

Standard Chartered Bank
(Hong Kong) Limited

Supplementary Notes to
Condensed Consolidated Interim
Financial Statements (unaudited)

For period ended
30 June 2020

Standard Chartered Bank (Hong Kong) Limited

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Supplementary Notes to Condensed Consolidated Interim Financial Statement (unaudited)

These notes are supplementary to and should be read in conjunction with the 2020 Condensed Consolidated Interim Financial Statements (“consolidated financial statement”). The consolidated financial statement and this supplementary notes to condensed consolidated interim financial statements (unaudited) taken together comply with the Banking (Disclosure) Rules (“Rules”) under section 60A of the Banking Ordinance and the Financial Institutions (Resolution) (Loss-absorbing Capacity Requirements - Banking Sector) Rules (“LAC Rules”) under section 19(1) of the Financial Institutions (Resolution) Ordinance (“FIRO”).

References to “the Group” within this document means Standard Chartered Bank (Hong Kong) Limited (“the Bank”) and its subsidiaries.

These banking disclosures are governed by the Group’s disclosure policy, which has been approved by the Board of Directors. The disclosure policy sets out the approach to determine the content, appropriateness and frequency of the disclosures, the approach to ensure the relevance and adequacy of the disclosures, and the internal control over the process for making the disclosures. The disclosures have been subject to independent review in accordance to the disclosure policy.

According to the Rules and the LAC Rules, disclosure of comparative information is not required unless otherwise specified in the standard disclosure templates. Prior period disclosures and additional disclosures as required by the Banking (Disclosure) Rules will be available on our website: www.sc.com/hk on or before 30 September 2020.

1 Basis of consolidation and preparation

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

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

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

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

The Bank’s shareholdings in these subsidiaries are deducted from its capital base subject to the thresholds and transitional arrangements as determined in accordance with Part 3 and Schedule 4H of the Banking (Capital) Rules.

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

1 Basis of consolidation and preparation (continued)

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

Name of company	Principal Activity	At 30 June 2020	
		Total assets HK\$'M	Total equity HK\$'M
Prunelli Asset Purchaser HK Limited	Asset-backed securitization	114	–
Standard Chartered Securities Korea Limited	Provision of security trading, underwriting and brokerage transactions	1,926	1,883
Standard Chartered Securities (Hong Kong) Limited	Equity capital markets, corporate finance and institutional brokerage	134	133
Standard Chartered Trust (HK) Limited	Trustee services	16	14
Standard Chartered Nominees (Western Samoa) Limited	Nominees services	–	–
Horsford Nominees Limited	Nominees services	–	–
		2,190	2,030

The Bank's shareholdings in the above subsidiaries are deducted from CET1 capital in accordance with the Banking (Capital) Rules. There is no relevant capital shortfall in any of the Bank's subsidiaries which are not included as part of the consolidation group for regulatory purposes.

The Group uses the advanced internal ratings based ("IRB") approach for both the measurement of credit risk capital requirements and the management of credit risk for the majority of its portfolios. The Group also uses the standardized (credit risk) approach for certain insignificant portfolios exempted from IRB. The Group adopts the securitization-external rating based approach ("SEC-ERBA") to calculate its credit risk for securitization exposures.

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

The Group applies the Internal Capital Adequacy Assessment Process ("ICAAP") to assess its capital demand on a current, planned and stressed basis. The assessment covers the major risks faced by the Group, in addition to credit, market and operational risks that are covered under the minimum capital requirements. The 2019 ICAAP (pre-acquisition of SCB China and SC NEA Group) has been approved by the Asset and Liability Committee ("ALCO") and the Board of Directors ("the Board"). The 2020 ICAAP (post-acquisition of SCB China and SC NEA Group) will be approved by the Regional Asset and Liability Committee ("RALCO") and the Board.

Loss-absorbing Capacity Disclosures

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

The Group was notified by HKMA of its classification as a material subsidiary under the LAC rules with effect from 1 April 2019, with Standard Chartered PLC ("SC PLC") as the non-HK resolution entity. Following this classification, the Group has met its minimum LAC requirements since 1 July 2019, and is now publishing LAC disclosures for the period ended 30 June 2020. The basis of calculating the Group's LAC and RWAs is in accordance with the LAC Rules, with disclosures made using standard templates issued by the HKMA on 31 October 2019.

The Group's LAC disclosures are included as part of this regulatory disclosure, while SC PLC's LAC disclosures are included as part of its disclosures which can be found in the Investors section of SC PLC's website, <https://www.sc.com>.

2 Key prudential ratios and metrics

a. Key prudential ratios (KM1)

The following table sets out an overview of the Group's key prudential ratios.

	(a) At 30 June 2020 HK\$'M	(b) At 31 March 2020 HK\$'M	(c) At 31 December 2019 HK\$'M	(d) At 30 September 2019 HK\$'M	(e) At 30 June 2019 HK\$'M	
Regulatory capital (amount)						
1	Common Equity Tier 1 (CET1) ¹	133,910	128,640	125,235	88,089	86,639
2	Tier 1 ¹	154,522	141,501	138,097	100,951	99,500
3	Total capital ¹	166,806	157,237	154,048	116,161	114,616
RWA (amount)						
4	Total RWA	857,478	865,888	836,118	626,174	607,156
Risk-based regulatory capital ratios (as a percentage of RWA)²						
5	CET1 ratio (%)	15.6%	14.9%	15.0%	14.1%	14.3%
6	Tier 1 ratio (%)	18.0%	16.3%	16.5%	16.1%	16.4%
7	Total capital ratio (%)	19.5%	18.2%	18.4%	18.6%	18.9%
Additional CET1 buffer requirements (as a percentage of RWA)						
8	Capital conservation buffer requirement (%)	2.5%	2.5%	2.5%	2.5%	2.5%
9	Countercyclical capital buffer requirement (%)	0.5%	0.4%	0.9%	1.5%	1.5%
10	Higher loss absorbency requirements (%) (applicable only to G-SIBs or D-SIBs)	1.5%	1.5%	1.0%	1.0%	1.0%
11	Total AI-specific CET1 buffer requirements (%)	4.5%	4.4%	4.4%	5.0%	5.0%
12	CET1 available after meeting the AI's minimum capital requirements (%) ³	11.1%	10.2%	10.4%	9.6%	9.8%
Basel III leverage ratio						
13	Total leverage ratio (LR) exposure measure	2,335,285	2,316,118	2,258,835	1,555,488	1,613,710
14	LR (%) ²	6.6%	6.1%	6.1%	6.5%	6.2%
Liquidity Coverage Ratio (LCR) / Liquidity Maintenance Ratio (LMR)						
Applicable to category 1 institution only:						
15	Total high quality liquid assets (HQLA)	386,037	373,110	345,541	248,016	211,887
16	Total net cash outflows	248,475	252,139	238,247	161,842	143,618
17	LCR (%) ⁴	156%	148%	146%	155%	148%
Applicable to category 2 institution only:						
17a	LMR (%)	NA	NA	NA	NA	NA
Net Stable Funding Ratio (NSFR) / Core Funding Ratio (CFR)						
Applicable to category 1 institution only:						
18	Total available stable funding	1,265,967	1,211,052	1,241,767	886,068	876,210
19	Total required stable funding	995,180	950,256	964,450	687,728	642,648
20	NSFR (%)	127%	127%	129%	129%	136%
Applicable to category 2A institution only:						
20a	CFR (%)	NA	NA	NA	NA	NA

¹ Increase in CET1 was mainly due to profit accumulation and reduction of regulatory reserve requirement. Increases in Tier 1 capital and Total capital were due to the issuance of US\$1,000m Additional Tier 1 Capital Securities as of 30 Jun 2020.

² Increase in the risk-based regulatory capital ratios was also contributed by the decrease in RWA. Increase in leverage ratio was mainly driven by the issuance of the US\$1,000m Additional Tier 1 Capital Securities.

³ Increase in CET1 available after meeting the Bank's minimum capital requirements was due to increase in both CET1 ratio and Additional tier 1 capital.

⁴ Please refer to note 7 for the key drivers of LCR% changes.

2 Key prudential ratios and metrics (continued)

b. Key metrics – LAC requirements for the Group (at LAC consolidation group level) (KM2(A))

The following table sets out a summary information on internal loss-absorbing capacity available, at LAC consolidation group level, of the Group.

	(a) At June 2020 HK\$'M	(b) At March 2020 HK\$'M	(c) At December 2019 HK\$'M	(d) At September 2019 HK\$'M	(e) At June 2019 ¹ HK\$'M	
Of the material entity at LAC consolidation group level						
1	Internal loss-absorbing capacity available ³	186,487	170,654	167,541	129,786	NA
2	Risk-weighted amount under the LAC Rules	857,478	865,888	836,118	626,174	NA
3	Internal LAC risk-weighted ratio ⁴	21.7%	19.7%	20.0%	20.7%	NA
4	Exposure measure under the LAC Rules	2,335,285	2,316,118	2,258,835	1,555,488	NA
5	Internal LAC leverage ratio ⁴	8.0%	7.4%	7.4%	8.3%	NA
6a	Does the subordination exemption in the antepenultimate paragraph of Section 11 of the FSB TLAC Term Sheet apply? ²	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
6b	Does the subordination exemption in the penultimate paragraph of Section 11 of the FSB TLAC Term Sheet apply? ²	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
6c	If the capped subordination exemption applies, the amount of funding issued that ranks pari passu with excluded liabilities and that is recognised as external loss-absorbing capacity, divided by funding issued that ranks pari passu with excluded liabilities and that would be recognised as external loss-absorbing capacity if no cap was applied ²	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable

¹ The LAC disclosures for the Group commences on 30 September 2019 in accordance with the LAC Rules, accordingly the prior periods' ratio are not applicable.

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

³ Increase in internal loss-absorbing capacity available was mainly due to the increase in total capital and the US\$500m perpetual non-cumulative convertible preference shares acknowledged by HKMA as LAC qualifying.

⁴ Increase in internal LAC ratios was in line with the increase in capital ratios and leverage ratio.

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

Please refer to the SC PLC Pillar 3 Disclosures “Key metrics - TLAC requirements (KM2)” in the website www.sc.com.

3 Overview of risk-weighted amount (“RWA”) (OV1)

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

	(a)	(b)	(c)
	Consolidated RWA ¹		Minimum capital requirements ²
	At 30 June 2020 HK\$'M	At 31 March 2020 HK\$'M	At 30 June 2020 HK\$'M
1 Credit risk for non-securitization exposures	585,558	571,944	49,437
2 Of which STC approach	45,468	47,043	3,637
2a Of which BSC approach	–	–	–
3 Of which foundation IRB approach	–	–	–
4 Of which supervisory slotting criteria approach	13,972	12,609	1,185
5 Of which advanced IRB approach	526,118	512,292	44,615
6 Counterparty default risk and default fund contributions	31,772	34,905	2,676
7 Of which SA-CCR*	N/A	N/A	N/A
7a Of which CEM	26,462	30,762	2,241
8 Of which IMM(CCR) approach	–	–	–
9 Of which others	5,310	4,143	435
10 CVA risk	16,948	25,685	1,356
11 Equity positions in banking book under the simple risk-weight method and internal models method	–	–	–
12 Collective investment scheme (“CIS”) exposures – LTA*	N/A	N/A	N/A
13 CIS exposures – MBA*	N/A	N/A	N/A
14 CIS exposures – FBA*	N/A	N/A	N/A
14a CIS exposures – combination of approaches*	N/A	N/A	N/A
15 Settlement risk	686	386	55
16 Securitization exposures in banking book	3,576	3,008	286
17 Of which SEC-IRBA	–	–	–
18 Of which SEC-ERBA (including IAA)	3,576	3,008	286
19 Of which SEC-SA	–	–	–
19a Of which SEC-FBA	–	–	–
20 Market risk	86,477	98,704	6,918
21 Of which STM approach	86,477	98,704	6,918
22 Of which IMM approach	–	–	–
23 Capital charge for switch between exposures in trading book and banking book (not applicable before the revised market risk framework takes effect)*	N/A	N/A	N/A
24 Operational risk	84,795	84,387	6,784
24a Sovereign concentration risk	–	–	–
25 Amounts below the thresholds for deduction (subject to 250% RW)	13,640	13,640	1,091
26 Capital floor adjustment	–	–	–
26a Deduction to RWA	102	190	8
26b Of which portion of regulatory reserve for general banking risks and collective provisions which is not included in Tier 2 Capital	–	72	–
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	102	118	8
27 Total	823,350	832,469	68,595

* Items marked with * will be applicable only after their respective policy frameworks takes effect. Until then, “Not applicable” should be reported in the rows.

