)	-	-
6	Corporate – Small-and-medium sized corporates	62,477	62,477
7	Corporate – Other corporates	652,258	652,258
8	Sovereigns	-	-
9	Sovereign foreign public sector entities	-	-
10	Multilateral development banks	-	-
11	Bank exposures – Banks	127,572	127,572
12	Bank exposures – Securities firms	306	306
13	Bank exposures – Public sector entities (excluding sovereign foreign public sector entities)	-	-
14	Retail – Small business retail exposures	393	393
15	Retail – Residential mortgages to individuals	92,018	92,018
16	Retail – Residential mortgages to property-holding shell companies	458	458
17	Retail – Qualifying revolving retail exposures (QRRE)	11,997	11,997
18	Retail – Other retail exposures to individuals	12,611	12,611
19	Equity – Equity exposures under market-based approach (simple risk-weight method)	-	-
20	Equity – Equity exposures under market-based approach (internal models method)	-	-
21	Equity – Equity exposures under PD/LGD approach (publicly traded equity exposures held for long-term investment)	-	-
22	Equity – Equity exposures under PD/LGD approach (privately owned equity exposures held for long-term investment)	-	-
23	Equity – Equity exposures under PD/LGD approach (other publicly traded equity exposures)	-	-
24	Equity – Equity exposures under PD/LGD approach (other equity exposures)	-	-
25	Equity – Equity exposures associated with equity investments in funds (CIS exposures)	-	-
26	Other – Cash items	-	-
27	Other – Other items	70,993	70,993
28	Total (under the IRB calculation approaches)	1,033,509	1,033,509

The Group did not use any recognised credit derivative contracts for credit risk mitigation.

6. Credit risk for non-securitization exposures (continued)

CR8: RWA flow statements of credit risk exposures under IRB approach

		(a)
		HK\$m
1	RWA as at 31 March 2022	1,057,330
2	Asset size	(11,456)
3	Asset quality	(7,190)
4	Model updates	-
5	Methodology and policy	-
6	Acquisitions and disposals	-
7	Foreign exchange movements	(5,175)
8	Other	-
9	RWA as at 30 June 2022	1,033,509

6. Credit risk for non-securitization exposures (continued)

CR10: Specialized lending under supervisory slotting criteria approach and equities under simple risk-weight method – for IRB approach

I. Specialized lending under supervisory slotting criteria approach – HVCRE

There were no specialised lending under supervisory slotting criteria approach – HVCRE as at 30 June 2022.

II. Specialized lending under supervisory slotting criteria approach – other than HVCRE

		At 30 June 2022									
Supervisory Rating Grade	Remaining Maturity	(a)	(b)	(c)	(d)(i)	(d)(ii)	(d)(iii)	(d)(iv)	(d)(v)	(e)	(f)
		On-balance sheet exposure amount	Off-balance sheet exposure amount	SRW	EAD amount					RWA	Expected loss amount
					PF	OF	CF	IPRE	Total		
		HK\$m	HK\$m		HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m
Strong [^]	Less than 2.5 years	-	-	50%	-	-	-	-	-	-	-
Strong	Equal to or more than 2.5 years	-	-	70%	-	-	-	-	-	-	-
Good [^]	Less than 2.5 years	-	-	70%	-	-	-	-	-	-	-
Good	Equal to or more than 2.5 years	1,803	56	90%	1,804	-	-	-	1,804	1,624	15
Satisfactory		697	-	115%	697	-	-	-	697	802	20
Weak		-	-	250%	-	-	-	-	-	-	-
Default		-	-	0%	-	-	-	-	-	-	-
Total		2,500	56		2,501	-	-	-	2,501	2,426	35

[^] Use of preferential risk-weights.

III. Equity exposures under simple risk-weight method

The Group did not use simple risk-weight method to measure equities exposures as at 30 June 2022.

