

# Regulatory Disclosures

30 June 2023



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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 2023	At 31 March 2023	At 31 December 2022	At 30 September 2022	At 30 June 2022	
	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	
<b>Regulatory capital</b>						
1	Common Equity Tier 1 (CET1)	246,884	239,276	229,798	231,059	229,606
2	Tier 1	269,560	262,752	253,274	254,535	253,082
3	Total capital	298,730	291,865	282,322	284,601	283,299
<b>RWA</b>						
4	Total RWA	1,299,148	1,280,036	1,312,199	1,291,554	1,300,061
<b>Risk-based regulatory capital ratios (as a percentage of RWA)</b>						
5	CET1 ratio (%)	19.00%	18.69%	17.51%	17.89%	17.66%
6	Tier 1 ratio (%)	20.75%	20.53%	19.30%	19.71%	19.47%
7	Total capital ratio (%)	22.99%	22.80%	21.52%	22.04%	21.79%
<b>Additional CET1 buffer requirements (as a percentage of RWA)</b>						
8	Capital conservation buffer requirement (%)	2.500%	2.500%	2.500%	2.500%	2.500%
9	Countercyclical capital buffer requirement (%)	0.822%	0.812%	0.817%	0.817%	0.812%
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 (%)	4.822%	4.812%	4.817%	4.817%	4.812%
12	CET1 available after meeting the AI's minimum capital requirements (%)	14.50%	14.19%	13.01%	13.39%	13.16%
<b>Basel III leverage ratio</b>						
13	Total leverage ratio (LR) exposure measure	3,479,089	3,470,607	3,370,353	3,310,168	3,300,345
14	LR (%)	7.75%	7.57%	7.51%	7.69%	7.67%
<b>Liquidity Coverage Ratio (LCR)/Liquidity Maintenance Ratio (LMR)</b>						
Applicable to category 1 institution only:						
15	Total high quality liquid assets (HQLA)	965,434	931,036	829,726	848,353	886,662
16	Total net cash outflows	512,966	491,937	466,673	570,294	594,283
17	LCR (%)	188.89%	189.68%	178.49%	149.00%	149.49%
Applicable to category 2 institution only:						
17a	LMR (%)	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
<b>Net Stable Funding Ratio (NSFR)/Core Funding Ratio (CFR)</b>						
Applicable to category 1 institution only:						
18	Total available stable funding	2,005,761	2,040,498	1,952,126	1,907,480	1,907,244
19	Total required stable funding	1,524,651	1,516,958	1,483,841	1,490,466	1,503,313
20	NSFR (%)	131.56%	134.51%	131.56%	127.98%	126.87%
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 2023	At 31 March 2023	At 31 December 2022	At 30 September 2022	At 30 June 2022
		HK\$m	HK\$m	HK\$m	HK\$m	HK\$m
<b>Of the material entity at LAC consolidation group level</b>						
1	Internal loss-absorbing capacity available	351,681	346,556	335,239	261,125	259,823
2	Risk-weighted amount under the LAC Rules	1,299,148	1,280,036	1,312,199	1,291,554	1,300,061
3	Internal LAC risk-weighted ratio	27.07%	27.07%	25.55%	20.22%	19.99%
4	Exposure measure under the LAC Rules	3,479,089	3,470,607	3,370,353	3,310,168	3,300,345
5	Internal LAC leverage ratio	10.11%	9.99%	9.95%	7.89%	7.87%
6a	Does the subordination exemption in the antepenultimate paragraph of Section 11 of the FSB TLAC Term Sheet apply? <sup>1</sup>	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? <sup>1</sup>	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 <sup>1</sup>	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable

**Footnote:**

<sup>1</sup> 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 2023 <sup>1</sup>	At 31 March 2023 <sup>1</sup>	At 31 December 2022 <sup>1</sup>	At 30 September 2022 <sup>1</sup>	At 30 June 2022 <sup>1</sup>
		HK\$m	HK\$m	HK\$m	HK\$m	HK\$m
<b>Of the non-HK resolution entity at resolution group level</b>						
1	External loss-absorbing capacity available	3,346,339	3,516,765	3,301,580	3,176,182	3,304,501
2	Total risk-weighted amount under the relevant non-HK LAC regime	19,529,804	Not applicable <sup>2</sup>	18,845,214	Not applicable <sup>2</sup>	19,448,240
3	External loss-absorbing capacity as a percentage of risk-weighted amount	17.13%	17.53%	17.52%	17.17%	16.99%
4	Leverage ratio exposure measure under the relevant non-HK LAC regime	35,825,110	37,107,540	34,738,341	33,816,503	34,979,020
5	External loss-absorbing capacity as a percentage of leverage ratio exposure measure	9.34%	9.48%	9.50%	9.39%	9.45%
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:**

<sup>1</sup> 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.

<sup>2</sup> "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 2023	At 31 March 2023	At 30 June 2023
		HK\$m	HK\$m	HK\$m
1	Credit risk for non-securitization exposures	1,103,096	1,086,824	93,092
2	Of which STC approach	93,757	92,019	7,501
2a	Of which BSC approach	-	-	-
3	Of which foundation IRB approach	1,007,034	992,427	85,396
4	Of which supervisory slotting criteria approach	2,305	2,378	195
5	Of which advanced IRB approach	-	-	-
6	Counterparty default risk and default fund contributions	14,008	10,391	1,177
7	Of which SA-CCR approach	13,725	10,067	1,154
7a	Of which CEM	-	-	-
8	Of which IMM(CCR) approach	-	-	-
9	Of which others	283	324	23
10	CVA risk	5,301	3,990	424
11	Equity positions in banking book under the simple risk-weight method and internal models method	-	-	-
12	Collective investment scheme ("CIS") exposures – LTA	-	-	-
13	CIS exposures – MBA	-	-	-
14	CIS exposures – FBA	-	-	-
14a	CIS exposures – combination of approaches	-	-	-
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	29,190	34,432	2,335
21	Of which STM approach	3,555	3,015	284
22	Of which IMM approach	25,635	31,417	2,051
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	99,762	97,469	7,981
24a	Sovereign concentration risk	-	-	-
25	Amounts below the thresholds for deduction (subject to 250% RW)	12,675	12,965	1,014
26	Capital floor adjustment	-	-	-
26a	Deduction to RWA	26,141	26,207	2,091
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	26,141	26,207	2,091
27	Total	1,237,891	1,219,864	103,932

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 2023, the 35% increase in RWA of counterparty default risk and default fund contributions was mainly driven by change in outstanding derivative transactions' market value and transaction volume.