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

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

4 Composition of regulatory capital

a. Composition of regulatory capital (CC1)

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

At 30 June 2020		(a)	(b)
		HK\$'M	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation in note 4b (CC2)
CET1 capital: instruments and reserves			
1	Directly issued qualifying CET1 capital instruments plus any related share premium	61,147	(12)
2	Retained earnings	84,154	(23)
3	Disclosed reserves	1,147	(15)+(16)+(17)+(18)+(19)+(20)+(21)+(22)
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)	136	(26)
6	CET1 capital before regulatory deductions	146,584	
CET1 capital: regulatory deductions			
7	Valuation adjustments	1,166	
8	Goodwill (net of associated deferred tax liabilities)	5,618	(4)
9	Other intangible assets (net of associated deferred tax liabilities)	2,353	(5)-(10)
10	Deferred tax assets (net of associated deferred tax liabilities)	1,907	(6)+(10)
11	Cash flow hedge reserve	(934)	(15)
12	Excess of total EL amount over total eligible provisions under the IRB approach	375	
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	6	(8)
15	Defined benefit pension fund net assets (net of associated deferred tax liabilities)	2	(7)
16	Investments in own CET1 capital instruments (if not already netted off paid-in capital on reported balance sheet)	–	
17	Reciprocal cross-holdings in CET1 capital instruments	–	
18	Insignificant LAC investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	–	
19	Significant LAC investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	–	(2)+(3)-(29)
20	Mortgage servicing rights (net of associated deferred tax liabilities)	–	Not applicable

4 Composition of regulatory capital (continued)

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

At 30 June 2020		(a) HK\$'M	(b) Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation in note 4b (CC2)
21	Deferred tax assets arising from temporary differences (net of associated deferred tax liabilities)	–	Not applicable
22	Amount exceeding the 15% threshold	–	Not applicable
23	of which: significant investments in the ordinary share of financial sector entities	–	Not applicable
24	of which: mortgage servicing rights	–	Not applicable
25	of which: deferred tax assets arising from temporary differences	–	Not applicable
26	National specific regulatory adjustments applied to CET1 capital	2,181	–
26a	Cumulative fair value gains arising from the revaluation of land and buildings (own-use and investment properties)	186	(24)
26b	Regulatory reserve for general banking risks	1,995	(25)
26c	Securitization exposures specified in a notice given by the MA	–	
26d	Cumulative losses below depreciated cost arising from the institution's holdings of land and buildings	–	
26e	Capital shortfall of regulated non-bank subsidiaries	–	
26f	Capital investment in a connected company which is a commercial entity (amount above 15% of the reporting institution's capital base)	–	
27	Regulatory deductions applied to CET1 capital due to insufficient AT1 capital and Tier 2 capital to cover deductions	–	
28	Total regulatory deductions to CET1 capital	12,674	
29	CET1 capital	133,910	
AT1 capital: instruments			
30	Qualifying AT1 capital instruments plus any related share premium	20,611	(13)+(14)
31	of which: classified as equity under applicable accounting standards	20,611	–
32	of which: classified as liabilities under applicable accounting standards	–	
33	<i>Capital instruments subject to phase-out arrangements from AT1 capital</i>	–	
34	AT1 capital instruments issued by consolidated bank subsidiaries and held by third parties (amount allowed in AT1 capital of the consolidation group)	1	(27)
35	<i>of which: AT1 capital instruments issued by subsidiaries subject to phase-out arrangements</i>	–	
36	AT1 capital before regulatory deductions	20,612	
AT1 capital: regulatory deductions			
37	Investments in own AT1 capital instruments	–	
38	Reciprocal cross-holdings in AT1 capital instruments	–	
39	Insignificant LAC investments in AT1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	–	

4 Composition of regulatory capital (continued)

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

	(a)	(b)
At 30 June 2020	HK\$'M	<i>Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation in note 4b (CC2)</i>
40 Significant LAC investments in AT1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	–	
41 National specific regulatory adjustments applied to AT1 capital	–	
42 Regulatory deductions applied to AT1 capital due to insufficient Tier 2 capital to cover deductions	–	
43 Total regulatory deductions to AT1 capital	–	
44 AT1 capital	20,612	
45 Tier 1 capital (T1 = CET1 + AT1)	154,522	
Tier 2 capital: instruments and provisions		
46 Qualifying Tier 2 capital instruments plus any related share premium	11,625	(9)
47 <i>Capital instruments subject to phase-out arrangements from Tier 2 capital</i>	–	(11)
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)	–	(28)
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	576	(30)+(31)
51 Tier 2 capital before regulatory deductions	12,201	
Tier 2 capital: regulatory deductions		
52 Investments in own Tier 2 capital instruments	–	–
53 Reciprocal cross-holdings in Tier 2 capital instruments and non-capital LAC liabilities	–	–
54 Insignificant LAC investments in Tier 2 capital instruments issued by, and non-capital LAC liabilities of, financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold and, where applicable, 5% threshold)	–	–
54a Insignificant LAC investments in non-capital LAC liabilities of financial sector entities that are outside the scope of regulatory consolidation (amount formerly designated for the 5% threshold but no longer meets the conditions) (for institutions defined as “section 2 institution” under §2(1) of Schedule 4F to BCR only)	–	–
55 Significant LAC investments in Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (net of eligible short positions)	–	(1)
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	(83)	(24)x45%

4 Composition of regulatory capital (continued)

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

At 30 June 2020		(a) HK\$'M	(b) Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation in note 4b (CC2)
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	(83)	(24)x45%
57	Total regulatory adjustments to Tier 2 capital	(83)	
58	Tier 2 capital (T2)	12,284	
59	Total regulatory capital (TC = T1 + T2)	166,806	
60	Total RWA	857,478	
Capital ratios (as a percentage of RWA)			
61	CET1 capital ratio	15.62%	
62	Tier 1 capital ratio	18.02%	
63	Total capital ratio	19.45%	
64	Institution-specific buffer requirement (capital conservation buffer plus countercyclical capital buffer plus higher loss absorbency requirements)	4.46%	
65	of which: capital conservation buffer requirement	2.50%	
66	of which: bank specific countercyclical capital buffer requirement	0.46%	
67	of which: G-SIB or D-SIB buffer requirement	1.50%	
68	CET1 (as a percentage of RWA) available after meeting minimum capital requirements	11.12%	
National minima (if different from Basel 3 minimum)			
69	National CET1 minimum ratio	Not applicable	Not applicable
70	National Tier 1 minimum ratio	Not applicable	Not applicable
71	National Total capital minimum ratio	Not applicable	Not applicable
Amounts below the thresholds for deduction (before risk weighting)			
72	Insignificant LAC investments in CET1, AT1 and Tier 2 capital instruments issued by, and non-capital LAC liabilities of, financial sector entities that are outside the scope of regulatory consolidation	312	–
73	Significant LAC investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	5,456	(29)
74	Mortgage servicing rights (net of associated deferred tax liabilities)	Not applicable	Not applicable
75	Deferred tax assets arising from temporary differences (net of associated deferred tax liabilities)	Not applicable	Not applicable
Applicable caps on the inclusion of provisions in Tier 2 capital			
76	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to the BSC approach, or the STC approach and SEC-ERBA, SEC-SA and SEC-FBA (prior to application of cap)	576	–
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	576	(30)

4 Composition of regulatory capital (continued)

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

	(a)	(b)
At 30 June 2020	HK\$'M	<i>Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation in note 4b (CC2)</i>
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)	–	(31)
79 Cap for inclusion of provisions in Tier 2 under the IRB approach and SEC-IRBA	3,618	–
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2018 and 1 Jan 2022)		
80 <i>Current cap on CET1 capital instruments subject to phase-out arrangements</i>	Not applicable	Not applicable
81 <i>Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)</i>	Not applicable	Not applicable
82 <i>Current cap on AT1 capital instruments subject to phase-out arrangements</i>	–	
83 <i>Amount excluded from AT1 capital due to cap (excess over cap after redemptions and maturities)</i>	–	
84 <i>Current cap on Tier 2 capital instruments subject to phase-out arrangements</i>	–	(11)
85 <i>Amount excluded from Tier 2 capital due to cap (excess over cap after redemptions and maturities)</i>	–	–

Please refer to KM1 for the explanation of major movement in CET1, Tier 1 and Total capital and the capital ratios. The decrease in deduction for regulatory reserves for general banking risks was mainly due to the reduction in regulatory reserve requirement. Decrease in Tier 2 capital was mainly due to the redemption of subordinated loan under transitional arrangement and the decrease in surplus provisions and regulatory reserve eligible for inclusion in Tier 2 capital.

4 Composition of regulatory capital (continued)

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

Notes to the Template:

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

Description	At 30 June 2020	
	Hong Kong basis HK\$'M	Basel III basis HK\$'M
9 Other intangible assets (net of associated deferred tax liabilities)	2,353	2,353

Explanation

As set out in paragraph 87 of the Basel III text issued by the Basel Committee (December 2010), mortgage servicing rights (“MSRs”) may be given limited recognition in CET1 capital (and hence be excluded from deduction from CET1 capital up to the specified threshold). In Hong Kong, an AI is required to follow the accounting treatment of including MSRs as part of intangible assets reported in the AI’s financial statements and to deduct MSRs in full from CET1 capital. Therefore, the amount to be deducted as reported in row 9 may be greater than that required under Basel III. The amount reported under the column “Basel III basis” in this box represents the amount reported in row 9 (i.e. the amount reported under the “Hong Kong basis”) adjusted by reducing the amount of MSRs to be deducted to the extent not in excess of the 10% threshold set for MSRs and the aggregate 15% threshold set for MSRs, DTAs arising from temporary differences and significant investments in CET1 capital instruments issued by financial sector entities (excluding those that are loans, facilities or other credit exposures to connected companies) under Basel III.

10 Deferred tax assets (net of associated deferred tax liabilities)	1,907	76
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Explanation

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

4 Composition of regulatory capital (continued)

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

Description	At 30 June 2020	
	Hong Kong basis HK\$'M	Basel III basis HK\$'M
18 Insignificant LAC investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	–	–

Explanation

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

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

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

4 Composition of regulatory capital (continued)

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

Description	At 30 June 2020	
	Hong Kong basis HK\$'M	Basel III basis HK\$'M
39 Insignificant LAC investments in AT1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	–	–

Explanation

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

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

The effect of treating loans, facilities or other credit exposures to connected companies which are financial sector entities as CET1 capital instruments for the purpose of considering deductions to be made in calculating the capital base (see note re row 18 to the template above) will mean the headroom within the threshold available for the exemption from capital deduction of other insignificant 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.