7. Counterparty credit risk

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

		At 30 June 2022					
		(a)	(b)	(c)	(d)	(e)	(f)
		Replacement cost (RC)	PFE	Effective EPE	Alpha (α) used for computing default risk exposure	Default risk exposure after CRM	RWA
		HK\$m	HK\$m	HK\$m		HK\$m	HK\$m
1	SA-CCR approach (for derivative contracts)	8,929	20,077		1.4	40,608	15,880
1a	CEM (for derivative contracts)	-	-		1.4	-	-
2	IMM(CCR) approach			-	-	-	-
3	Simple approach (for SFTs)					-	-
4	Comprehensive approach (for SFTs)					75,381	48
5	VaR (for SFTs)					-	-
6	Total						15,928

Compared with 31 December 2021, the 31% increase in SA-CCR's default risk exposure after CRM was mainly driven by change in outstanding transactions' market value and increase in outstanding transaction volume. The 10% decrease in SFTs' default risk exposure after CRM was mainly driven by decrease in outstanding transaction volume.

CCR2: CVA capital charge

		At 30 June 2022	
		(a)	(b)
		EAD post CRM	RWA
		HK\$m	HK\$m
	Netting sets for which CVA capital charge is calculated by the advanced CVA method	-	-
1	(i) VaR (after application of multiplication factor if applicable)		-
2	(ii) Stressed VaR (after application of multiplication factor if applicable)		-
3	Netting sets for which CVA capital charge is calculated by the standardized CVA method	40,461	6,954
4	Total	40,461	6,954

7. Counterparty credit risk (continued)

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

		At 30 June 2022										
		(a)	(b)	(c)	(ca)	(d)	(e)	(f)	(g)	(ga)	(h)	(i)
		0%	10%	20%	35%	50%	75%	100%	150%	250%	Others	Total default risk exposure after CRM
	Risk Weight	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m
	Exposure class	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m
1	Sovereign exposures	531	-	1	-	5	-	-	-	-	-	537
2	PSE exposures	-	-	84	-	-	-	-	-	-	-	84
2a	Of which: domestic PSEs	-	-	84	-	-	-	-	-	-	-	84
2b	Of which: foreign PSEs	-	-	-	-	-	-	-	-	-	-	-
3	Multilateral development bank exposures	20	-	-	-	-	-	-	-	-	-	20
4	Bank exposures	-	-	3	-	-	-	-	-	-	-	3
5	Securities firm exposures	-	-	-	-	-	-	-	-	-	-	-
6	Corporate exposures	-	-	-	-	-	-	214	-	-	-	214
7	CIS exposures	-	-	-	-	-	-	-	-	-	-	-
8	Regulatory retail exposures	-	-	-	-	-	196	-	-	-	-	196
9	Residential mortgage loans	-	-	-	-	-	-	-	-	-	-	-
10	Other exposures which are not past due exposures	-	-	-	-	-	-	1,021	-	-	-	1,021
11	Significant exposures to commercial entities	-	-	-	-	-	-	-	-	-	-	-
12	Total	551	-	88	-	5	196	1,235	-	-	-	2,075

Compared with 31 December 2021, the 421% increase in sovereign exposures, 200% increase in PSE exposures and 47% decrease in multilateral development bank exposures, were mainly driven by changes in respective outstanding transaction volumes.