## 2. Composition of regulatory capital

### CC1: Composition of regulatory capital

		At 30 June 2023	
		(a)	(b)
		HK\$m	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
	<b>CET1 capital: instruments and reserves</b>		
1	Directly issued qualifying CET1 capital instruments plus any related share premium	43,043	(7)
2	Retained earnings	222,833	(8)
3	Disclosed reserves	38,214	(10)+(11)+(12)+(13)
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)	-	
<b>6</b>	<b>CET1 capital before regulatory deductions</b>	<b>304,090</b>	
	<b>CET1 capital: regulatory deductions</b>		
7	Valuation adjustments	36	Not applicable
8	Goodwill (net of associated deferred tax liabilities)	-	
9	Other intangible assets (net of associated deferred tax liabilities)	1,789	(4)-(6)
10	Deferred tax assets (net of associated deferred tax liabilities)	257	(3)
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	108	(1)+(5)
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	55,016	
26a	Cumulative fair value gains arising from the revaluation of land and buildings (own-use and investment properties)	47,530	(9)+(10)
26b	Regulatory reserve for general banking risks	7,486	(12)
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 2023	
		(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	-	
<b>28</b>	<b>Total regulatory deductions to CET1 capital</b>	<b>57,206</b>	
<b>29</b>	<b>CET1 capital</b>	<b>246,884</b>	
<b>AT1 capital: instruments</b>			
30	Qualifying AT1 capital instruments plus any related share premium	23,476	
31	of which: classified as equity under applicable accounting standards	23,476	(14)
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>	-	
<b>36</b>	<b>AT1 capital before regulatory deductions</b>	<b>23,476</b>	
<b>AT1 capital: regulatory deductions</b>			
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	800	(2)
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	-	
<b>43</b>	<b>Total regulatory deductions to AT1 capital</b>	<b>800</b>	
<b>44</b>	<b>AT1 capital</b>	<b>22,676</b>	
<b>45</b>	<b>Tier 1 capital (T1 = CET1 + AT1)</b>	<b>269,560</b>	
<b>Tier 2 capital: instruments and provisions</b>			
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	7,781	Not applicable
<b>51</b>	<b>Tier 2 capital before regulatory deductions</b>	<b>7,781</b>	
<b>Tier 2 capital: regulatory deductions</b>			
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 2023	
		(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	(21,389)	
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	(21,389)	[(9)+(10)]*45%
56b	Regulatory deductions applied to Tier 2 capital to cover the required deductions falling within §48(1)(g) of BCR	-	
<b>57</b>	<b>Total regulatory adjustments to Tier 2 capital</b>	<b>(21,389)</b>	
<b>58</b>	<b>Tier 2 capital (T2)</b>	<b>29,170</b>	
<b>59</b>	<b>Total regulatory capital (TC = T1 + T2)</b>	<b>298,730</b>	
<b>60</b>	<b>Total RWA</b>	<b>1,299,148</b>	
<b>Capital ratios (as a percentage of RWA)</b>			
<b>61</b>	<b>CET1 capital ratio</b>	<b>19.00%</b>	
<b>62</b>	<b>Tier 1 capital ratio</b>	<b>20.75%</b>	
<b>63</b>	<b>Total capital ratio</b>	<b>22.99%</b>	
<b>64</b>	<b>Institution-specific buffer requirement (capital conservation buffer plus countercyclical capital buffer plus higher loss absorbency requirements)</b>	<b>4.822%</b>	
65	of which: capital conservation buffer requirement	2.500%	
66	of which: bank specific countercyclical capital buffer requirement	0.822%	
67	of which: higher loss absorbency requirement	1.500%	
68	CET1 (as a percentage of RWA) available after meeting minimum capital requirements	14.50%	
<b>National minima (if different from Basel 3 minimum)</b>			
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
<b>Amounts below the thresholds for deduction (before risk weighting)</b>			
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	19,700	
73	Significant LAC investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	5,840	
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 2023	
		(a)	(b)
		HK\$m	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
	<b>Applicable caps on the inclusion of provisions in Tier 2 capital</b>		
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)	1,288	
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	1,357	
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)	7,974	
79	Cap for inclusion of provisions in Tier 2 under the IRB approach and SEC-IRBA	6,493	
	<b>Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2018 and 1 Jan 2022)</b>		
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	<b>Other intangible assets (net of associated deferred tax liabilities)</b>	1,789	-
	<u>Explanation</u> 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	<b>Deferred tax assets (net of associated deferred tax liabilities)</b>	257	-
	<u>Explanation</u> 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	<b>Insignificant LAC investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)</b>	-	-
	<u>Explanation</u> 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	<b>Significant LAC investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)</b>	-	-
	<u>Explanation</u> 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	<b>Insignificant LAC investments in AT1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)</b>	-	-
	<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	<b>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)</b>	-	-
	<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.		
<b>Remarks:</b> 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 2023 HK\$m	Under regulatory scope of consolidation as at 30 June 2023 HK\$m	Reference
<b>ASSETS</b>			
Cash and balances and placements with banks and other financial institutions	413,297	412,707	
Financial assets at fair value through profit or loss	79,864	79,709	
Derivative financial instruments	75,053	75,053	
- of which: <i>debit valuation adjustments in respect of derivative contracts</i>		16	(1)
Hong Kong SAR Government certificates of indebtedness	210,010	210,010	
Advances and other accounts	1,716,517	1,716,533	
Investment in securities	979,075	979,068	
- of which: <i>Significant LAC investments in AT1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation</i>		800	(2)
Interests in subsidiaries	-	1,136	
Interests in associates and joint ventures	604	604	
Investment properties	16,485	16,358	
Properties, plant and equipment	43,149	42,761	
Current tax assets	55	50	
Deferred tax assets	266	257	(3)
Other assets	59,328	59,220	
- of which: <i>other intangible assets</i>		2,140	(4)
<b>Total assets</b>	<b>3,593,703</b>	<b>3,593,466</b>	
<b>LIABILITIES</b>			
Hong Kong SAR currency notes in circulation	210,010	210,010	
Deposits and balances from banks and other financial institutions	290,998	290,998	
Financial liabilities at fair value through profit or loss	52,207	52,207	
Derivative financial instruments	56,270	56,270	
- of which: <i>debit valuation adjustments in respect of derivative contracts</i>		(92)	(5)
Deposits from customers	2,467,726	2,468,435	
Debt securities and certificates of deposit in issue	3,602	3,602	
Other accounts and provisions	97,815	97,696	
Current tax liabilities	6,862	6,837	
Deferred tax liabilities	4,352	4,218	
- of which: <i>deferred tax liabilities related to other intangible assets</i>		351	(6)
Subordinated liabilities	75,627	75,627	
<b>Total liabilities</b>	<b>3,265,469</b>	<b>3,265,900</b>	

## 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 2023 HK\$m	Under regulatory scope of consolidation as at 30 June 2023 HK\$m	Reference
<b>EQUITY</b>			
Share capital	43,043	43,043	(7)
Reserves	261,450	261,047	
- Retained earnings	222,233	222,833	(8)
- of which: cumulative fair value gains arising from the revaluation of investment properties		10,582	(9)
- Premises revaluation reserve	37,971	36,948	(10)
- Reserve for financial assets at FVOCI	(4,409)	(4,407)	(11)
- Regulatory reserve	7,486	7,486	(12)
- Translation reserve	(1,831)	(1,813)	(13)
Capital and reserves attributable to equity holders of the Bank	304,493	304,090	
Other equity instruments of the Bank	23,476	23,476	(14)
Non-controlling interests	265	-	
Total equity	328,234	327,566	
Total liabilities and equity	3,593,703	3,593,466	

## 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 <sup>1</sup>	Not applicable
5	Post-transitional Basel III rules <sup>2</sup>	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 2023)
8a	Amount recognised in loss-absorbing capacity (currency in millions, as of most recent reporting date)	HK\$43,043m (as of 30 June 2023)
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 (ii)(a) of this main features table
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	Not applicable
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## 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		(a) 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 <sup>1</sup>	Not applicable
5	Post-transitional Basel III rules <sup>2</sup>	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 2023)
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)

		(a)
		<b>Additional Tier 1 Capital Subordinated capital securities</b>
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% per annum
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
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## 2. Composition of regulatory capital (continued)

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

(iii) Instruments that meet only LAC (but not regulatory capital) requirements

		(a)	(b)
		Non-capital LAC debt instruments Subordinated loan	Non-capital LAC debt instruments Subordinated loan
1	Issuer	Bank of China (Hong Kong) Limited	Bank of China (Hong Kong) Limited
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	Not applicable	Not applicable
3	Governing law(s) of the instrument	Hong Kong law	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	Not applicable
<i>Regulatory treatment</i>			
4	Transitional Basel III rules <sup>1</sup>	Not applicable	Not applicable
5	Post-transitional Basel III rules <sup>2</sup>	Ineligible	Ineligible
6	Eligible at solo*/group/solo and group (for regulatory capital purposes)	Ineligible	Ineligible
6a	Eligible at solo*/LAC consolidation group/solo and LAC consolidation group (for LAC purposes)	Solo and LAC consolidation group	Solo and LAC consolidation group
7	Instrument type (types to be specified by each jurisdiction)	Non-capital LAC debt instrument	Non-capital LAC debt instrument
8	Amount recognised in regulatory capital (currency in millions, as of most recent reporting date)	Not applicable	Not applicable
8a	Amount recognised in loss-absorbing capacity (currency in millions, as of most recent reporting date)	HK\$21,840m (as of 30 June 2023)	HK\$10,940m (as of 30 June 2023)
9	Par value of instrument	RMB20 billion	RMB10 billion
10	Accounting classification	Liability – amortised cost	Liability – amortised cost
11	Original date of issuance	27 October 2022	27 October 2022
12	Perpetual or dated	Dated	Dated
13	Original maturity date	27 October 2024	27 October 2025
14	Issuer call subject to prior supervisory approval	Yes	Yes
15	Optional call date, contingent call dates and redemption price	27 October 2023 at par value	27 October 2024 at par value
16	Subsequent call dates, if applicable	Callable on any interest payment date thereafter	Callable on any interest payment date thereafter
<i>Coupons/dividends</i>			
17	Fixed or floating dividend/coupon	Fixed	Fixed
18	Coupon rate and any related index	2.20% per annum	2.47% per annum
19	Existence of a dividend stopper	No	No
20	Fully discretionary, partially discretionary or mandatory	Mandatory	Mandatory
21	Existence of step-up or other incentive to redeem	No	No
22	Non-cumulative or cumulative	Cumulative	Cumulative
23	Convertible or non-convertible	Non-convertible <sup>3</sup>	Non-convertible <sup>3</sup>
24	If convertible, conversion trigger(s)	Not applicable	Not applicable
25	If convertible, fully or partially	Not applicable	Not applicable
26	If convertible, conversion rate	Not applicable	Not applicable
27	If convertible, mandatory or optional conversion	Not applicable	Not applicable
28	If convertible, specify instrument type convertible into	Not applicable	Not applicable
29	If convertible, specify issuer of instrument it converts into	Not applicable	Not applicable