4 Composition of regulatory capital (continued)

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

Remarks:

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

Abbreviations:

CET1: Common Equity Tier 1

AT1: Additional Tier 1

Note:

Cross-references (1) to (28) are referenced to 'Reconciliation of regulatory capital to balance sheet (CC2)'.
Cross-references (29) to (31) are referenced within the 'Composition of regulatory capital (CC1)'.

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

	(a) <i>Consolidated balance sheet as in published financial statements (At 30 June 2020) HK\$'M</i>	(b) <i>Under regulatory scope of consolidation (At 30 June 2020) HK\$'M</i>	(c) <i>Cross reference to note – 4a (CC1)</i>
Assets			
Cash and balances at central banks	70,218	70,074	–
Advances to banks and other financial institutions	134,751	134,751	–
Hong Kong SAR Government certificates of indebtedness	54,821	54,821	–
Financial assets at fair value through profit or loss	171,872	171,872	–
Investment securities	436,853	436,853	–
Advances to customers	1,017,857	1,017,857	–
Amounts due from fellow subsidiaries	167,389	167,371	–
Amounts due from immediate holding company	340	340	–
Amounts due from subsidiaries of the Bank	–	120	–
of which: significant capital investments in financial sector entities that are outside the scope of regulatory consolidation	–	–	(1)
Investment in subsidiaries of the Bank	–	2,288	–
of which: significant capital investments in financial sector entities that are outside the scope of regulatory consolidation	–	2,288	(2)
Interest in an associate	14,371	3,168	–
of which: significant capital investments in financial sector entities that are outside the scope of regulatory consolidation	–	3,168	(3)

4 Composition of regulatory capital (continued)

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

	(a) <i>Consolidated balance sheet as in published financial statements (At 30 June 2020) HK\$'M</i>	(b) <i>Under regulatory scope of consolidation (At 30 June 2020) HK\$'M</i>	(c) <i>Cross reference to note – 4a (CC1)</i>
Property, plant and equipment	40,877	40,865	–
Goodwill and intangible assets	8,454	8,436	–
of which: goodwill	–	5,618	(4)
of which: other intangible assets	–	2,818	(5)
Current tax assets	–	–	–
Deferred tax assets	1,450	1,442	(6)
Other assets	74,180	74,160	–
of which: defined benefit pension fund net assets	–	2	(7)
Total assets	2,193,433	2,184,418	–
Liabilities			
Hong Kong SAR currency notes in circulation	54,821	54,821	–
Deposits and balances of banks and other financial institutions	39,760	39,760	–
Deposit from customers	1,608,830	1,608,830	–
Financial liabilities at fair value through profit or loss	88,965	88,965	–
of which: gains or losses due to changes in own credit risk	–	(6)	(8)
Debt securities in issue	36,957	36,957	–
Amounts due to immediate holding company	31,434	31,434	–
of which: subordinated liabilities eligible for inclusion in regulatory capital	–	11,625	(9)
Amounts due to fellow subsidiaries	74,397	74,372	–
Amounts due to subsidiaries of the Bank	–	1,971	–
Current tax liabilities	1,271	1,268	–
Deferred tax liabilities	898	898	–
of which: deferred tax liabilities relating to intangible assets	–	465	(10)
of which: other deferred tax liabilities	–	433	–
Other liabilities	77,718	77,707	–
Subordinated liabilities	–	–	–
of which: subordinated liabilities eligible for inclusion in regulatory capital (subject to phase out arrangements)	–	–	(11)
Total liabilities	2,015,051	2,016,983	–

4 Composition of regulatory capital (continued)

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

	(a) <i>Consolidated balance sheet as in published financial statements (At 30 June 2020) HK\$'M</i>	(b) <i>Under regulatory scope of consolidation (At 30 June 2020) HK\$'M</i>	(c) <i>Cross reference to note – 4a (CC1)</i>
Equity			
Share capital	65,025	65,025	–
of which: amount eligible for CET1	–	61,147	(12)
of which: amount eligible for AT1	–	3,878	(13)
Other equity instruments	16,733	16,733	–
of which: amount eligible for AT1	–	16,733	(14)
Reserves	96,248	85,301	–
of which: Cumulative cash flow hedge reserves that relate to the hedging of financial instruments that are not fair valued on the balance sheet	–	(934)	(15)
of which: Cumulative cash flow hedge reserves that relate to the hedging of financial instruments that are fair valued on the balance sheet	–	79	(16)
of which: FVOCI reserves – Equity	–	211	(17)
of which: FVOCI reserves – Debt	–	1,390	(18)
of which: Exchange reserve	–	(10,121)	(19)
of which: Share option equity reserve	–	385	(20)
of which: Own credit adjustments reserves	–	6	(21)
of which: Other reserve	–	10,131	(22)
of which: Retained earnings	–	84,154	(23)
of which: Cumulative fair value gains arising from the revaluation of land and buildings	–	186	(24)
of which: Regulatory reserve for general banking risks	–	1,995	(25)
Non-controlling interests	376	376	–
of which: portion allowable in CET1 capital	–	136	(26)
of which: portion allowable in AT1 capital	–	1	(27)
of which: portion allowable in T2 capital	–	0	(28)
Total equity	178,382	167,435	
Total liabilities and equity	2,193,433	2,184,418	

4 Composition of regulatory capital (continued)

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

The following is a summary of the Group's CET1 capital, Additional Tier 1 capital, Tier 2 capital and non-capital LAC debt instruments.

	At 30 June 2020		
	Total amount	Amount recognised in regulatory capital HK\$'M	Amount recognised in loss-absorbing capacity HK\$'M
(i) Both regulatory capital and LAC requirements			
CET1 capital instruments			
Ordinary shares:			
5,289 million issued and fully paid ordinary shares	HK\$61,147m	61,147	61,147
AT1 capital instruments			
Perpetual non-cumulative convertible preference shares	US\$500m	3,878	3,878
Perpetual non-cumulative capital securities	US\$250m	1,952	1,952
Floating rate Undated Additional Tier 1 Capital Securities	US\$900m	7,031	7,031
US\$1,000 million Fixed Rate Undated Additional Tier 1 Capital Securities	US\$1,000m	7,750	7,750
Tier 2 capital instruments			
Fixed rate (4.30%) subordinated loan due 2026, callable from 2021	US\$800m	6,200	6,200
Floating rate Tier 2 Notes due 2029, callable from 2024	US\$450m	3,487	3,487
Floating rate Tier 2 Notes due 2031, callable from 2025	US\$250m	1,938	1,938
(ii) Only LAC (but not regulatory capital) requirements			
Non-capital LAC Debt Instruments			
US\$1,000 million Floating Rate Notes due 2022	US\$1,000m	Nil	7,750
US\$600 million Floating Rate Notes due 2022	US\$600m	Nil	4,650
US\$600 million Floating Rate Notes due 2023	US\$600m	Nil	4,650
US\$200 million 3.15 per cent Notes due 2023	US\$200m	Nil	1,550
HK\$1,081 million Floating Rate Notes due 2023	HK\$1,081m	Nil	1,081

The full terms and conditions of the Group's capital instruments can be found in the Regulatory Disclosures section of our website, www.sc.com/hk.

4 Composition of regulatory capital (continued)

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

(i) Both regulatory capital and LAC requirements

Ordinary Shares

1	Issuer	Standard Chartered Bank (Hong Kong) Limited
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	N/A
3	Governing law(s) of the instrument	Hong Kong Law
3a	Means by which enforceability requirement of Section 13 of the TLAC Term Sheet is achieved (for non-capital LAC debt instruments governed by non-Hong Kong law)	N/A
<i>Regulatory treatment</i>		
4	Transitional Basel III rules ¹	N/A
5	Post-transitional Basel III rules ²	Common Equity Tier 1
6	Eligible at solo ³ /group/group & solo	Group & solo
6a	Eligible at solo / LAC consolidation group / solo and LAC consolidation group (for LAC purposes)	Solo and LAC consolidation group
7	Instrument type (types to be specified by each jurisdiction)	Ordinary Shares (Class A, B, C and D)
8	Amount recognised in regulatory capital (Currency in million, as of most recent reporting date)	HKD61,147 Million
8a	Amount recognised in loss-absorbing capacity (currency in millions, as of most recent reporting date)	HKD61,147 Million
9	Par value of instrument	N/A
10	Accounting classification	Shareholders' equity
11	Original date of issuance	28 June 2004 (706 Million Class A shares) 1 July 2004 (780 Million Class B shares) 29 June 2005 (451 Million Class B shares) 1 June 2019 (342 Million Class C shares) 1 October 2019 (3,010 Million Class D shares)
12	Perpetual or dated	Perpetual
13	Original maturity date	Undated
14	Issuer call subject to prior supervisory approval	No
15	Optional call date, contingent call dates and redemption amount	N/A
16	Subsequent call dates, if applicable	N/A
<i>Coupons / dividends</i>		
17	Fixed or floating dividend/coupon	Floating
18	Coupon rate and any related index	N/A
19	Existence of a dividend stopper	No
20	Fully discretionary, partially discretionary or mandatory	Fully discretionary
21	Existence of step up or other incentive to redeem	No
22	Noncumulative or cumulative	Non-cumulative
23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion trigger (s)	N/A

Footnote:

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

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

³ Include solo-consolidated

4 Composition of regulatory capital (continued)

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

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

Ordinary Shares (continued)

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

Footnote:

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

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

³ Include solo-consolidated

4 Composition of regulatory capital (continued)

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

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

Perpetual non-cumulative convertible preference shares

1	Issuer	Standard Chartered Bank (Hong Kong) Limited
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	N/A
3	Governing law(s) of the instrument	Hong Kong Law
3a	Means by which enforceability requirement of Section 13 of the TLAC Term Sheet is achieved (for non-capital LAC debt instruments governed by non-Hong Kong law)	N/A
<i>Regulatory treatment</i>		
4	Transitional Basel III rules ¹	N/A
5	Post-transitional Basel III rules ²	Additional Tier 1
6	Eligible at solo ³ /group/group & solo	Group & solo
6a	Eligible at solo / LAC consolidation group / solo and LAC consolidation group (for LAC purposes)	Solo and LAC consolidation group
7	Instrument type (types to be specified by each jurisdiction)	Preference Shares
8	Amount recognised in regulatory capital (Currency in million, as of most recent reporting date)	HKD 3,878 Million
8a	Amount recognised in loss-absorbing capacity (currency in millions, as of most recent reporting date)	HKD 3,878 Million
9	Par value of instrument	10 perpetual non-cumulative convertible preference shares at aggregate issue price of USD500 Million and a Liquidation Preference of USD500 Million
10	Accounting classification	Shareholders' equity
11	Original date of issuance	30 December 2014
12	Perpetual or dated	Perpetual
13	Original maturity date	Undated
14	Issuer call subject to prior supervisory approval	Yes
15	Optional call date, contingent call dates and redemption amount	First Call Date: 31 December 2019 Included tax and regulatory redemption options Redemption at 100% of the prevailing Liquidation Preference together with uncanceled but unpaid dividends
16	Subsequent call dates, if applicable	Each dividend payment date after the First Call Date
<i>Coupons / dividends</i>		
17	Fixed or floating dividend/coupon	Fixed
18	Coupon rate and any related index	6.25 per cent 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	Noncumulative or cumulative	Non-cumulative
23	Convertible or non-convertible	Convertible