7. Counterparty credit risk (continued)

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

FIRB approach

	PD scale	At 30 June 2022						
		(a)	(b)	(c)	(d)	(e)	(f)	(g)
		EAD post-CRM	Average PD	Number of obligors	Average LGD	Average maturity	RWA	RWA density
		HK\$m	%		%	Year	HK\$m	%
Portfolio (i) – Sovereign	0.00 to < 0.15	-	-	-	-	-	-	-
	0.15 to < 0.25	-	-	-	-	-	-	-
	0.25 to < 0.50	-	-	-	-	-	-	-
	0.50 to < 0.75	-	-	-	-	-	-	-
	0.75 to < 2.50	-	-	-	-	-	-	-
	2.50 to < 10.00	-	-	-	-	-	-	-
	10.00 to < 100.00	-	-	-	-	-	-	-
	100.00 (Default)	-	-	-	-	-	-	-
	Sub-total	-	-	-	-	-	-	-
Portfolio (ii) – Bank	0.00 to < 0.15	102,896	0.05	133	13	1.08	8,687	8
	0.15 to < 0.25	5,063	0.22	28	37	2.15	2,512	50
	0.25 to < 0.50	547	0.39	16	34	2.02	314	57
	0.50 to < 0.75	1,332	0.52	6	3	0.65	83	6
	0.75 to < 2.50	1,165	1.02	8	36	2.11	1,056	91
	2.50 to < 10.00	7	2.67	1	45	2.50	11	153
	10.00 to < 100.00	-	-	-	-	-	-	-
	100.00 (Default)	-	-	-	-	-	-	-
	Sub-total	111,010	0.08	192	14	1.14	12,663	11
Portfolio (iii) – Corporate	0.00 to < 0.15	1,469	0.09	30	45	2.50	531	36
	0.15 to < 0.25	87	0.22	14	45	2.50	40	46
	0.25 to < 0.50	102	0.39	11	45	2.50	65	64
	0.50 to < 0.75	333	0.61	28	45	2.50	251	75
	0.75 to < 2.50	834	1.49	32	45	2.50	866	104
	2.50 to < 10.00	75	3.49	15	45	2.50	100	135
	10.00 to < 100.00	4	13.77	1	45	2.50	10	216
	100.00 (Default)	-	-	-	-	-	-	-
	Sub-total	2,904	0.68	131	45	2.50	1,863	64
Portfolio (iv) – Retail	0.00 to < 0.15	-	-	-	-	-	-	-
	0.15 to < 0.25	-	-	-	-	-	-	-
	0.25 to < 0.50	-	-	-	-	-	-	-
	0.50 to < 0.75	-	-	-	-	-	-	-
	0.75 to < 2.50	-	-	-	-	-	-	-
	2.50 to < 10.00	-	-	-	-	-	-	-
	10.00 to < 100.00	-	-	-	-	-	-	-
	100.00 (Default)	-	-	-	-	-	-	-
	Sub-total	-	-	-	-	-	-	-
Total (sum of all portfolios)		113,914	0.09	323	15	1.18	14,526	13

Compared with 31 December 2021, the 34% increase in RWA of “Portfolio (ii) – Bank” was mainly due to increase in “EAD post-CRM”.

7. Counterparty credit risk (continued)

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

	At 30 June 2022					
	(a)	(b)	(c)	(d)	(e)	(f)
	Derivative contracts				SFTs	
	Fair value of recognized collateral received		Fair value of posted collateral		Fair value of recognized collateral received	Fair value of posted collateral
	Segregated	Unsegregated	Segregated	Unsegregated		
	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m
Cash	-	29,432	-	10,714	63,615	12,442
Debt securities	-	-	-	-	12,498	63,269
Equity securities	-	-	-	-	428	-
Total	-	29,432	-	10,714	76,541	75,711

Compared with 31 December 2021, the 151% increase in fair value of recognised collateral received (unsegregated) under derivative contracts was mainly driven by change in outstanding transactions' market value and increase in outstanding transaction volume.

The 15% decrease in fair value of recognised collateral received and 31% decrease in fair value of posted collateral under SFTs were mainly driven by decrease in outstanding transaction volume.

CCR6: Credit-related derivatives contracts

	At 30 June 2022	
	(a)	(b)
	Protection bought	Protection sold
	HK\$m	HK\$m
Notional amounts		
Index credit default swaps	-	-
Total notional amounts	-	-
Fair values		
Positive fair value (asset)	-	-
Negative fair value (liability)	-	-

CCR7: RWA flow statements of default risk exposures under IMM(CCR) approach

The Group did not use IMM(CCR) approach to measure default risk exposures as at 30 June 2022.