## 2. Composition of regulatory capital (continued)

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

		(a)	(b)
		Non-capital LAC debt instruments Subordinated loan	Non-capital LAC debt instruments Subordinated loan
30	Write-down feature	Yes	Yes
31	If write-down, write-down trigger(s)	Contractual write-down at point of non-viability of borrower. Contractual recognition of HKMA statutory powers under the Financial Institutions (Resolution) Ordinance	Contractual write-down at point of non-viability of borrower. Contractual recognition of HKMA statutory powers under the Financial Institutions (Resolution) Ordinance
32	If write-down, full or partial	May be written down partially	May be written down partially
33	If write-down, permanent or temporary	Permanent	Permanent
34	If temporary write-down, description of write-up mechanism	Not applicable	Not applicable
34a	Type of subordination	Contractual	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)	Immediately subordinate to the claims of all unsubordinated creditors	Immediately subordinate to the claims of all unsubordinated creditors
36	Non-compliant transitioned features	No	No
37	If yes, specify non-compliant features	Not applicable	Not applicable
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## 2. Composition of regulatory capital (continued)

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

		(c)	(d)
		Non-capital LAC debt instruments Subordinated loan	Non-capital LAC debt instruments Subordinated loan
1	Issuer	Bank of China (Hong Kong) Limited	Bank of China (Hong Kong) Limited
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	Not applicable	Not applicable
3	Governing law(s) of the instrument	Hong Kong law	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	Not applicable
<i>Regulatory treatment</i>			
4	Transitional Basel III rules <sup>1</sup>	Not applicable	Not applicable
5	Post-transitional Basel III rules <sup>2</sup>	Ineligible	Ineligible
6	Eligible at solo*/group/solo and group (for regulatory capital purposes)	Ineligible	Ineligible
6a	Eligible at solo*/LAC consolidation group/solo and LAC consolidation group (for LAC purposes)	Solo and LAC consolidation group	Solo and LAC consolidation group
7	Instrument type (types to be specified by each jurisdiction)	Non-capital LAC debt instrument	Non-capital LAC debt instrument
8	Amount recognised in regulatory capital (currency in millions, as of most recent reporting date)	Not applicable	Not applicable
8a	Amount recognised in loss-absorbing capacity (currency in millions, as of most recent reporting date)	HK\$8,104m (as of 30 June 2023)	HK\$8,079m (as of 30 June 2023)
9	Par value of instrument	USD1 billion	USD1 billion
10	Accounting classification	Liability – amortised cost	Liability – amortised cost
11	Original date of issuance	8 November 2022	18 November 2022
12	Perpetual or dated	Dated	Dated
13	Original maturity date	8 November 2025	18 November 2025
14	Issuer call subject to prior supervisory approval	Yes	Yes
15	Optional call date, contingent call dates and redemption price	14 September 2023 at par value	14 September 2023 at par value
16	Subsequent call dates, if applicable	Callable on any interest payment date thereafter	Callable on any interest payment date thereafter
<i>Coupons/dividends</i>			
17	Fixed or floating dividend/coupon	Fixed	Fixed
18	Coupon rate and any related index	5.30% per annum	5.02% per annum
19	Existence of a dividend stopper	No	No
20	Fully discretionary, partially discretionary or mandatory	Mandatory	Mandatory
21	Existence of step-up or other incentive to redeem	No	No
22	Non-cumulative or cumulative	Cumulative	Cumulative
23	Convertible or non-convertible	Non-convertible <sup>3</sup>	Non-convertible <sup>3</sup>
24	If convertible, conversion trigger(s)	Not applicable	Not applicable
25	If convertible, fully or partially	Not applicable	Not applicable
26	If convertible, conversion rate	Not applicable	Not applicable
27	If convertible, mandatory or optional conversion	Not applicable	Not applicable
28	If convertible, specify instrument type convertible into	Not applicable	Not applicable
29	If convertible, specify issuer of instrument it converts into	Not applicable	Not applicable

## 2. Composition of regulatory capital (continued)

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

		(c)	(d)
		Non-capital LAC debt instruments Subordinated loan	Non-capital LAC debt instruments Subordinated loan
30	Write-down feature	Yes	Yes
31	If write-down, write-down trigger(s)	Contractual write-down at point of non-viability of borrower. Contractual recognition of HKMA statutory powers under the Financial Institutions (Resolution) Ordinance	Contractual write-down at point of non-viability of borrower. Contractual recognition of HKMA statutory powers under the Financial Institutions (Resolution) Ordinance
32	If write-down, full or partial	May be written down partially	May be written down partially
33	If write-down, permanent or temporary	Permanent	Permanent
34	If temporary write-down, description of write-up mechanism	Not applicable	Not applicable
34a	Type of subordination	Contractual	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)	Immediately subordinate to the claims of all unsubordinated creditors	Immediately subordinate to the claims of all unsubordinated creditors
36	Non-compliant transitioned features	No	No
37	If yes, specify non-compliant features	Not applicable	Not applicable
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## 2. Composition of regulatory capital (continued)

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

		(e)	(f)
		Non-capital LAC debt instruments Subordinated loan	Non-capital LAC debt instruments Subordinated loan
1	Issuer	Bank of China (Hong Kong) Limited	Bank of China (Hong Kong) Limited
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	Not applicable	Not applicable
3	Governing law(s) of the instrument	Hong Kong law	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	Not applicable
<i>Regulatory treatment</i>			
4	Transitional Basel III rules <sup>1</sup>	Not applicable	Not applicable
5	Post-transitional Basel III rules <sup>2</sup>	Ineligible	Ineligible
6	Eligible at solo*/group/solo and group (for regulatory capital purposes)	Ineligible	Ineligible
6a	Eligible at solo*/LAC consolidation group/solo and LAC consolidation group (for LAC purposes)	Solo and LAC consolidation group	Solo and LAC consolidation group
7	Instrument type (types to be specified by each jurisdiction)	Non-capital LAC debt instrument	Non-capital LAC debt instrument
8	Amount recognised in regulatory capital (currency in millions, as of most recent reporting date)	Not applicable	Not applicable
8a	Amount recognised in loss-absorbing capacity (currency in millions, as of most recent reporting date)	HK\$18,606m (as of 30 June 2023)	HK\$8,058m (as of 30 June 2023)
9	Par value of instrument	RMB17 billion	USD1 billion
10	Accounting classification	Liability – amortised cost	Liability – amortised cost
11	Original date of issuance	23 November 2022	6 December 2022
12	Perpetual or dated	Dated	Dated
13	Original maturity date	23 November 2025	6 December 2025
14	Issuer call subject to prior supervisory approval	Yes	Yes
15	Optional call date, contingent call dates and redemption price	23 November 2024 at par value	14 September 2023 at par value
16	Subsequent call dates, if applicable	Callable on any interest payment date thereafter	Callable on any interest payment date thereafter
<i>Coupons/dividends</i>			
17	Fixed or floating dividend/coupon	Fixed	Fixed
18	Coupon rate and any related index	2.85% per annum	4.99% per annum
19	Existence of a dividend stopper	No	No
20	Fully discretionary, partially discretionary or mandatory	Mandatory	Mandatory
21	Existence of step-up or other incentive to redeem	No	No
22	Non-cumulative or cumulative	Cumulative	Cumulative
23	Convertible or non-convertible	Non-convertible <sup>3</sup>	Non-convertible <sup>3</sup>
24	If convertible, conversion trigger(s)	Not applicable	Not applicable
25	If convertible, fully or partially	Not applicable	Not applicable
26	If convertible, conversion rate	Not applicable	Not applicable
27	If convertible, mandatory or optional conversion	Not applicable	Not applicable
28	If convertible, specify instrument type convertible into	Not applicable	Not applicable
29	If convertible, specify issuer of instrument it converts into	Not applicable	Not applicable

## 2. Composition of regulatory capital (continued)

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

		(e)	(f)
		Non-capital LAC debt instruments Subordinated loan	Non-capital LAC debt instruments Subordinated loan
30	Write-down feature	Yes	Yes
31	If write-down, write-down trigger(s)	Contractual write-down at point of non-viability of borrower. Contractual recognition of HKMA statutory powers under the Financial Institutions (Resolution) Ordinance	Contractual write-down at point of non-viability of borrower. Contractual recognition of HKMA statutory powers under the Financial Institutions (Resolution) Ordinance
32	If write-down, full or partial	May be written down partially	May be written down partially
33	If write-down, permanent or temporary	Permanent	Permanent
34	If temporary write-down, description of write-up mechanism	Not applicable	Not applicable
34a	Type of subordination	Contractual	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)	Immediately subordinate to the claims of all unsubordinated creditors	Immediately subordinate to the claims of all unsubordinated creditors
36	Non-compliant transitioned features	No	No
37	If yes, specify non-compliant features	Not applicable	Not applicable
<b>Full terms and conditions</b>		Click <a href="#">here</a> to download <sup>4</sup>	Click <a href="#">here</a> to download <sup>4</sup>