Footnote:

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

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

³ Include solo-consolidated

4 Composition of regulatory capital (continued)

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

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

Perpetual non-cumulative convertible preference shares (continued)

24	If convertible, conversion trigger (s)	If a Non-Viability Event occurs and is continuing, “Non-Viability Event” means the earlier of: (a) the Monetary Authority notifying the Bank in writing that the Monetary Authority is of the opinion that a write-off or conversion is necessary, without which the Bank would become non-viable; and (b) the Monetary Authority notifying the Bank in writing that a decision has been made by the government body, a government officer or other relevant regulatory body with the authority to make such a decision, that a public sector injection of capital or equivalent support is necessary, without which the Bank would become non-viable
25	If convertible, fully or partially	Fully
26	If convertible, conversion rate	Each Preference Share to 12,500,000 A Shares at the USD4.00 per A Share “A Shares” means Class A Ordinary Shares in the share capital of the Bank
27	If convertible, mandatory or optional conversion	Mandatory
28	If convertible, specify instrument type convertible into	Common Equity Tier 1
29	If convertible, specify issuer of instrument it converts into	Standard Chartered Bank (Hong Kong) Limited
30	Write-down feature	No
31	If write-down, write-down trigger(s)	N/A
32	If write-down, full or partial	N/A
33	If write-down, permanent or temporary	N/A
34	If temporary write-down, description of write-up mechanism	N/A
34a	Type of subordination	Contractual
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	The Dated Subordinated Notes are immediately senior to Preference Shares
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	N/A

Footnote:

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

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

³ Include solo-consolidated

4 Composition of regulatory capital (continued)

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

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

Perpetual non-cumulative capital securities

1	Issuer	Standard Chartered Bank (Hong Kong) Limited
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	N/A
3	Governing law(s) of the instrument	Hong Kong Law
3a	Means by which enforceability requirement of Section 13 of the TLAC Term Sheet is achieved (for non-capital LAC debt instruments governed by non-Hong Kong law)	N/A
<i>Regulatory treatment</i>		
4	Transitional Basel III rules ¹	N/A
5	Post-transitional Basel III rules ²	Additional Tier 1
6	Eligible at solo ³ /group/group & solo	Group & solo
6a	Eligible at solo / LAC consolidation group / solo and LAC consolidation group (for LAC purposes)	Solo and LAC consolidation group
7	Instrument type (types to be specified by each jurisdiction)	Perpetual debt instrument
8	Amount recognised in regulatory capital (Currency in million, as of most recent reporting date)	HKD 1,952 Million
8a	Amount recognised in loss-absorbing capacity (currency in millions, as of most recent reporting date)	HKD 1,952 Million
9	Par value of instrument	Issue price at 100 per cent of the Aggregate Nominal Amount of USD250 Million
10	Accounting classification	Shareholders' equity
11	Original date of issuance	13 December 2017
12	Perpetual or dated	Perpetual
13	Original maturity date	Undated
14	Issuer call subject to prior supervisory approval	Yes
15	Optional call date, contingent call dates and redemption amount	First Call Date: 13 December 2024 Included tax and regulatory redemption options Redemption at 100% of the Capital Securities at their outstanding principal amount together with the distribution accrued but unpaid to the date fixed for redemption
16	Subsequent call dates, if applicable	Each dividend payment date after the First Call Date
<i>Coupons / dividends</i>		
17	Fixed or floating dividend/coupon	Fixed
18	Coupon rate and any related index	5.00 per cent per annum
19	Existence of a dividend stopper	Yes
20	Fully discretionary, partially discretionary or mandatory	Full discretionary
21	Existence of step up or other incentive to redeem	No
22	Noncumulative or cumulative	Non-cumulative
23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion trigger (s)	N/A

Footnote:

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

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

³ Include solo-consolidated

4 Composition of regulatory capital (continued)

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

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

Perpetual non-cumulative capital securities (continued)

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

Footnote:

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

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

³ Include solo-consolidated

4 Composition of regulatory capital (continued)

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

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

Floating rate undated Additional Tier 1 capital securities

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

Footnote:

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

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

³ Include solo-consolidated

4 Composition of regulatory capital (continued)

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

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

Floating rate undated Additional Tier 1 capital securities (continued)

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

“Loss Absorption Event” means:

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

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

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

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

“Non-Viability Event” means the earlier of:

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

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

Footnote:

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

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

³ Include solo-consolidated

4 Composition of regulatory capital (continued)

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

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

Floating rate undated Additional Tier 1 capital securities (continued)

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

Footnote:

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

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

³ Include solo-consolidated

4 Composition of regulatory capital (continued)

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

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

US\$1,000 million Fixed Rate Undated Additional Tier 1 Capital Securities

1	Issuer	Standard Chartered Bank (Hong Kong) Limited
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	N/A
3	Governing law(s) of the instrument	Hong Kong Law
3a	Means by which enforceability requirement of Section 13 of the TLAC Term Sheet is achieved (for non-capital LAC debt instruments governed by non-Hong Kong law)	N/A
<i>Regulatory treatment</i>		
4	Transitional Basel III rules ¹	N/A
5	Post-transitional Basel III rules ²	Additional Tier 1
6	Eligible at solo ³ /group/group & solo	Group & solo
6a	Eligible at solo / LAC consolidation group / solo and LAC consolidation group (for LAC purposes)	Solo and LAC consolidation group
7	Instrument type (types to be specified by each jurisdiction)	Perpetual debt instrument
8	Amount recognised in regulatory capital (Currency in million, as of most recent reporting date)	HKD 7,750 Million
8a	Amount recognised in loss-absorbing capacity (currency in millions, as of most recent reporting date)	HKD 7,750 Million
9	Par value of instrument	Issue price at 100 per cent of the Aggregate Nominal Amount of USD1,000 Million
10	Accounting classification	Shareholders' equity
11	Original date of issuance	30 June 2020
12	Perpetual or dated	Perpetual
13	Original maturity date	Undated
14	Issuer call subject to prior supervisory approval	Yes
15	Optional call date, contingent call dates and redemption amount	Optional Call Date: 26 July 2025 to first reset date Early redemption amount(s) per calculation amount payable on redemption for taxation reasons, due to Regulatory Capital Event or due to Loss Absorption Disqualification Event or on event of default US\$ 1,000 per Calculation amount
16	Subsequent call dates, if applicable	Each reset date
<i>Coupons / dividends</i>		
17	Fixed or floating dividend/coupon	Fixed
18	Coupon rate and any related index	6.00 per cent per annum
19	Existence of a dividend stopper	Yes
20	Fully discretionary, partially discretionary or mandatory	Full discretionary
21	Existence of step up or other incentive to redeem	No
22	Noncumulative or cumulative	Non-cumulative
23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion trigger (s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A

Footnote:

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

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

³ Include solo-consolidated

4 Composition of regulatory capital (continued)

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

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

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

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

“Loss Absorption Event” means:

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

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

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

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

“Non-Viability Event” means the earlier of:

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

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

Footnote:

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

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

³ Include solo-consolidated

4 Composition of regulatory capital (continued)

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

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

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

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

Footnote:

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

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

³ Include solo-consolidated

4 Composition of regulatory capital (continued)

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

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

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

1	Issuer	Standard Chartered Bank (Hong Kong) Limited
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	N/A
3	Governing law(s) of the instrument	Hong Kong Law
3a	Means by which enforceability requirement of Section 13 of the TLAC Term Sheet is achieved (for non-capital LAC debt instruments governed by non-Hong Kong law)	N/A
<i>Regulatory treatment</i>		
4	Transitional Basel III rules ¹	N/A
5	Post-transitional Basel III rules ²	Tier 2
6	Eligible at solo ³ /group/group & solo	Group & solo
6a	Eligible at solo / LAC consolidation group / solo and LAC consolidation group (for LAC purposes)	Solo and LAC consolidation group
7	Instrument type (types to be specified by each jurisdiction)	Other Tier 2 instruments
8	Amount recognised in regulatory capital (Currency in million, as of most recent reporting date)	HKD 6,200 Million
8a	Amount recognised in loss-absorbing capacity (currency in millions, as of most recent reporting date)	HKD 6,200 Million
9	Par value of instrument	Issue price at 100 per cent of the Aggregate Nominal Amount of USD800 Million
10	Accounting classification	Liability – amortised cost
11	Original date of issuance	19 December 2016
12	Perpetual or dated	Dated
13	Original maturity date	19 December 2026
14	Issuer call subject to prior supervisory approval	Yes
15	Optional call date, contingent call dates and redemption amount	First Call Date: 20 December 2021 Included tax and regulatory redemption options Redemption at 100% of the Subordinated Notes at their outstanding principal amount together with interest accrued but unpaid to the date fixed for redemption
16	Subsequent call dates, if applicable	Each interest payment date after the First Call Date
<i>Coupons / dividends</i>		
17	Fixed or floating dividend/coupon	Fixed
18	Coupon rate and any related index	4.30 per cent per annum
19	Existence of a dividend stopper	No
20	Fully discretionary, partially discretionary or mandatory	Mandatory
21	Existence of step up or other incentive to redeem	No
22	Noncumulative or cumulative	Cumulative
23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion trigger (s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A

Footnote:

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

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

³ Include solo-consolidated

4 Composition of regulatory capital (continued)

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

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

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

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

Footnote:

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

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

³ Include solo-consolidated

4 Composition of regulatory capital (continued)

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

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

Floating rate Tier 2 notes due 2029, callable from 2024

1	Issuer	Standard Chartered Bank (Hong Kong) Limited
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	N/A
3	Governing law(s) of the instrument	Hong Kong Law
3a	Means by which enforceability requirement of Section 13 of the TLAC Term Sheet is achieved (for non-capital LAC debt instruments governed by non-Hong Kong law)	N/A
<i>Regulatory treatment</i>		
4	Transitional Basel III rules ¹	N/A
5	Post-transitional Basel III rules ²	Tier 2
6	Eligible at solo ³ /group/group & solo	Group & solo
6a	Eligible at solo / LAC consolidation group / solo and LAC consolidation group (for LAC purposes)	Solo and LAC consolidation group
7	Instrument type (types to be specified by each jurisdiction)	Other Tier 2 instruments
8	Amount recognised in regulatory capital (Currency in million, as of most recent reporting date)	HKD 3,487 Million
8a	Amount recognised in loss-absorbing capacity (currency in millions, as of most recent reporting date)	HKD 3,487 Million
9	Par value of instrument	Issue price at 100 per cent of the Aggregate Nominal Amount of USD450 Million
10	Accounting classification	Liability – amortised cost
11	Original date of issuance	24 June 2019
12	Perpetual or dated	Dated
13	Original maturity date	19 November 2029
14	Issuer call subject to prior supervisory approval	Yes
15	Optional call date, contingent call dates and redemption amount	Optional call date: 19 November 2024 Early redemption for taxation reasons, due to Regulatory Capital Event or due to Loss Absorption Disqualification Event or on event of default US\$ 1,000 per Calculation amount
16	Subsequent call dates, if applicable	Each interest payment date
<i>Coupons / dividends</i>		
17	Fixed or floating dividend/coupon	Floating
18	Coupon rate and any related index	3-month USD LIBOR + 2.08 per cent per annum
19	Existence of a dividend stopper	No
20	Fully discretionary, partially discretionary or mandatory	Mandatory
21	Existence of step up or other incentive to redeem	No
22	Noncumulative or cumulative	Cumulative
23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion trigger (s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, specify instrument type convertible into	N/A