7. Counterparty credit risk (continued)

CCR8: Exposures to CCPs

		At 30 June 2022	
		(a)	(b)
		Exposure after CRM	RWA
		HK\$m	HK\$m
1	Exposures of the AI as clearing member or clearing client to qualifying CCPs (total)		201
2	Default risk exposures to qualifying CCPs (excluding items disclosed in rows 7 to 10), of which:		
3	(i) OTC derivative transactions	1,670	41
4	(ii) Exchange-traded derivative contracts	1,215	32
5	(iii) Securities financing transactions	455	9
6	(iv) Netting sets subject to valid cross-product netting agreements	-	-
7	Segregated initial margin	-	-
8	Unsegregated initial margin	-	-
9	Funded default fund contributions	171	7
10	Unfunded default fund contributions	320	153
11	Exposures of the AI as clearing member or clearing client to non-qualifying CCPs (total)		-
12	Default risk exposures to non-qualifying CCPs (excluding items disclosed in rows 17 to 20), of which:		
13	(i) OTC derivative transactions	-	-
14	(ii) Exchange-traded derivative contracts	-	-
15	(iii) Securities financing transactions	-	-
16	(iv) Netting sets subject to valid cross-product netting agreements	-	-
17	Segregated initial margin	-	-
18	Unsegregated initial margin	-	-
19	Funded default fund contributions	-	-
20	Unfunded default fund contributions	-	-

8. Securitization exposures

SEC1: Securitization exposures in banking book

There was no securitisation exposure in the banking book as at 30 June 2022.

SEC2: Securitization exposures in trading book

There was no securitisation exposure in the trading book as at 30 June 2022.

SEC3: Securitization exposures in banking book and associated capital requirements – where AI acts as originator

There was no securitisation exposure in the banking book and the associated capital requirements where the Group acts as an originator as at 30 June 2022.

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

There was no securitisation exposure in the banking book and the associated capital requirements where the Group acts as an investor as at 30 June 2022.

9. Market risk

MR1: Market risk under STM approach

		At 30 June 2022
		(a)
		RWA
		HK\$'m
	Outright product exposures	
1	Interest rate exposures (general and specific risk)	626
2	Equity exposures (general and specific risk)	204
3	Foreign exchange (including gold) exposures	-
4	Commodity exposures	1,045
	Option exposures	
5	Simplified approach	-
6	Delta-plus approach	3
7	Other approach	-
8	Securitization exposures	-
9	Total	1,878

MR2: RWA flow statements of market risk exposures under IMM approach

		(a)	(b)	(c)	(d)	(e)	(f)
		VaR	Stressed VaR	IRC	CRC	Other	Total RWA
		HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m
1	RWA as at 31 March 2022	3,208	16,410	-	-	-	19,618
1a	<i>Regulatory adjustment</i>	(1,987)	(11,090)	-	-	-	(13,077)
1b	RWA as at day-end of 31 March 2022	1,221	5,320	-	-	-	6,541
2	Movement in risk levels*	(522)	(1,409)	-	-	-	(1,931)
3	Model updates/changes	-	-	-	-	-	-
4	Methodology and policy	-	-	-	-	-	-
5	Acquisitions and disposals	-	-	-	-	-	-
6	Foreign exchange movements	-	-	-	-	-	-
7	Other	-	-	-	-	-	-
7a	RWA as at day-end of 30 June 2022	699	3,911	-	-	-	4,610
7b	<i>Regulatory adjustment</i>	2,067	10,713	-	-	-	12,780
8	RWA as at 30 June 2022	2,766	14,624	-	-	-	17,390

* Movements as a result of changes in positions and risk levels.