**Footnote:**

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

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

<sup>3</sup> Subject to the Financial Institutions (Resolution) Ordinance

<sup>4</sup> Terms and conditions to be read in conjunction with the Master Agreement (the "Master Agreement")  
Click [here](#) to download the Master Agreement

\* 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 2023
		(a)
		HK\$m
	<b>Regulatory capital elements of internal loss-absorbing capacity and adjustments</b>	
1	Common Equity Tier 1 ("CET1") capital	246,884
2	Additional Tier 1 ("AT1") capital before LAC adjustments	22,676
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	(22,676)
4	Other adjustments	-
5	AT1 capital eligible under the LAC Rules	-
6	Tier 2 ("T2") capital before LAC adjustments	29,170
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	29,170
<b>11</b>	<b>Internal loss-absorbing capacity arising from regulatory capital</b>	<b>276,054</b>
	<b>Non-regulatory capital elements of internal loss-absorbing capacity</b>	
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	75,627
<b>17</b>	<b>Internal loss-absorbing capacity arising from non-capital LAC debt instruments before adjustments</b>	<b>75,627</b>
	<b>Non-regulatory capital elements of internal loss-absorbing capacity: adjustments</b>	
<b>18</b>	<b>Internal loss-absorbing capacity before deductions</b>	<b>351,681</b>
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	-
<b>22</b>	<b>Internal loss-absorbing capacity after deductions</b>	<b>351,681</b>
	<b>Risk-weighted amount and exposure measure under the LAC Rules for internal loss-absorbing capacity purposes</b>	
23	Risk-weighted amount under the LAC Rules	1,299,148
24	Exposure measure under the LAC Rules	3,479,089
	<b>Internal LAC ratios and buffers</b>	
<b>25</b>	<b>Internal LAC risk-weighted ratio</b>	<b>27.07%</b>
<b>26</b>	<b>Internal LAC leverage ratio</b>	<b>10.11%</b>
<b>27</b>	<b>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</b>	<b>12.45%</b>
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)	4.822%
29	Of which: capital conservation buffer requirement	2.500%
30	Of which: institution-specific countercyclical capital buffer requirement	0.822%
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 2023			Sum of values in columns 1 to 2
		Creditor ranking			
		1 (most junior)	1 (most junior)	2 (most senior)	
		HK\$m	HK\$m	HK\$m	
1	Is a resolution entity or a non-HK resolution entity the creditor/investor?	No	Yes	Yes	
2	Description of creditor ranking	Ordinary shares <sup>1</sup>		Subordinated loans	
3	Total capital and liabilities net of credit risk mitigation	14,609	28,434	75,627	118,670
4	Subset of row 3 that are excluded liabilities	-	-	-	-
5	Total capital and liabilities less excluded liabilities	14,609	28,434	75,627	118,670
6	Subset of row 5 that are eligible as internal loss-absorbing capacity	14,609	28,434	75,627	118,670
7	Subset of row 6 with 1 year ≤ residual maturity < 2 years	-	-	21,840	21,840
8	Subset of row 6 with 2 years ≤ residual maturity < 5 years	-	-	53,787	53,787
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:

<sup>1</sup> Issued and fully paid ordinary shares.

### 3. Macroprudential supervisory measures

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

		At 30 June 2023			
		(a)	(c)	(d)	(e)
Geographical breakdown by Jurisdiction (J)		Applicable JCCyB ratio in effect	RWA used in computation of CCyB ratio	AI-specific CCyB ratio	CCyB amount
		%	HK\$'m	%	HK\$'m
1	Hong Kong SAR	1.000%	773,973		
2	Australia (includes Christmas Islands, Cocos Islands, Norfolk Islands, Heard and McDonald Islands, Territory of Ashmore and Cartier Islands and Territory of Coral Sea Islands)	1.000%	4,304		
3	France (includes French Guiana, French Southern Territories, Guadeloupe, Martinique, Mayotte, Monaco, Reunion and St. Pierre and Miquelon)	0.500%	-		
4	Germany (includes the European Central Bank)	0.750%	323		
5	Luxembourg	0.500%	414		
6	Netherlands	1.000%	1,740		
7	Norway (includes Bouvet Islands, Svalbard and Jan Mayen Islands)	2.500%	1		
8	Sweden	2.000%	-		
9	United Kingdom (excludes Guernsey, Isle of Man and Jersey)	1.000%	5,815		
<b>Sum</b>			<b>786,570</b>		
<b>Total</b>			<b>956,377</b>	<b>0.822%</b>	<b>10,679</b>

### 4. Leverage ratio

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

		At 30 June 2023
		(a)
Item		Value under the LR framework
		HK\$'m
1	Total consolidated assets as per published financial statements	3,593,703
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	(234)
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	(37,136)
5	Adjustment for SFTs (i.e. repos and similar secured lending)	21,017
6	Adjustment for off-balance sheet ("OBS") items (i.e. conversion to credit equivalent amounts of OBS exposures)	170,064
6a	Adjustments for prudent valuation adjustments and specific and collective provisions that are allowed to be excluded from exposure measure	(402)
7	Other adjustments	(267,923)
	<i>of which: Hong Kong SAR Government certificates of indebtedness</i>	<i>(210,010)</i>
<b>8</b>	<b>Leverage ratio exposure measure</b>	<b>3,479,089</b>

#### 4. Leverage ratio (continued)

##### LR2: Leverage ratio

		At 30 June 2023	At 31 March 2023
		(a)	(b)
		HK\$m	HK\$m
<b>On-balance sheet exposures</b>			
1	On-balance sheet exposures (excluding those arising from derivative contracts and SFTs, but including collateral)	3,276,522	3,270,790
2	Less: Asset amounts deducted in determining Tier 1 capital	(57,913)	(57,051)
3	<b>Total on-balance sheet exposures (excluding derivative contracts and SFTs)</b>	<b>3,218,609</b>	<b>3,213,739</b>
<b>Exposures arising from derivative contracts</b>			
4	Replacement cost associated with all derivative contracts (where applicable net of eligible cash variation margin and/or with bilateral netting)	16,554	8,100
5	Add-on amounts for PFE associated with all derivative contracts	23,851	23,472
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	(2,489)	(2,554)
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	<b>Total exposures arising from derivative contracts</b>	<b>37,916</b>	<b>29,018</b>
<b>Exposures arising from SFTs</b>			
12	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	44,583	59,250
13	Less: Netted amounts of cash payables and cash receivables of gross SFT assets	-	-
14	CCR exposure for SFT assets	21,017	19,028
15	Agent transaction exposures	-	-
16	<b>Total exposures arising from SFTs</b>	<b>65,600</b>	<b>78,278</b>
<b>Other off-balance sheet exposures</b>			
17	Off-balance sheet exposure at gross notional amount	829,432	795,326
18	Less: Adjustments for conversion to credit equivalent amounts	(659,368)	(633,393)
19	<b>Off-balance sheet items</b>	<b>170,064</b>	<b>161,933</b>
<b>Capital and total exposures</b>			
20	<b>Tier 1 capital</b>	<b>269,560</b>	<b>262,752</b>
20a	<b>Total exposures before adjustments for specific and collective provisions</b>	<b>3,492,189</b>	<b>3,482,968</b>
20b	<b>Adjustments for specific and collective provisions</b>	<b>(13,100)</b>	<b>(12,361)</b>
21	<b>Total exposures after adjustments for specific and collective provisions</b>	<b>3,479,089</b>	<b>3,470,607</b>
<b>Leverage ratio</b>			
22	<b>Leverage ratio</b>	<b>7.75%</b>	<b>7.57%</b>