Footnote:

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

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

³ Include solo-consolidated

4 Composition of regulatory capital (continued)

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

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

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

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

“Loss Absorption Event” means:

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

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

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

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

“Non-Viability Event” means the earlier of:

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

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

Footnote:

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

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

³ Include solo-consolidated

4 Composition of regulatory capital (continued)

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

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

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

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

Footnote:

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

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

³ Include solo-consolidated

4 Composition of regulatory capital (continued)

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

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

Floating rate Tier 2 notes due 2031, callable from 2025

1	Issuer	Standard Chartered Bank (Hong Kong) Limited
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	N/A
3	Governing law(s) of the instrument	Hong Kong Law
3a	Means by which enforceability requirement of Section 13 of the TLAC Term Sheet is achieved (for non-capital LAC debt instruments governed by non-Hong Kong law)	N/A
<i>Regulatory treatment</i>		
4	Transitional Basel III rules ¹	N/A
5	Post-transitional Basel III rules ²	Tier 2
6	Eligible at solo ³ /group/group & solo	Group & solo
6a	Eligible at solo / LAC consolidation group / solo and LAC consolidation group (for LAC purposes)	Solo and LAC consolidation group
7	Instrument type (types to be specified by each jurisdiction)	Other Tier 2 instruments
8	Amount recognised in regulatory capital (Currency in million, as of most recent reporting date)	HKD 1,938 Million
8a	Amount recognised in loss-absorbing capacity (currency in millions, as of most recent reporting date)	HKD 1,938 Million
9	Par value of instrument	Issue price at 100 per cent of the Aggregate Nominal Amount of USD250 Million
10	Accounting classification	Liability – amortised cost
11	Original date of issuance	24 June 2019
12	Perpetual or dated	Dated
13	Original maturity date	17 April 2031
14	Issuer call subject to prior supervisory approval	Yes
15	Optional call date, contingent call dates and redemption amount	Optional call date: 17 April 2025 Early redemption for taxation reasons, due to Regulatory Capital Event or due to Loss Absorption Disqualification Event or on event of default US\$ 1,000 per Calculation amount
16	Subsequent call dates, if applicable	Each interest payment date
<i>Coupons / dividends</i>		
17	Fixed or floating dividend/coupon	Floating
18	Coupon rate and any related index	3-month USD LIBOR + 2.12 per cent per annum
19	Existence of a dividend stopper	No
20	Fully discretionary, partially discretionary or mandatory	Mandatory
21	Existence of step up or other incentive to redeem	No
22	Noncumulative or cumulative	Cumulative
23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion trigger (s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, specify instrument type convertible into	N/A

Footnote:

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

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

³ Include solo-consolidated

4 Composition of regulatory capital (continued)

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

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

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

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

“Loss Absorption Event” means:

- (i) the Relevant Hong Kong Resolution Authority notifying the Issuer in writing that the Relevant Hong Kong Resolution Authority is satisfied that the Issuer has ceased, or is likely to cease, to be viable and there is no reasonable prospect that private sector action (outside of resolution) would result in it again becoming viable within a reasonable period (in both cases, without taking into account the write-down or conversion into ordinary shares on any LAC debt instruments); and
- (ii) for Notes issued directly to a group company in a non-Hong Kong jurisdiction, as specified in the applicable Final Terms, the Relevant Hong Kong Resolution Authority notifying the Issuer in writing that:
 - (A) the Relevant Hong Kong Resolution Authority has notified the Home Authority of the Relevant Hong Kong Resolution Authority’s intention to notify the issuer under paragraph (i) above; and
 - (B) the Home Authority (x) has consented to the write-down or conversion of the relevant Securities issued by the Issuer or (y) has not, within 24 hours after receiving notice under subparagraph (ii)(A) above, objected to the write-down or conversion of the relevant Securities issued by the Issuer;

“Non-Viability Event” means the earlier of:

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

Footnote:

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

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

³ Include solo-consolidated

4 Composition of regulatory capital (continued)

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

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

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

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

Footnote:

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

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

³ Include solo-consolidated

4 Composition of regulatory capital (continued)

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

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

US\$1,000 million Floating Rate Notes due 2022

1	Issuer	Standard Chartered Bank (Hong Kong) Limited
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	N/A
3	Governing law(s) of the instrument	Hong Kong Law
3a	Means by which enforceability requirement of Section 13 of the TLAC Term Sheet is achieved (for non-capital LAC debt instruments governed by non-Hong Kong law)	N/A
<i>Regulatory treatment</i>		
4	Transitional Basel III rules ¹	N/A
5	Post-transitional Basel III rules ²	Ineligible
6	Eligible at solo ³ /group/group & solo	Ineligible
6a	Eligible at solo / LAC consolidation group / solo and LAC consolidation group (for LAC purposes)	Solo and LAC consolidation group
7	Instrument type (types to be specified by each jurisdiction)	Non-capital LAC debt instrument
8	Amount recognised in regulatory capital (Currency in million, as of most recent reporting date)	N/A
8a	Amount recognised in loss-absorbing capacity (currency in millions, as of most recent reporting date)	HKD 7,750 Million
9	Par value of instrument	Issue price at 100 per cent of the Aggregate Nominal Amount of USD1,000 Million
10	Accounting classification	Liability – amortised cost
11	Original date of issuance	24 June 2019
12	Perpetual or dated	Dated
13	Original maturity date	15 January 2022
14	Issuer call subject to prior supervisory approval	Yes
15	Optional call date, contingent call dates and redemption amount	Optional call date: 15 January 2021 Early redemption amount(s) per calculation amount payable on redemption for taxation reasons, due to Regulatory Capital Event or due to Loss Absorption Disqualification Event or on event of default US\$ 1,000 per Calculation amount
16	Subsequent call dates, if applicable <i>Coupons / dividends</i>	Each interest payment date
17	Fixed or floating dividend/coupon	Floating
18	Coupon rate and any related index	3-month USD LIBOR + 0.87 per cent per annum
19	Existence of a dividend stopper	No
20	Fully discretionary, partially discretionary or mandatory	Mandatory
21	Existence of step up or other incentive to redeem	No
22	Noncumulative or cumulative	Cumulative
23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion trigger (s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A

Footnote:

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

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

³ Include solo-consolidated

4 Composition of regulatory capital (continued)

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

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

US\$1,000 million Floating Rate Notes due 2022 (continued)

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

Footnote:

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

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

³ Include solo-consolidated

4 Composition of regulatory capital (continued)

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

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

US\$600 million Floating Rate Notes due 2022

1	Issuer	Standard Chartered Bank (Hong Kong) Limited
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	N/A
3	Governing law(s) of the instrument	Hong Kong Law
3a	Means by which enforceability requirement of Section 13 of the TLAC Term Sheet is achieved (for non-capital LAC debt instruments governed by non-Hong Kong law)	N/A
<i>Regulatory treatment</i>		
4	Transitional Basel III rules ¹	N/A
5	Post-transitional Basel III rules ²	Ineligible
6	Eligible at solo ³ /group/group & solo	Ineligible
6a	Eligible at solo / LAC consolidation group / solo and LAC consolidation group (for LAC purposes)	Solo and LAC consolidation group
7	Instrument type (types to be specified by each jurisdiction)	Non-capital LAC debt instrument
8	Amount recognised in regulatory capital (Currency in million, as of most recent reporting date)	N/A
8a	Amount recognised in loss-absorbing capacity (currency in millions, as of most recent reporting date)	HKD 4,650 Million
9	Par value of instrument	Issue price at 100 per cent of the Aggregate Nominal Amount of USD600 Million
10	Accounting classification	Liability – amortised cost
11	Original date of issuance	24 June 2019
12	Perpetual or dated	Dated
13	Original maturity date	23 January 2022
14	Issuer call subject to prior supervisory approval	Yes
15	Optional call date, contingent call dates and redemption amount	Optional call date: 23 January 2021 Early redemption amount(s) per calculation amount payable on redemption for taxation reasons, due to Regulatory Capital Event or due to Loss Absorption Disqualification Event or on event of default US\$ 1,000 per Calculation amount
16	Subsequent call dates, if applicable	Each interest payment date
<i>Coupons / dividends</i>		
17	Fixed or floating dividend/coupon	Floating
18	Coupon rate and any related index	3-month USD LIBOR + 0.87 per cent per annum
19	Existence of a dividend stopper	No
20	Fully discretionary, partially discretionary or mandatory	Mandatory
21	Existence of step up or other incentive to redeem	No
22	Noncumulative or cumulative	Cumulative
23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion trigger (s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A

Footnote:

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

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

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4 Composition of regulatory capital (continued)

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

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

US\$600 million Floating Rate Notes due 2022 (continued)

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

Footnote:

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

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

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4 Composition of regulatory capital (continued)

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

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

US\$600 million Floating Rate Notes due 2023

1	Issuer	Standard Chartered Bank (Hong Kong) Limited
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	N/A
3	Governing law(s) of the instrument	Hong Kong Law
3a	Means by which enforceability requirement of Section 13 of the TLAC Term Sheet is achieved (for non-capital LAC debt instruments governed by non-Hong Kong law)	N/A
<i>Regulatory treatment</i>		
4	Transitional Basel III rules ¹	N/A
5	Post-transitional Basel III rules ²	Ineligible
6	Eligible at solo ³ /group/group & solo	Ineligible
6a	Eligible at solo / LAC consolidation group / solo and LAC consolidation group (for LAC purposes)	Solo and LAC consolidation group
7	Instrument type (types to be specified by each jurisdiction)	Non-capital LAC debt instrument
8	Amount recognised in regulatory capital (Currency in million, as of most recent reporting date)	N/A
8a	Amount recognised in loss-absorbing capacity (currency in millions, as of most recent reporting date)	HKD 4,650 Million
9	Par value of instrument	Issue price at 100 per cent of the Aggregate Nominal Amount of USD600 Million
10	Accounting classification	Liability – amortised cost
11	Original date of issuance	24 June 2019
12	Perpetual or dated	Dated
13	Original maturity date	20 January 2023
14	Issuer call subject to prior supervisory approval	Yes
15	Optional call date, contingent call dates and redemption amount	Optional call date: 20 January 2022 Early redemption amount(s) per calculation amount payable on redemption for taxation reasons, due to Regulatory Capital Event or due to Loss Absorption Disqualification Event or on event of default US\$ 1,000 per Calculation amount
16	Subsequent call dates, if applicable <i>Coupons / dividends</i>	Each interest payment date
17	Fixed or floating dividend/coupon	Floating
18	Coupon rate and any related index	3-month USD LIBOR + 1.26 per cent per annum
19	Existence of a dividend stopper	No
20	Fully discretionary, partially discretionary or mandatory	Mandatory
21	Existence of step up or other incentive to redeem	No
22	Noncumulative or cumulative	Cumulative
23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion trigger (s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A

Footnote:

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

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

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4 Composition of regulatory capital (continued)

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

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

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

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

Footnote:

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

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

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4 Composition of regulatory capital (continued)