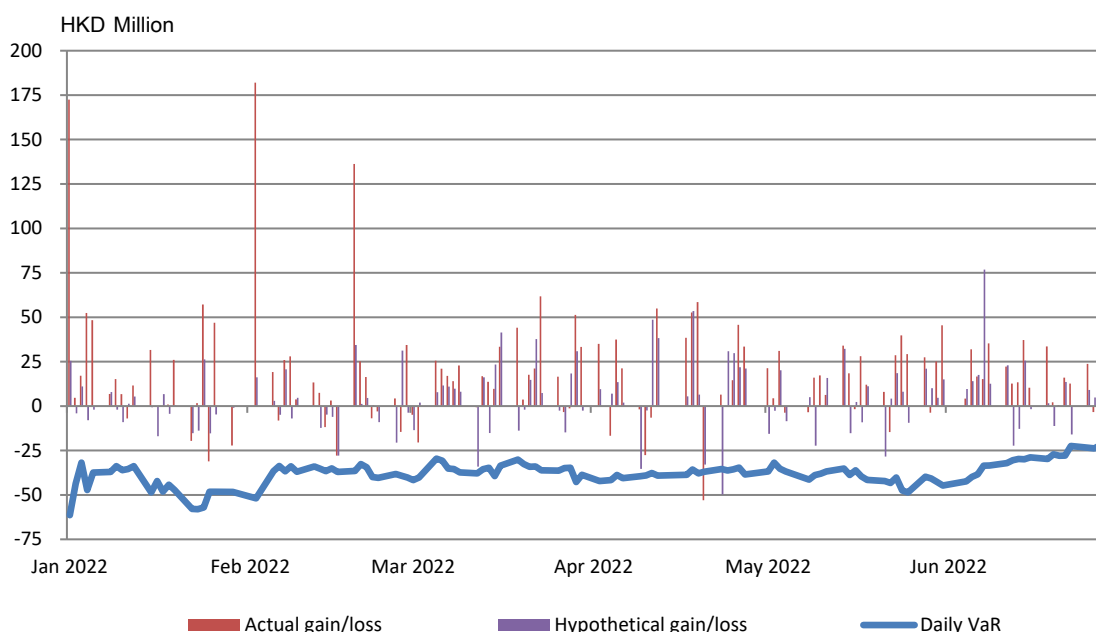
9. Market risk (continued)

MR3: IMM approach values for market risk exposures

		(a)
		HK\$'m
VaR (10 days – one-tailed 99% confidence interval)		
1	Maximum Value	134
2	Average Value	80
3	Minimum Value	46
4	Period End	56
Stressed VaR (10 days – one-tailed 99% confidence interval)		
5	Maximum Value	678
6	Average Value	415
7	Minimum Value	262
8	Period End	313
Incremental risk charge (IRC) (99.9% confidence interval)		
9	Maximum Value	-
10	Average Value	-
11	Minimum Value	-
12	Period End	-
Comprehensive risk charge (CRC) (99.9% confidence interval)		
13	Maximum Value	-
14	Average Value	-
15	Minimum Value	-
16	Period End	-
17	Floor	-

9. Market risk (continued)

MR4: Comparison of VaR estimates with gains or losses



Regulatory VaR and stressed VaR for determining market risk capital requirements are calculated at a 99% confidence level for a 10-day holding period. The stressed VaR uses the same methodology as the VaR model and is generated with inputs calibrated to the historical market data from a continuous 12-month period of significant financial stress relevant to the Group's portfolio.

The Group adopts a regulatory VaR model, using a historical simulation approach and two years of historical data, to capture general interest rate and foreign exchange risks over a 10-day holding period with a 99% confidence level. The Group adopts back-testing to measure the accuracy of VaR model results. Actual and hypothetical P&L are compared against the corresponding 99% one-day regulatory VaR. The numbers of exception over the recent 250 business days (Actual or hypothetical P&L exceeds the VaR) determines the value of VaR multiplication factor.

Actual P&Ls are the P&Ls in respect to trading activities within the scope of regulatory VaR model, which includes intraday P&Ls; excludes commissions, fees and reserves. Hypothetical P&Ls are the hypothetical changes in portfolio value assuming unchanged end-of-day position.

One exception was noted in actual P&L back-testing on 22 April (excess amount: HK\$16 million); one exception was noted in hypothetical P&L back-testing on 25 April (excess amount: HK\$14 million) in the first-half of 2022. Those exceptions were both driven by unexpected market movements.