## 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 2023	
		(a)	(b)
Basis of disclosure: consolidated		Unweighted value (average)	Weighted value (average)
		HK\$m	HK\$m
<b>A. HQLA</b>			
1	Total HQLA		965,434
<b>B. Cash Outflows</b>			
2	Retail deposits and small business funding, of which:	1,265,089	76,196
3	<i>Stable retail deposits and stable small business funding</i>	389,248	11,677
4	<i>Less stable retail deposits and less stable small business funding</i>	405,927	40,593
4a	<i>Retail term deposits and small business term funding</i>	469,914	23,926
5	Unsecured wholesale funding (other than small business funding), and debt securities and prescribed instruments issued by the AI, of which:	1,134,082	485,122
6	<i>Operational deposits</i>	409,806	100,953
7	<i>Unsecured wholesale funding (other than small business funding) not covered in row 6</i>	723,857	383,750
8	<i>Debt securities and prescribed instruments issued by the AI and redeemable within the LCR period</i>	419	419
9	Secured funding transactions (including securities swap transactions)		547
10	Additional requirements, of which:	483,648	78,484
11	<i>Cash outflows arising from derivative contracts and other transactions, and additional liquidity needs arising from related collateral requirements</i>	30,490	30,477
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>	453,158	48,007
14	Contractual lending obligations (not otherwise covered in Section B) and other contractual cash outflows	80,835	80,835
15	Other contingent funding obligations (whether contractual or non-contractual)	386,146	3,537
16	<b>Total Cash Outflows</b>		<b>724,721</b>
<b>C. Cash Inflows</b>			
17	Secured lending transactions (including securities swap transactions)	14,785	6,644
18	Secured and unsecured loans (other than secured lending transactions covered in row 17) and operational deposits placed at other financial institutions	245,487	137,981
19	Other cash inflows	71,430	67,130
20	<b>Total Cash Inflows</b>	<b>331,702</b>	<b>211,755</b>
<b>D. Liquidity Coverage Ratio</b>			<b>Adjusted value</b>
21	Total HQLA		965,434
22	Total Net Cash Outflows		512,966
23	LCR (%)		188.89%

## 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 2023 were 189.68% and 188.89% 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 2023 (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	
<b>A. Available stable funding (“ASF”) item</b>						
1	Capital:	334,275	46,575	-	29,051	363,326
2	Regulatory capital	334,275	-	-	-	334,275
2a	Minority interests not covered by row 2	-	-	-	-	-
3	Other capital instruments	-	46,575	-	29,051	29,051
4	Retail deposits and small business funding:	-	1,184,048	86,885	1,833	1,169,270
5	Stable deposits	-	454,681	17,282	334	448,698
6	Less stable deposits	-	729,367	69,603	1,499	720,572
7	Wholesale funding:	-	1,449,895	37,448	910	461,055
8	Operational deposits	-	384,153	-	-	192,077
9	Other wholesale funding	-	1,065,742	37,448	910	268,978
10	Liabilities with matching interdependent assets	210,010	-	-	-	-
11	Other liabilities:	53,328	76,290	7,627	8,296	12,110
12	Net derivative liabilities	-	-	-	-	-
13	All other funding and liabilities not included in the above categories	53,328	76,290	7,627	8,296	12,110
14	<b>Total ASF</b>					<b>2,005,761</b>
<b>B. Required stable funding (“RSF”) item</b>						
15	Total HQLA for NSFR purposes		1,010,284			77,855
16	Deposits held at other financial institutions for operational purposes	-	1,275	-	-	637
17	Performing loans and securities:	46,279	672,743	244,398	1,197,095	1,315,177
18	Performing loans to financial institutions secured by Level 1 HQLA	-	4,373	-	-	437
19	Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	91	250,723	36,990	28,226	84,421
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:	46,149	309,792	167,029	710,500	878,586
21	With a risk-weight of less than or equal to 35% under the STC approach	6	6,643	125	14,876	11,057
22	Performing residential mortgages, of which:	-	8,347	7,891	396,074	265,717
23	With a risk-weight of less than or equal to 35% under the STC approach	-	8,224	7,891	395,329	265,021
24	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	39	99,508	32,488	62,295	86,016
25	Assets with matching interdependent liabilities	210,010	-	-	-	-
26	Other assets:	138,014	36,405	753	2,273	108,443
27	Physical traded commodities, including gold	5,243	-	-	-	4,457
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs	6,618	-	-	-	5,625
29	Net derivative assets	137	-	-	-	137
30	Total derivative liabilities before adjustments for deduction of variation margin posted	39,353	-	-	-	1,968
31	All other assets not included in the above categories	86,663	36,405	753	2,273	96,256
32	Off-balance sheet items			829,497		22,539
33	<b>Total RSF</b>					<b>1,524,651</b>
34	<b>Net Stable Funding Ratio (%)</b>					<b>131.56%</b>



## 5. Liquidity (continued)

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

For the quarter ended 31 March 2023 (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	
<b>A. Available stable funding (“ASF”) item</b>						
1	Capital:	326,823	23,999	23,357	30,816	369,318
2	Regulatory capital	326,823	-	-	-	326,823
2a	Minority interests not covered by row 2	-	-	-	-	-
3	Other capital instruments	-	23,999	23,357	30,816	42,495
4	Retail deposits and small business funding:	-	1,167,341	88,828	2,241	1,156,227
5	Stable deposits	-	449,471	19,219	415	445,670
6	Less stable deposits	-	717,870	69,609	1,826	710,557
7	Wholesale funding:	-	1,480,741	43,909	884	500,640
8	Operational deposits	-	418,127	-	-	209,063
9	Other wholesale funding	-	1,062,614	43,909	884	291,577
10	Liabilities with matching interdependent assets	210,330	-	-	-	-
11	Other liabilities:	55,881	62,522	11,486	8,570	14,313
12	Net derivative liabilities	-	-	-	-	-
13	All other funding and liabilities not included in the above categories	55,881	62,522	11,486	8,570	14,313
14	<b>Total ASF</b>					<b>2,040,498</b>
<b>B. Required stable funding (“RSF”) item</b>						
15	Total HQLA for NSFR purposes		1,028,139			81,674
16	Deposits held at other financial institutions for operational purposes	-	1,290	-	-	645
17	Performing loans and securities:	42,282	696,818	250,693	1,179,074	1,310,162
18	Performing loans to financial institutions secured by Level 1 HQLA	-	7,595	-	-	760
19	Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	16	265,288	41,329	28,641	89,115
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:	42,224	321,264	169,789	702,830	876,604
21	With a risk-weight of less than or equal to 35% under the STC approach	13	6,081	280	11,079	8,954
22	Performing residential mortgages, of which:	-	8,462	7,976	389,276	261,413
23	With a risk-weight of less than or equal to 35% under the STC approach	-	8,167	7,957	388,456	260,558
24	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	42	94,209	31,599	58,327	82,270
25	Assets with matching interdependent liabilities	210,330	-	-	-	-
26	Other assets:	128,560	23,521	816	1,751	103,189
27	Physical traded commodities, including gold	4,056	-	-	-	3,448
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs	6,537	-	-	-	5,556
29	Net derivative assets	1,044	-	-	-	1,044
30	Total derivative liabilities before adjustments for deduction of variation margin posted	32,655	-	-	-	1,633
31	All other assets not included in the above categories	84,268	23,521	816	1,751	91,508
32	Off-balance sheet items			795,310		21,288
33	<b>Total RSF</b>					<b>1,516,958</b>
34	<b>Net Stable Funding Ratio (%)</b>					<b>134.51%</b>

## 6. Credit risk for non-securitization exposures

### CR1: Credit quality of exposures

		At 30 June 2023						
		(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	HK\$m
1	Loans	11,862	2,112,730	12,594	1,747	840	10,007	2,111,998
2	Debt securities	-	980,356	58	-	28	30	980,298
3	Off-balance sheet exposures	197	829,235	402	42	50	310	829,030
4	<b>Total</b>	<b>12,059</b>	<b>3,922,321</b>	<b>13,054</b>	<b>1,789</b>	<b>918</b>	<b>10,347</b>	<b>3,921,326</b>

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	<b>Defaulted loans and debt securities at 31 December 2022</b>	<b>7,885</b>
2	Loans and debt securities that have defaulted since the last reporting period	4,449
3	Returned to non-defaulted status	(90)
4	Amounts written off	(152)
5	Other changes	(230)
6	<b>Defaulted loans and debt securities at 30 June 2023</b>	<b>11,862</b>

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

### CR3: Overview of recognized credit risk mitigation

		At 30 June 2023				
		(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	1,624,935	487,063	78,212	408,851	-
2	Debt securities	943,293	37,005	-	37,005	-
3	<b>Total</b>	<b>2,568,228</b>	<b>524,068</b>	<b>78,212</b>	<b>445,856</b>	-
4	Of which defaulted	4,958	693	620	73	-