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

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

US\$200 million 3.15 per cent Notes due 2023

1	Issuer	Standard Chartered Bank (Hong Kong) Limited
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	N/A
3	Governing law(s) of the instrument	Hong Kong Law
3a	Means by which enforceability requirement of Section 13 of the TLAC Term Sheet is achieved (for non-capital LAC debt instruments governed by non-Hong Kong law)	N/A
<i>Regulatory treatment</i>		
4	Transitional Basel III rules ¹	N/A
5	Post-transitional Basel III rules ²	Ineligible
6	Eligible at solo ³ /group/group & solo	Ineligible
6a	Eligible at solo / LAC consolidation group / solo and LAC consolidation group (for LAC purposes)	Solo and LAC consolidation group
7	Instrument type (types to be specified by each jurisdiction)	Non-capital LAC debt instrument
8	Amount recognised in regulatory capital (Currency in million, as of most recent reporting date)	N/A
8a	Amount recognised in loss-absorbing capacity (currency in millions, as of most recent reporting date)	HKD 1,550 Million
9	Par value of instrument	Issue price at 100 per cent of the Aggregate Nominal Amount of USD200 Million
10	Accounting classification	Liability – amortised cost
11	Original date of issuance	24 June 2019
12	Perpetual or dated	Dated
13	Original maturity date	25 January 2023
14	Issuer call subject to prior supervisory approval	Yes
15	Optional call date, contingent call dates and redemption amount	Optional call date: 25 January 2022 Early redemption amount(s) per calculation amount payable on redemption for taxation reasons, due to Regulatory Capital Event or due to Loss Absorption Disqualification Event or on event of default US\$ 1,000 per Calculation amount
16	Subsequent call dates, if applicable <i>Coupons / dividends</i>	Each interest payment date
17	Fixed or floating dividend/coupon	Fixed
18	Coupon rate and any related index	3.15 per cent per annum
19	Existence of a dividend stopper	No
20	Fully discretionary, partially discretionary or mandatory	Mandatory
21	Existence of step up or other incentive to redeem	No
22	Noncumulative or cumulative	Cumulative
23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion trigger (s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A

Footnote:

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

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

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4 Composition of regulatory capital (continued)

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

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

US\$200 million 3.15 per cent Notes due 2023 (continued)

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

Footnote:

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

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

³ Include solo-consolidated

4 Composition of regulatory capital (continued)

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

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

HK\$1,081 million Floating Rate Notes due 2023

1	Issuer	Standard Chartered Bank (Hong Kong) Limited
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	N/A
3	Governing law(s) of the instrument	Hong Kong Law
3a	Means by which enforceability requirement of Section 13 of the TLAC Term Sheet is achieved (for non-capital LAC debt instruments governed by non-Hong Kong law)	N/A
<i>Regulatory treatment</i>		
4	Transitional Basel III rules ¹	N/A
5	Post-transitional Basel III rules ²	Ineligible
6	Eligible at solo ³ /group/group & solo	Ineligible
6a	Eligible at solo / LAC consolidation group / solo and LAC consolidation group (for LAC purposes)	Solo and LAC consolidation group
7	Instrument type (types to be specified by each jurisdiction)	Non-capital LAC debt instrument
8	Amount recognised in regulatory capital (Currency in million, as of most recent reporting date)	N/A
8a	Amount recognised in loss-absorbing capacity (currency in millions, as of most recent reporting date)	HKD 1,081 Million
9	Par value of instrument	Issue price at 100 per cent of the Aggregate Nominal Amount of HKD1,081 Million
10	Accounting classification	Liability – amortised cost
11	Original date of issuance	01 June 2020
12	Perpetual or dated	Dated
13	Original maturity date	01 June 2023
14	Issuer call subject to prior supervisory approval	Yes
15	Optional call date, contingent call dates and redemption amount	Optional call date: 01 June 2022 Early redemption amount(s) per calculation amount payable on redemption for taxation reasons, due to Regulatory Capital Event or due to Loss Absorption Disqualification Event or on event of default HK\$ 1,000 per Calculation amount
16	Subsequent call dates, if applicable <i>Coupons / dividends</i>	Each interest payment date
17	Fixed or floating dividend/coupon	Floating
18	Coupon rate and any related index	3-month HKD HIBOR + 1.48 per cent per annum
19	Existence of a dividend stopper	No
20	Fully discretionary, partially discretionary or mandatory	Mandatory
21	Existence of step up or other incentive to redeem	No

Footnote:

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

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

³ Include solo-consolidated

4 Composition of regulatory capital (continued)

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

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

HK\$1,081 million Floating Rate Notes due 2023 (continued)

22	Noncumulative or cumulative	Cumulative
23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion trigger (s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, specify instrument type convertible into	N/A
29	If convertible, specify issuer of instrument it converts into	N/A
30	Write-down feature	Yes
31	If write-down, write-down trigger(s)	Upon a Loss Absorption Event.

“Loss Absorption Event” means:

- (i) the Relevant Hong Kong Resolution Authority notifying the Issuer in writing that the Relevant Hong Kong Resolution Authority is satisfied that the Issuer has ceased, or is likely to cease, to be viable and there is no reasonable prospect that private sector action (outside of resolution) would result in it again becoming viable within a reasonable period (in both cases, without taking into account the write-down or conversion into ordinary shares on any LAC debt instruments); and
- (ii) for Notes issued directly to a group company in a non-Hong Kong jurisdiction, as specified in the applicable Final Terms, the Relevant Hong Kong Resolution Authority notifying the Issuer in writing that:
 - (A) the Relevant Hong Kong Resolution Authority has notified the Home Authority of the Relevant Hong Kong Resolution Authority’s intention to notify the issuer under paragraph (i) above; and
 - (B) the Home Authority (x) has consented to the write-down or conversion of the relevant Securities issued by the Issuer or (y) has not, within 24 hours after receiving notice under subparagraph (ii)(A) above, objected to the write-down or conversion of the relevant Securities issued by the Issuer

Footnote:

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

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

³ Include solo-consolidated

4 Composition of regulatory capital (continued)

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

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

HK\$1,081 million Floating Rate Notes due 2023 (continued)

32	If write-down, full or partial	Full or Partial
33	If write-down, permanent or temporary	Permanent
34	If temporary write-down, description of write-up mechanism	N/A
34a	Type of subordination	Contractual
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	All unsubordinated creditors of the Issuer (including its depositors) are immediately senior to the Loss Absorbing Non-preferred Notes
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	N/A

Footnote:

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

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

³ Include solo-consolidated

4 Composition of regulatory capital (continued)

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

		(a) HK\$'M
Regulatory capital elements of internal loss-absorbing capacity and adjustments		
1	Common Equity Tier 1 ("CET1") capital	133,910
2	Additional Tier 1 ("AT1") capital before LAC adjustments	20,612
3	AT1 capital instruments ineligible as internal loss-absorbing capacity as not issued directly or indirectly to, and held directly or indirectly by, the resolution entity or non-HK resolution entity in the material subsidiary's resolution group	–
4	Other adjustments	–
5	AT1 capital eligible under the LAC Rules	20,612
6	Tier 2 ("T2") capital before LAC adjustments	12,284
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	12,284
11	Internal loss-absorbing capacity arising from regulatory capital	166,806
Non-regulatory capital elements of internal loss-absorbing capacity		
12	Internal non-capital LAC debt instruments issued directly or indirectly to, and held indirectly or indirectly by, the resolution entity or non-HK resolution entity in the material subsidiary's resolution group	19,681
17	Internal loss-absorbing capacity arising from non-capital LAC debt instruments before adjustments	19,681
Non-regulatory capital elements of internal loss-absorbing capacity: adjustments		
18	Internal loss-absorbing capacity before deductions	186,487
19	Deductions of exposures between the material subsidiary's LAC consolidation group and group companies outside that group that correspond to non-capital items eligible for internal loss-absorbing capacity	–
20	Deduction of holdings of its own non-capital LAC liabilities	–
21	Other adjustments to internal loss-absorbing capacity	–
22	Internal loss-absorbing capacity after deductions	186,487

4 Composition of regulatory capital (continued)

d. LAC composition of material subsidiary (at LAC consolidation group level) (TLAC1(A)) (continued)

(a)
HK\$'M

Risk-weighted amount and exposure measure under the LAC Rules for internal loss-absorbing capacity purposes		
23	Risk-weighted amount under the LAC Rules	857,478
24	Exposure measure under the LAC Rules	2,335,285
Internal LAC ratios and buffers		
25	Internal LAC risk-weighted ratio	21.7%
26	Internal LAC leverage ratio	8.0%
27	CET1 capital (as a percentage of RWA under the Banking (Capital) Rules ("BCR")) available after meeting the LAC consolidation group's minimum capital and LAC requirements	9.7%
28	Institution-specific buffer requirement (capital conservation buffer plus countercyclical capital buffer requirements plus higher loss absorbency requirement, expressed as a percentage of RWA under the BCR)	4.5%
29	Of which: capital conservation buffer requirement	2.5%
30	Of which: institution-specific countercyclical capital buffer requirement	0.5%
31	Of which: higher loss absorbency requirement	1.5%

Please refer to note 2(a) for the reason of increase in internal loss-absorbing capacity available. No other adjustments under item 4 as of 30 June 2020 was due to HKMA acknowledgement on the US\$500m perpetual non-cumulative convertible preference shares as LAC qualifying at 27 April 2020. No T2 capital instrument ineligible as LAC under item 8 as of 30 June 2020 was due to the maturity of the US\$750m subordinated loan during the period.

4 Composition of regulatory capital (continued)

e. Material subsidiary – creditor ranking at legal entity level (TLAC2)

		Creditor ranking				Total
		1	2	3	4	
		(most junior)			(most senior)	
1	Is a resolution entity or a non-HK resolution entity the creditor/investor?	Yes	Yes ¹	Yes	Yes	
2	Description of creditor ranking	CET1 capital instruments ²	AT1 capital instruments	Tier 2 capital instruments	Non capital LAC debt instruments	
3	Total capital and liabilities net of credit risk mitigation	61,147	20,611	11,625	19,681	113,064
4	Subset of row 3 that are excluded liabilities	–	–	–	–	–
5	Total capital and liabilities less excluded liabilities	61,147	20,611	11,625	19,681	113,064
6	Subset of row 5 that are eligible as internal loss-absorbing capacity	61,147	20,611	11,625	19,681	113,064
7	Subset of row 6 with 1 year ≤ residual maturity < 2 years	–	–	–	12,400	12,400
8	Subset of row 6 with 2 years ≤ residual maturity < 5 years	–	–	–	7,281	7,281
9	Subset of row 6 with 5 years ≤ residual maturity < 10 years	–	–	9,687	–	9,687
10	Subset of row 6 with residual maturity ≥ 10 years, but excluding perpetual securities	–	–	1,938	–	1,938
11	Subset of row 6 that is perpetual securities	61,147	20,611	–	–	81,758

¹ Included the US\$500m perpetual non-cumulative convertible preference shares qualifying as AT1 capital for which the Group obtained HKMA acknowledgement as LAC qualifying at 27 April 2020

² Issued and fully paid ordinary shares

5 Macroprudential supervisory measures

Geographical distribution of credit exposures used in countercyclical capital buffer (CCyB1)

The following table sets out an overview of the geographical distribution of private sector credit exposures relevant for the calculation of the Group's CCyB ratio.