## 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 2023					
		(a)	(b)	(c)	(d)	(e)	(f)
		Exposures pre-CCF and pre-CRM		Exposures post-CCF and post-CRM		RWA and RWA density	
		On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
Exposure classes	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	%	
1	Sovereign exposures	713,466	1,103	713,466	220	14,521	2
2	PSE exposures	85,876	4,648	89,932	4,739	11,269	12
2a	Of which: domestic PSEs	17,934	4,648	21,990	4,739	5,346	20
2b	Of which: foreign PSEs	67,942	-	67,942	-	5,923	9
3	Multilateral development bank exposures	89,966	-	89,966	-	-	-
4	Bank exposures	2,264	240	3,397	126	1,052	30
5	Securities firm exposures	102	181	102	87	95	50
6	Corporate exposures	51,046	55,608	43,674	8,678	49,939	95
7	CIS exposures	-	-	-	-	-	-
8	Cash items	369	-	369	-	-	-
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	8,672	24,120	8,310	636	6,709	75
11	Residential mortgage loans	6,041	7,029	1,982	-	1,002	51
12	Other exposures which are not past due exposures	31,854	31,074	8,424	80	8,504	100
13	Past due exposures	446	-	446	-	666	149
14	Significant exposures to commercial entities	-	-	-	-	-	-
<b>15</b>	<b>Total</b>	<b>990,102</b>	<b>124,003</b>	<b>960,068</b>	<b>14,566</b>	<b>93,757</b>	<b>10</b>

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

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

Risk Weight Exposure class		At 30 June 2023										Total credit risk exposures amount (post CCF and post CRM) HK\$m
		(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	690,453	-	3,236	-	14,502	-	3,239	2,256	-	-	713,686
2	PSE exposures	53,416	-	31,193	-	10,062	-	-	-	-	-	94,671
2a	Of which: domestic PSEs	-	-	26,729	-	-	-	-	-	-	-	26,729
2b	Of which: foreign PSEs	53,416	-	4,464	-	10,062	-	-	-	-	-	67,942
3	Multilateral development bank exposures	89,966	-	-	-	-	-	-	-	-	-	89,966
4	Bank exposures	-	-	2,367	-	1,156	-	-	-	-	-	3,523
5	Securities firm exposures	-	-	-	-	189	-	-	-	-	-	189
6	Corporate exposures	-	-	973	-	3,992	-	46,665	722	-	-	52,352
7	CIS exposures	-	-	-	-	-	-	-	-	-	-	-
8	Cash items	369	-	-	-	-	-	-	-	-	-	369
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	-	-	-	-	-	8,946	-	-	-	-	8,946
11	Residential mortgage loans	-	-	-	1,211	-	771	-	-	-	-	1,982
12	Other exposures which are not past due exposures	-	-	-	-	-	-	8,504	-	-	-	8,504
13	Past due exposures	2	-	-	-	-	-	-	444	-	-	446
14	Significant exposures to commercial entities	-	-	-	-	-	-	-	-	-	-	-
15	<b>Total</b>	<b>834,206</b>	<b>-</b>	<b>37,769</b>	<b>1,211</b>	<b>29,901</b>	<b>9,717</b>	<b>58,408</b>	<b>3,422</b>	<b>-</b>	<b>-</b>	<b>974,634</b>

Compared with 31 December 2022, (1) PSE exposures increased by 38% were mainly arising from 0% risk weight exposures, (2) Multilateral development bank exposures increased by 33% were all arising from 0% risk weight exposures, (3) Bank exposures increased by 62% were all arising from 20% risk weight exposures, (4) Securities firm exposures increased by 115% were all arising from 50% risk weight exposures, (5) Past due exposures increased by 22% were mainly arising from 150% risk weight exposures.

## 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 2023											
		(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	375,649	26,345	27	390,340	0.06	262	45	2.50	109,401	28	98	
	0.15 to < 0.25	16,130	2,497	7	16,394	0.22	54	45	2.50	9,776	60	16	
	0.25 to < 0.50	5,622	4,112	6	5,883	0.39	33	42	2.50	4,378	74	10	
	0.50 to < 0.75	1,611	4,342	-	1,618	0.60	21	39	2.50	1,073	66	4	
	0.75 to < 2.50	541	2,599	-	541	1.16	11	40	2.50	471	87	2	
	2.50 to < 10.00	1,599	94	2	1,601	5.08	12	45	2.50	2,453	153	36	
	10.00 to < 100.00	-	-	-	-	18.00	1	45	2.50	1	265	-	
	100.00 (Default)	34	-	-	34	100.00	1	45	2.50	191	563	-	
Sub-total	401,186	39,989	19	416,411	0.10	395	45	2.50	127,744	31	166	1,719	
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 2023											
		(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	7,984	4,239	8	9,480	0.10	238	43	2.50	2,347	25	4	
	0.15 to < 0.25	1,405	1,781	4	4,834	0.22	120	42	2.50	1,704	35	5	
	0.25 to < 0.50	1,885	3,203	5	8,281	0.39	238	40	2.50	3,765	45	13	
	0.50 to < 0.75	14,682	7,928	10	22,432	0.57	337	43	2.50	13,542	60	55	
	0.75 to < 2.50	42,711	9,158	13	33,809	1.39	626	43	2.50	28,166	83	200	
	2.50 to < 10.00	12,142	5,048	16	10,053	3.36	258	39	2.50	9,209	92	133	
	10.00 to < 100.00	481	35	17	377	15.68	21	41	2.50	596	158	24	
	100.00 (Default)	105	12	-	105	100.00	6	41	2.50	52	49	73	
Sub-total	81,395	31,404	11	89,371	1.29	1,844	42	2.50	59,381	66	507	820	
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	356,484	176,576	32	588,670	0.10	527	45	2.50	180,612	31	277	
	0.15 to < 0.25	62,727	32,780	36	127,117	0.22	245	44	2.50	59,433	47	124	
	0.25 to < 0.50	104,573	46,002	34	152,561	0.39	301	45	2.50	95,410	63	266	
	0.50 to < 0.75	269,820	113,636	14	139,566	0.56	470	45	2.50	101,486	73	346	
	0.75 to < 2.50	230,443	90,969	14	150,614	1.28	871	39	2.50	129,160	86	735	
	2.50 to < 10.00	50,730	26,734	9	33,760	3.65	248	43	2.50	44,218	131	525	
	10.00 to < 100.00	7,907	1,808	9	5,013	14.90	34	41	2.50	10,370	207	309	
	100.00 (Default)	9,736	81	49	9,665	100.00	53	44	2.50	19,704	204	4,462	
Sub-total	1,092,420	488,586	26	1,206,966	1.31	2,749	44	2.50	640,393	53	7,044	12,792	

**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 2023											
		(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 2023											
		(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	-	-	-	-	-	-	-	-	-	-	-	-
	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	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total (sum of all portfolios)</b>		<b>1,575,001</b>	<b>559,979</b>	<b>25</b>	<b>1,712,748</b>	<b>1.02</b>	<b>4,988</b>	<b>44</b>	<b>2.50</b>	<b>827,518</b>	<b>48</b>	<b>7,717</b>	<b>15,331</b>

Compared with 31 December 2022, the 13% decrease in RWA of “Portfolio (ii) – Bank” was mainly due to decrease in “EAD post-CRM and post-CCF”. The 14% increase in RWA (RWA density increased by 5%) of “Portfolio (iv) – Corporate – small-and-medium sized corporates” was mainly due to downgrading in some obligor ratings and some higher PD obligors whose asset class being shifted from “Corporate – other” to “Corporate – small-and-medium sized corporates”.



## 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 2023											
		(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 2023											
		(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 2023											
		(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	5,407	55,262	-	34,368	0.10	693,225	90		1,908	6	32	
	0.15 to < 0.25	1,374	27,549	-	22,242	0.23	644,920	89		2,405	11	46	
	0.25 to < 0.50	522	14,093	-	11,561	0.33	403,650	89		1,647	14	34	
	0.50 to < 0.75	973	2,887	-	3,060	0.57	83,614	93		699	23	16	
	0.75 to < 2.50	781	1,354	-	1,982	1.27	45,973	95		852	43	24	
	2.50 to < 10.00	1,227	1,157	-	2,003	5.54	36,577	94		2,414	120	104	
	10.00 to < 100.00	448	213	-	604	18.75	13,962	95		1,342	222	106	
	100.00 (Default)	47	104	-	128	100.00	3,007	88		943	735	41	
Sub-total	10,779	102,619	-	75,948	0.69	1,924,928	90		12,210	16	403	190	
Portfolio (ix) – Retail – Residential mortgage exposures (including both to individuals and to property-holding shell companies)	0.00 to < 0.15	123,225	-	-	123,225	0.11	62,838	11		18,486	15	14	
	0.15 to < 0.25	52,657	2	100	52,659	0.22	16,395	11		7,926	15	13	
	0.25 to < 0.50	61,095	-	-	61,095	0.39	17,524	11		9,309	15	27	
	0.50 to < 0.75	79,436	-	-	79,436	0.58	24,835	15		13,902	18	67	
	0.75 to < 2.50	100,884	-	-	100,884	1.05	25,260	16		22,116	22	171	
	2.50 to < 10.00	2,415	-	-	2,415	5.25	878	12		968	40	16	
	10.00 to < 100.00	1,544	-	-	1,544	22.51	572	14		1,167	76	48	
	100.00 (Default)	203	-	-	203	100.00	133	12		261	128	4	
Sub-total	421,459	2	100	421,461	0.64	148,435	13		74,135	18	360	936	

## 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 2023											
		(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	869	1,546	34	1,400	0.08	1,137	13		38	3	-	
	0.15 to < 0.25	269	131	37	316	0.22	203	11		16	5	-	
	0.25 to < 0.50	288	196	38	362	0.39	214	12		28	8	-	
	0.50 to < 0.75	437	302	35	542	0.58	305	11		48	9	-	
	0.75 to < 2.50	832	250	30	907	1.34	551	13		129	14	2	
	2.50 to < 10.00	187	10	58	193	3.32	149	12		34	18	1	
	10.00 to < 100.00	10	-	60	10	25.08	6	27		5	56	1	
	100.00 (Default)	23	1	109	24	100.00	30	55		33	134	16	
Sub-total	2,915	2,436	34	3,754	1.38	2,595	13		331	9	20	20	
Portfolio (xi) – Other retail exposures to individuals	0.00 to < 0.15	16,219	11,187	-	26,274	0.07	5,328	17		870	3	3	
	0.15 to < 0.25	4,430	84	-	4,499	0.22	5,281	13		245	5	1	
	0.25 to < 0.50	29,424	63	-	29,466	0.37	13,381	12		2,088	7	13	
	0.50 to < 0.75	18,672	51	-	18,712	0.58	8,290	13		1,945	10	14	
	0.75 to < 2.50	35,163	26,762	-	39,325	1.08	14,019	18		7,688	20	95	
	2.50 to < 10.00	1,788	6	-	1,791	4.08	613	23		600	34	18	
	10.00 to < 100.00	444	-	-	444	19.35	772	19		162	36	19	
	100.00 (Default)	123	-	-	123	100.00	779	49		532	433	20	
Sub-total	106,263	38,153	-	120,634	0.79	48,463	15		14,130	12	183	198	
<b>Total (sum of all portfolios)</b>	<b>541,416</b>	<b>143,210</b>	<b>1</b>	<b>621,797</b>	<b>0.68</b>	<b>2,124,421</b>	<b>23</b>		<b>100,806</b>	<b>16</b>	<b>966</b>	<b>1,344</b>	

Compared with 31 December 2022, the 24% decrease in RWA of “Portfolio (ix) – Retail – Residential mortgage exposures” was mainly due to the lowering of risk-weight floor from 25% to 15% for residential mortgage loans under the internal ratings-based approach with effect from 1 January 2023.

## 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 2023	
		(a)	(b)
		Pre-credit derivatives RWA	Actual RWA
		HK\$m	HK\$m
1	Corporate – Specialized lending under supervisory slotting criteria approach (project finance)	2,305	2,305
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	59,381	59,381
7	Corporate – Other corporates	640,393	640,393
8	Sovereigns	-	-
9	Sovereign foreign public sector entities	-	-
10	Multilateral development banks	-	-
11	Bank exposures – Banks	127,508	127,508
12	Bank exposures – Securities firms	236	236
13	Bank exposures – Public sector entities (excluding sovereign foreign public sector entities)	-	-
14	Retail – Small business retail exposures	331	331
15	Retail – Residential mortgages to individuals	73,792	73,792
16	Retail – Residential mortgages to property-holding shell companies	343	343
17	Retail – Qualifying revolving retail exposures (QRRE)	12,210	12,210
18	Retail – Other retail exposures to individuals	14,130	14,130
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	78,710	78,710
<b>28</b>	<b>Total (under the IRB calculation approaches)</b>	<b>1,009,339</b>	<b>1,009,339</b>

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
<b>1</b>	<b>RWA as at 31 March 2023</b>	<b>994,805</b>
2	Asset size	2,752
3	Asset quality	16,408
4	Model updates	-
5	Methodology and policy	-
6	Acquisitions and disposals	-
7	Foreign exchange movements	(4,626)
8	Other	-
<b>9</b>	<b>RWA as at 30 June 2023</b>	<b>1,009,339</b>

## 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 2023.

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

		At 30 June 2023									
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
		HK\$m	HK\$m		PF	OF	CF	IPRE	Total		
Strong <sup>^</sup>	Less than 2.5 years	-	-	50%	-	-	-	-	-	-	-
Strong	Equal to or more than 2.5 years	-	-	70%	-	-	-	-	-	-	-
Good <sup>^</sup>	Less than 2.5 years	-	-	70%	-	-	-	-	-	-	-
Good	Equal to or more than 2.5 years	2,617	806	90%	2,411	-	-	-	2,411	2,170	20
Satisfactory		-	157	115%	117	-	-	-	117	135	3
Weak		-	-	250%	-	-	-	-	-	-	-
Default		-	-	0%	-	-	-	-	-	-	-
<b>Total</b>		<b>2,617</b>	<b>963</b>		<b>2,528</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,528</b>	<b>2,305</b>	<b>23</b>

<sup>^</sup> 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 2023.

## 7. Counterparty credit risk

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

		At 30 June 2023					
		(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)	8,675	13,858		1.4	31,546	13,725
1a	CEM (for derivative contracts)	-	-		1.4	-	-
2	IMM(CCR) approach			-	-	-	-
3	Simple approach (for SFTs)					-	-
4	Comprehensive approach (for SFTs)					40,193	50
5	VaR (for SFTs)					-	-
<b>6</b>	<b>Total</b>						<b>13,775</b>

Compared with 31 December 2022, the 49% 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 19% decrease in SFTs' default risk exposure after CRM was mainly driven by change in outstanding transaction volume.

### CCR2: CVA capital charge

		At 30 June 2023	
		(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	31,474	5,301
<b>4</b>	<b>Total</b>	<b>31,474</b>	<b>5,301</b>



## 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

Risk Weight Exposure class		At 30 June 2023										Total default risk exposure after CRM HK\$m	
		(a)	(b)	(c)	(ca)	(d)	(e)	(f)	(g)	(ga)	(h)		(i)
		0% HK\$m	10% HK\$m	20% HK\$m	35% HK\$m	50% HK\$m	75% HK\$m	100% HK\$m	150% HK\$m	250% HK\$m	Others HK\$m		
1	Sovereign exposures	686	-	-	-	-	-	-	-	-	-	-	686
2	PSE exposures	-	-	343	-	-	-	-	-	-	-	-	343
2a	Of which: domestic PSEs	-	-	343	-	-	-	-	-	-	-	-	343
2b	Of which: foreign PSEs	-	-	-	-	-	-	-	-	-	-	-	-
3	Multilateral development bank exposures	-	-	-	-	-	-	-	-	-	-	-	-
4	Bank exposures	-	-	11	-	-	-	-	-	-	-	-	11
5	Securities firm exposures	-	-	-	-	-	-	-	-	-	-	-	-
6	Corporate exposures	-	-	1	-	-	-	563	-	-	-	-	564
7	CIS exposures	-	-	-	-	-	-	-	-	-	-	-	-
8	Regulatory retail exposures	-	-	-	-	-	188	-	-	-	-	-	188
9	Residential mortgage loans	-	-	-	-	-	-	-	-	-	-	-	-
10	Other exposures which are not past due exposures	-	-	-	-	-	-	1,393	-	-	-	-	1,393
11	Significant exposures to commercial entities	-	-	-	-	-	-	-	-	-	-	-	-
<b>12</b>	<b>Total</b>	<b>686</b>	<b>-</b>	<b>355</b>	<b>-</b>	<b>-</b>	<b>188</b>	<b>1,956</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,185</b>

Compared with 31 December 2022, the 11% decrease in sovereign exposures, 152% increase in PSE exposures, 100% decrease in multilateral development bank exposures and 267% increase in 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 2023						
		(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	40,704	0.06	144	23	1.49	6,281	15
	0.15 to < 0.25	4,207	0.22	22	25	1.63	1,458	35
	0.25 to < 0.50	7,421	0.39	22	9	0.90	1,094	15
	0.50 to < 0.75	1,591	0.52	9	3	0.65	98	6
	0.75 to < 2.50	108	1.04	9	36	2.08	82	77
	2.50 to < 10.00	-	-	-	-	-	-	-
	10.00 to < 100.00	-	-	-	-	-	-	-
	100.00 (Default)	-	-	-	-	-	-	-
	Sub-total	54,031	0.14	206	20	1.40	9,013	17
Portfolio (iii) – Corporate	0.00 to < 0.15	1,743	0.10	35	43	2.39	572	33
	0.15 to < 0.25	458	0.22	13	45	2.50	248	54
	0.25 to < 0.50	418	0.39	15	45	2.50	259	62
	0.50 to < 0.75	1,002	0.57	23	32	1.90	555	55
	0.75 to < 2.50	10,684	0.92	50	3	0.62	666	6
	2.50 to < 10.00	217	3.58	17	45	2.50	292	135
	10.00 to < 100.00	1	24.00	1	45	2.50	2	212
	100.00 (Default)	-	-	-	-	-	-	-
	Sub-total	14,523	0.80	154	13	1.06	2,594	18
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	-	-	-	-	-	-	-
<b>Total (sum of all portfolios)</b>		<b>68,554</b>	<b>0.28</b>	<b>360</b>	<b>19</b>	<b>1.33</b>	<b>11,607</b>	<b>17</b>

Compared with 31 December 2022, there was decrease of overall “EAD post-CRM” of “Portfolio (ii) – Bank” by 17% and majority of which came from decrease of non-collateralised exposures. Whereas, the collateralised exposures increased which led the overall RWA of “Portfolio (ii) – Bank” to increase by 59%.