At 30 June 2020

In HKD million

	<i>Jurisdiction (J)</i>	<i>Applicable JCCyB ratio in effect</i>	<i>Total RWA used in computation of CCyB ratio of AI</i>	<i>CCyB ratio of AI</i>	<i>CCyB amount of AI HK\$'M</i>
1	Hong Kong	1.000%	259,161		
2	Luxembourg	0.250%	606		
3	Norway	1.000%	1		
4	Sum ¹		259,768		
5	Total²		565,844	0.458%³	3,930

¹ This represents the sum of RWAs for the private sector credit exposures in jurisdictions with a non-zero countercyclical buffer rate.

² The total RWAs used in the computation of the CCyB ratio in row (5) represents the total RWAs for the private sector credit exposures in all jurisdictions to which the bank is exposed, including jurisdictions with no countercyclical buffer rate or with a countercyclical buffer rate set at zero.

³ The decrease in CCyB ratio of the Group in the first half of 2020 was mainly due to the jurisdictional CCyB of Hong Kong decreased from 2% to 1% during the period.

6 Leverage Ratio

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

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

At 30 June 2020	(a) Value under the LR framework HK\$'M
1 Total consolidated assets as per published financial statements	2,193,433
2 Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	(9,015)
3 Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting standard but excluded from the LR exposure measure	–
4 Adjustments for derivative financial contracts	36,414
5 Adjustment for SFTs (i.e. repos and similar secured lending)	20,181
6 Adjustment for off-balance sheet (“OBS”) items (i.e. conversion to credit equivalent amounts of OBS exposures)	162,133
6a Adjustment for specific and collective provisions that are allowed to be excluded from exposure measure	(5,879)
7 Other adjustments	(61,982)
8 Leverage ratio exposure measure	2,335,285

Other adjustments mainly represent the Hong Kong Government certificates of indebtedness and assets deducted in determining Tier 1 capital. These are excluded for deriving the leverage ratio exposure in accordance with the ‘Leverage Ratio Framework’ issued by the HKMA.

Increase in leverage ratio exposure measure during the period was mainly driven by the balance sheet growth.

6 Leverage Ratio (continued)

b. Leverage ratio (LR2)

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

	(a) At 30 June 2020 HK\$'M	(b) At 31 March 2020 HK\$'M
On-balance sheet exposures		
1 On-balance sheet items (excluding derivatives and SFTs, but including collateral)	1,953,141	1,965,934
2 Less: Asset amounts deducted in determining Basel III Tier 1 capital ¹	(12,668)	(15,107)
3 Total on-balance sheet exposures (excluding derivatives and SFTs)	1,940,473	1,950,827
Exposure arising from derivative contracts		
4 Replacement cost associated with all derivatives contracts (where applicable net of eligible cash variation margin and / or with bilateral netting) ²	31,101	47,794
5 Add-on amounts for PFE associated with all derivatives contracts	75,637	73,738
6 Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the operative accounting framework	–	–
7 Less: Deductions of receivables assets for cash variation margin provided under derivatives contracts	–	–
8 Less: Exempted CCP leg of client-cleared trade exposures	–	–
9 Adjusted effective notional amount of written credit derivatives	2,018	1,663
10 Less: Adjusted effective notional offsets and add-on deductions for written credit derivatives	(1,821)	(233)
11 Total exposures arising from derivative contract	106,935	122,962
Exposure arising from SFTs³		
12 Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	116,158	76,061
13 Less: Netted amounts of cash payables and cash receivables of gross SFT assets	–	–
14 CCR exposure for SFT assets	15,465	9,315
15 Agent transaction exposures	–	–
16 Total exposures arising from SFTs	131,623	85,376
Other off-balance sheet exposures		
17 Off-balance sheet exposure at gross notional amount	833,507	815,697
18 Less: Adjustments for conversion to credit equivalent amounts	(671,374)	(652,705)
19 Off-balance sheet items	162,133	162,992
Capital and total exposures		
20 Tier 1 capital	154,522	141,501
20a Total exposures before adjustments for specific and collective provisions	2,341,164	2,322,157
20b Adjustments for specific and collective provisions	(5,879)	(6,039)
21 Total exposures after adjustments for specific and collective provisions	2,335,285	2,316,118
Leverage ratio		
22 Leverage ratio⁴	6.62%	6.11%

¹ Decrease in asset amount deducted in determining Tier 1 capital was mainly due to reduction in regulatory reserve requirement.

² Decrease in replacement cost associated with derivative contracts was mainly due to the decrease in positive mark-to-market during the quarter.

³ Increase in exposure arising from SFTs was mainly driven by increase in reverse repo transactions.

⁴ Increase in leverage ratio was mainly driven by the issuance of US\$1,000m Additional Tier 1 Capital Securities during the quarter.

7 Liquidity

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

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

Number of data points used in calculating the average value of the Liquidity Coverage Ratio (LCR) and related components set out in this Template for the quarter ending on 31 March 2020 and 30 June 2020 are 74 and 71.

		Q2 2020 Currency: (HK\$mil)		Q1 2020 Currency: (HK\$mil)	
		UNWEIGHTED AMOUNT (Average Value)	WEIGHTED AMOUNT (Average Value)	UNWEIGHTED AMOUNT (Average Value)	WEIGHTED AMOUNT (Average Value)
Basis of disclosure: Consolidated					
A. HIGH QUALITY LIQUID ASSETS					
1	Total high quality liquid assets (HQLA)		386,037		373,110
B. CASH OUTFLOWS					
2	Retail deposits and small business funding, of which:	722,883	55,649	739,709	56,183
3	Stable retail deposits and stable small business funding	228,588	10,813	228,500	10,648
4	Less stable retail deposits and less stable small business funding	402,431	40,243	399,504	39,950
4a	Retail term deposits and small business term funding	91,864	4,593	111,705	5,585
5	Unsecured wholesale funding (other than small business funding) and debt securities and prescribed instruments issued by the institution, of which:	821,284	348,143	757,846	329,146
6	Operational deposits	434,442	106,849	389,595	95,886
7	Unsecured wholesale funding (other than small business funding) not covered in Row 6	383,841	238,293	365,620	230,629
8	Debt securities and prescribed instruments issued by the institution and redeemable within the LCR period	3,001	3,001	2,631	2,631
9	Secured funding transactions (including securities swap transactions)		1,665		2,046
10	Additional requirements, of which:	337,112	56,677	331,961	55,923
11	Cash outflows arising from derivative contracts and other transactions, and additional liquidity needs arising from related collateral requirements	24,602	24,602	25,154	25,131
12	Cash outflows arising from obligations under structured financing transactions and repayment of funding obtained from such transactions	652	652	372	372
13	Potential drawdown of undrawn committed facilities (including committed credit facilities and committed liquidity facilities)	311,858	31,423	306,435	30,420
14	Contractual lending obligations (not otherwise covered in Section B) and other contractual cash outflows	57,503	57,503	52,450	52,450
15	Other contingent funding obligations (whether contractual or non-contractual)	515,826	1,827	535,727	2,401
16	TOTAL CASH OUTFLOWS		521,464		498,149
C. CASH INFLOWS					
17	Secured lending transactions (including securities swap transactions)	64,370	13,003	46,072	11,853
18	Secured and unsecured loans (other than secured lending transactions covered in Row 17) and operational deposits placed at other financial institutions	318,246	189,765	303,327	167,019
19	Other cash inflows	78,165	70,221	78,925	67,138
20	TOTAL CASH INFLOWS	460,781	272,989	428,324	246,010
D. LIQUIDITY COVERAGE RATIO					
21	TOTAL HQLA		386,037		373,110
22	TOTAL NET CASH OUTFLOWS		248,475		252,139
23	LCR (%)		156%		148%

7 Liquidity (continued)

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

Key Drivers

Liquidity Coverage Ratio (LCR) measures the short-term resilience of the Group's liquidity risk profile, and is sensitive to balance sheet movement and composition. The Group has maintained a strong liquidity position and well above the regulatory requirement of 100% throughout Q2 of 2020 in spite of the challenging environment. The quarterly average of LCR was 156% for the quarter ending 30 June 2020 (31 March 2020: 148%), mainly as a result of increase in average operational deposits and consequently higher HQLA, thereby having a positive impact on our LCR position.

Composition of High Quality Liquid Asset ("HQLA")

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

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

Concentration of Funding Sources

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

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

Derivatives Exposure

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

7 Liquidity (continued)

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

Currency Mismatch on LCR

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

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

Liquidity management

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

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

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

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

Table 1: LIQ2 for Quarter ending 30th June 2020

	(a)	(b)	(c)	(d)	(e)
	Unweighted value by residual maturity				Weighted amount
Basis of disclosure: consolidated Currency: (HK\$mil)	No specified term to maturity	<6 months or repayable on demand	6 months to < 12 months	12 months or more	
A. Available stable funding ("ASF") item					
1 Capital:	169,034	–	13,478	23,541	199,313
2 Regulatory capital	169,034	–	–	11,625	180,659
2a Minority interests not covered by row 2	–	–	–	–	–
3 Other capital instruments	–	–	13,478	11,916	18,654
4 Retail deposits and small business funding:	–	724,755	14,370	885	677,143
5 Stable deposits		218,525	2,389	488	210,356
6 Less stable deposits		506,230	11,981	397	466,787
7 Wholesale funding:		933,677	20,684	11,656	366,723
8 Operational deposits		447,693	–	–	223,846
9 Other wholesale funding	–	485,984	20,684	11,656	142,877
10 Liabilities with matching interdependent assets	–	–	–	–	–

7 Liquidity (continued)

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

	(a)	(b)	(c)	(d)	(e)
	Unweighted value by residual maturity				Weighted amount
	No specified term to maturity	<6 months or repayable on demand	6 months to < 12 months	12 months or more	
Basis of disclosure: consolidated Currency: (HK\$mil)					
11 Other liabilities:	72,497	45,016	14,043	15,767	22,788
12 Net derivative liabilities	–				
13 All other funding and liabilities not included in the above categories	72,497	45,016	14,043	15,767	22,788
14 Total ASF					1,265,967
B. Required stable funding (“RSF”) item					
15 Total HQLA for NSFR purposes				514,027	49,423
16 Deposits held at other financial institutions for operational purposes	–	9,013	–	–	4,507
17 Performing loans and securities:	65,992	553,898	116,544	693,162	838,237
18 Performing loans to financial institutions secured by Level 1 HQLA	–	32,828	2,717	–	4,641
19 Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	22,469	236,887	21,974	53,149	122,138
20 Performing loans, other than performing residential mortgage, to non-financial corporate clients, retail and small business customers, sovereigns, the Monetary Authority for the account of the Exchange Fund, central banks and PSEs, of which:	43,523	247,241	71,349	163,912	448,183
21 With a risk-weight of less than or equal to 35% under the STC approach	–	–	–	2,242	3,445
22 Performing residential mortgages, of which:	–	18,178	12,170	418,019	200,356
23 With a risk-weight of less than or equal to 35% under the STC approach	–	10,600	5,708	295,524	200,245
24 Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	–	18,764	8,334	58,082	62,919
25 Assets with matching interdependent liabilities	–	–	–	–	–
26 Other assets:	120,400	43,180	–	72	87,275
27 Physical traded commodities, including gold	584				496
28 Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs	193				193

7 Liquidity (continued)

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

	(a)	(b)	(c)	(d)	(e)
	Unweighted value by residual maturity				Weighted amount
Basis of disclosure: consolidated Currency: (HK\$mil)	No specified term to maturity	<6 months or repayable on demand	6 months to < 12 months	12 months or more	
29 Net derivative assets	4,693				4,693
30 Total derivative liabilities before deduction of variation margin posted	35,150				1,757
31 All other assets not included in the above categories	79,780	43,180	–	72	80,136
32 Off-balance sheet items				843,534	15,738
33 Total RSF					995,180
34 Net Stable Funding Ratio (%)					127%