## 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 2023					
	(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	-	24,315	-	12,327	16,496	28,086
Debt securities	-	-	-	3,203	29,124	37,449
Equity securities	-	-	-	-	310	-
<b>Total</b>	-	<b>24,315</b>	-	<b>15,530</b>	<b>45,930</b>	<b>65,535</b>

Compared with 31 December 2022, the 17% increase in fair value of recognised collateral received (unsegregated) and 28% increase in fair value of posted collateral (unsegregated) under derivative contracts were mainly driven by change in outstanding transactions' market value and outstanding transaction volume.

The 15% decrease in fair value of recognised collateral received and 4% decrease in fair value of posted collateral under SFTs were mainly driven by change in outstanding transaction volume.

### CCR6: Credit-related derivatives contracts

	At 30 June 2023	
	(a)	(b)
	Protection bought	Protection sold
	HK\$m	HK\$m
<b>Notional amounts</b>		
Index credit default swaps	-	-
<b>Total notional amounts</b>	-	-
<b>Fair values</b>		
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 2023.

## 7. Counterparty credit risk (continued)

### CCR8: Exposures to CCPs

		At 30 June 2023	
		(a)	(b)
		Exposure after CRM	RWA
		HK\$m	HK\$m
<b>1</b>	<b>Exposures of the AI as clearing member or clearing client to qualifying CCPs (total)</b>		<b>233</b>
2	Default risk exposures to qualifying CCPs (excluding items disclosed in rows 7 to 10), of which:	5,745	118
3	(i) OTC derivative transactions	5,462	112
4	(ii) Exchange-traded derivative contracts	283	6
5	(iii) Securities financing transactions	-	-
6	(iv) Netting sets subject to valid cross-product netting agreements	-	-
7	Segregated initial margin	-	-
8	Unsegregated initial margin	731	16
9	Funded default fund contributions	361	99
10	Unfunded default fund contributions	-	-
<b>11</b>	<b>Exposures of the AI as clearing member or clearing client to non-qualifying CCPs (total)</b>		<b>-</b>
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	-	-

Compared with 31 December 2022, the 11% decrease in qualifying CCPs RWA was mainly driven by change in outstanding transaction volume.

## **8. Securitization exposures**

### **SEC1: Securitization exposures in banking book**

There was no securitisation exposure in the banking book as at 30 June 2023.

### **SEC2: Securitization exposures in trading book**

There was no securitisation exposure in the trading book as at 30 June 2023.

### **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 2023.

### **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 2023.

## 9. Market risk

### MR1: Market risk under STM approach

		At 30 June 2023
		(a)
		RWA
		HK\$m
	Outright product exposures	
1	Interest rate exposures (general and specific risk)	1,828
2	Equity exposures (general and specific risk)	531
3	Foreign exchange (including gold) exposures	-
4	Commodity exposures	1,162
	Option exposures	
5	Simplified approach	-
6	Delta-plus approach	34
7	Other approach	-
8	Securitization exposures	-
<b>9</b>	<b>Total</b>	<b>3,555</b>

### 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
<b>1</b>	<b>RWA as at 31 March 2023</b>	<b>4,794</b>	<b>26,623</b>	-	-	-	<b>31,417</b>
1a	Regulatory adjustment	(3,548)	(21,310)	-	-	-	(24,858)
<b>1b</b>	<b>RWA as at day-end of 31 March 2023</b>	<b>1,246</b>	<b>5,313</b>	-	-	-	<b>6,559</b>
2	Movement in risk levels*	(10)	1,569	-	-	-	1,559
3	Model updates/changes	-	-	-	-	-	-
4	Methodology and policy	-	-	-	-	-	-
5	Acquisitions and disposals	-	-	-	-	-	-
6	Foreign exchange movements	-	-	-	-	-	-
7	Other	-	-	-	-	-	-
<b>7a</b>	<b>RWA as at day-end of 30 June 2023</b>	<b>1,236</b>	<b>6,882</b>	-	-	-	<b>8,118</b>
7b	Regulatory adjustment	4,116	13,401	-	-	-	17,517
<b>8</b>	<b>RWA as at 30 June 2023</b>	<b>5,352</b>	<b>20,283</b>	-	-	-	<b>25,635</b>

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

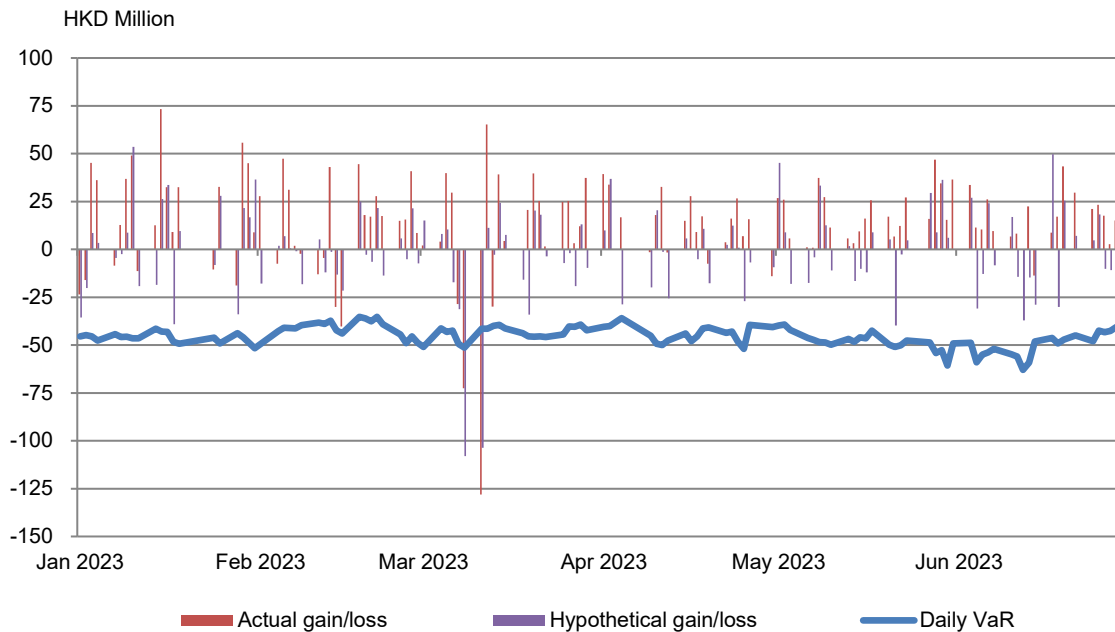
## 9. Market risk (continued)

### MR3: IMM approach values for market risk exposures

		(a)
		HK\$'m
<b>VaR (10 days – one-tailed 99% confidence interval)</b>		
1	Maximum Value	181
2	Average Value	107
3	Minimum Value	68
4	Period End	99
<b>Stressed VaR (10 days – one-tailed 99% confidence interval)</b>		
5	Maximum Value	869
6	Average Value	497
7	Minimum Value	302
8	Period End	551
<b>Incremental risk charge (IRC) (99.9% confidence interval)</b>		
9	Maximum Value	-
10	Average Value	-
11	Minimum Value	-
12	Period End	-
<b>Comprehensive risk charge (CRC) (99.9% confidence interval)</b>		
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.

Two exceptions were noted in actual P&L back-testing on 10 March and 13 March (excess amount: HK\$21 million and HK\$87 million respectively); two exceptions were noted in hypothetical P&L back-testing on 10 March and 13 March (excess amount: HK\$57 million and HK\$62 million respectively) in the first-half of 2023. Those exceptions were both driven by unexpected market movements.