Table 2: LIQ2 for Quarter ending 31 March 2020

	(a)	(b)	(c)	(d)	(e)
	Unweighted value by residual maturity				Weighted amount
Basis of disclosure: consolidated Currency: (HK\$mil)	No specified term to maturity	<6 months or repayable on demand	6 months to < 12 months	12 months or more	
A. Available stable funding (“ASF”) item					
1 Capital:	158,556	5,831	12,861	24,280	189,268
2 Regulatory capital	158,556	–	–	11,629	170,186
2a Minority interests not covered by row 2	–	–	–	–	–
3 Other capital instruments	–	5,831	12,861	12,651	19,082
4 Retail deposits and small business funding:	–	720,673	13,305	995	672,275
5 Stable deposits		211,498	2,514	489	203,800
6 Less stable deposits		509,175	10,791	506	468,475
7 Wholesale funding:		906,186	22,698	12,390	327,407
8 Operational deposits		392,068	–	–	196,034
9 Other wholesale funding	–	514,118	22,698	12,390	131,373
10 Liabilities with matching interdependent assets	54,491		–	–	–
11 Other liabilities:	78,220	39,943	8,121	18,041	22,101
12 Net derivative liabilities	–				
13 All other funding and liabilities not included in the above categories	78,220	39,943	8,121	18,041	22,101
14 Total ASF					1,211,051
B. Required stable funding (“RSF”) item					
15 Total HQLA for NSFR purposes				518,668	46,838
16 Deposits held at other financial institutions for operational purposes	–	12,505	–	–	6,252
17 Performing loans and securities:	72,492	524,030	116,077	649,265	806,085

7 Liquidity (continued)

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

		(a)	(b)	(c)	(d)	(e)
		Unweighted value by residual maturity				Weighted amount
		No specified term to maturity	<6 months or repayable on demand	6 months to < 12 months	12 months or more	
Basis of disclosure: consolidated Currency: (HK\$mil)						
18	Performing loans to financial institutions secured by Level 1 HQLA	–	10,365	2,713	–	2,393
19	Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	25,750	222,553	25,025	48,623	120,271
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:	46,742	245,949	67,138	139,550	427,502
21	With a risk-weight of less than or equal to 35% under the STC approach	–	–	–	1,794	3,120
22	Performing residential mortgages, of which:	–	15,915	12,247	414,388	197,120
23	With a risk-weight of less than or equal to 35% under the STC approach	–	10,026	5,854	290,875	197,009
24	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	–	29,248	8,954	46,704	58,799
25	Assets with matching interdependent liabilities	54,491	–	–	–	–
26	Other assets:	114,172	58,785	–	89	75,428
27	Physical traded commodities, including gold	763				648
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs	187				187
29	Net derivative assets	7,917				7,917
30	Total derivative liabilities before deduction of variation margin posted	41,025				2,051
31	All other assets not included in the above categories	64,280	58,785	–	89	64,625
32	Off-balance sheet items				833,591	15,651
33	Total RSF					950,254
34	Net Stable Funding Ratio (%)					127%

7 Liquidity (continued)

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

NSFR Key Drivers

Net Stable Funding Ratio (NSFR) requires the bank to maintain sufficient stable funding relative to required stable funding. It reflects a bank's long-term funding profile and complement Liquidity Coverage Ratio (LCR) which measures short-term resilience to liquidity risk. The Group has continuously maintained a healthy NSFR ratio during the first half of 2020, and well above the regulatory requirement minimum of 100%. NSFR remained stable at 127% from Q1 to Q2 in 2020.

Composition of AI's interdependent assets and liabilities

Complying with HKMA Banking Liquidity Rules, the Group's interdependent assets and liabilities consist of legal tender notes and certificates of indebtedness, being one of the note-issuing bank in Hong Kong.

8 Credit risk for non-securitization exposures

a. Credit quality of exposures (CR1)

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

At 30 June 2020	(a)	(b)	(c)	(d)	(e)	(f)	(g)
	Defaulted Exposures HK\$'M	Non-defaulted Exposures HK\$'M	Allowances/ Impairments HK\$'M	Of which ECL accounting provisions for credit losses on STC approach exposures ¹ Allocated in regulatory category of specific provisions HK\$'M	Of which ECL accounting provisions for credit losses on IRB approach exposures Allocated in regulatory category of collective provisions HK\$'M	Of which ECL accounting provisions for credit losses on IRB approach exposures HK\$'M	Net values (a+b-c) HK\$'M
1 Loans ²	6,129	1,314,938	5,466	622	317	4,527	1,315,601
2 Debt securities	–	420,350	1	–	–	1	420,349
3 Off-balance sheet exposures	1,478	832,029	374	–	40	334	833,133
4 Total	7,607	2,567,317	5,841	622	357	4,862	2,569,083

¹ The categorisation of Expected Credit Loss ('ECL') accounting provisions into the regulatory categories of specific and collective provisions follows the treatment specified in the completion instructions of the HKMA Capital Adequacy Ratio – MA(BS)3 return. According to the completion instructions, the ECL accounting provisions classified into Stage 1 and Stage 2 are treated as collective provisions, while those classified under Stage 3 are treated as specific provisions.

² Increase in Loans was in line with the balance sheet growth during the period.

8 Credit risk for non-securitization exposures (continued)

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

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

	(a) HK\$'M
1 Defaulted loans and debt securities at end of the previous reporting period (31 December 2019)	5,250
2 Loans and debt securities that have defaulted since the last reporting period	2,563
3 Returned to non-defaulted status	(54)
4 Amounts written off	(1,560)
5 Other changes ¹	(70)
6 Defaulted loans and debt securities at end of the current reporting period (30 June 2020)	6,129

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

c. Overview of recognized credit risk mitigation (CR3)

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

At 30 June 2020	(a) <i>Exposures unsecured: carrying amount</i> HK\$'M	(b1) <i>Exposures to be secured</i> HK\$'M	(b) <i>Exposures secured by recognized collateral</i> HK\$'M	(d) <i>Exposures secured by recognized guarantees</i> HK\$'M	(f) <i>Exposures secured by recognized credit derivative contracts</i> HK\$'M
1 Loans	727,817	587,784	492,879	43,709	–
2 Debt securities	402,715	17,634	14,569	–	–
3 Total	1,130,532	605,418	507,448	43,709	–
4 – Of which defaulted	4,320	1,809	1,138	251	–

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

8 Credit risk for non-securitization exposures (continued)

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

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

At 30 June 2020	(a) Exposures pre-CCF and pre-CRM		(b) Exposures post-CCF and post-CRM		(c) (d) RWA and RWA density	
	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
	HK\$'M	HK\$'M	HK\$'M	HK\$'M	HK\$'M	%
<i>Exposure classes</i>						
1 Sovereign exposures	2	19	304	–	–	0%
2 PSE exposures	298	–	466	–	93	20%
2a – Of which: domestic PSEs	298	–	–	–	–	0%
2b – Of which: foreign PSEs	–	–	466	–	93	20%
3 Multilateral development bank exposures	23,627	–	23,627	–	–	0%
4 Bank exposures	1,577	–	1,581	13	319	20%
5 Securities firm exposures	–	–	–	–	–	0%
6 Corporate exposures	34,223	5,313	22,462	457	21,749	95%
7 CIS exposures	–	–	–	–	–	0%
8 Cash items	–	–	–	–	–	0%
9 Exposures in respect of failed delivery on transactions entered into on a basis other than a delivery-versus-payment basis	–	–	–	–	–	0%
10 Regulatory retail exposures	12,014	34,451	7,184	2	5,390	75%
11 Residential mortgage loans	18,070	144	18,070	29	7,082	39%
12 Other exposures which are not past due exposures	23,453	35,735	9,058	618	9,676	100%
13 Past due exposures	807	69	807	–	1,159	144%
14 Significant exposures to commercial entities	–	–	–	–	–	0%
15 Total	114,071	75,731	83,559	1,119	45,468	54%

Increase in multilateral development bank (“MDB”) exposures was mainly due to increase in holdings on securities issued by MDBs during the period. Decrease in corporate exposures and other exposures which are not past due exposures were mainly due to decrease in private banking exposures.

8 Credit risk for non-securitization exposures (continued)

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

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

	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(ha)	(i)	(j) Total credit risk exposures amount (post CCF and post CRM)
At 30 June 2020											
Risk Weight	0%	10%	20%	35%	50%	75%	100%	150%	250%	Others	
Exposure class	HK\$'M	HK\$'M	HK\$'M	HK\$'M	HK\$'M	HK\$'M	HK\$'M	HK\$'M	HK\$'M	HK\$'M	HK\$'M
1 Sovereign exposures	304	-	-	-	-	-	-	-	-	-	304
2 PSE exposures	-	-	466	-	-	-	-	-	-	-	466
2a – Of which: domestic PSEs	-	-	-	-	-	-	-	-	-	-	-
2b – Of which: foreign PSEs	-	-	466	-	-	-	-	-	-	-	466
3 Multilateral development bank exposures	23,627	-	-	-	-	-	-	-	-	-	23,627
4 Bank exposures	-	-	1,594	-	-	-	-	-	-	-	1,594
5 Securities firm exposures	-	-	-	-	-	-	-	-	-	-	-
6 Corporate exposures	-	-	223	-	1,985	-	20,711	-	-	-	22,919
7 CIS exposures	-	-	-	-	-	-	-	-	-	-	-
8 Cash items	-	-	-	-	-	-	-	-	-	-	-
9 Exposures in respect of failed delivery on transactions entered into on a basis other than a delivery-versus-payment basis	-	-	-	-	-	-	-	-	-	-	-
10 Regulatory retail exposures	-	-	-	-	-	7,186	-	-	-	-	7,186
11 Residential mortgage loans	-	-	-	16,476	-	1,229	394	-	-	-	18,099
12 Other exposures which are not past due exposures	-	-	-	-	-	-	9,676	-	-	-	9,676
13 Past due exposures	5	-	21	-	2	-	27	752	-	-	807
14 Significant exposures to commercial entities	-	-	-	-	-	-	-	-	-	-	-
15 Total	23,936	-	2,304	16,476	1,987	8,415	30,808	752	-	-	84,678

The risk weight by exposure classes remained stable during the period.

8 Credit risk for non-securitization exposures (continued)

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

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

At 30 June 2020 PD scale	(a) Original on-balance sheet gross exposure HK\$'M	(b) Off-balance sheet exposures pre-CCF HK\$'M	(c) Average CCF	(d) EAD post-CRM and post-CCF HK\$'M	(e) Average PD	(f) Number of obligors	(g) Average LGD	(h) Average maturity	(i) RWA HK\$'M	(j) RWA density	(k) EL HK\$'M	(l) Provisions HK\$'M
Portfolio (i) – Sovereign												
0.00 to < 0.15	388,891	4,145	37.99%	406,652	0.02%	64	46.11%	1.65	35,861	9%	42	
0.15 to < 0.25	–	–	0.00%	–	0.00%	–	0.00%	–	–	0%	–	
0.25 to < 0.50	–	–	0.00%	–	0.00%	–	0.00%	–	–	0%	–	
0.50 to < 0.75	–	–	0.00%	–	0.00%	–	0.00%	–	–	0%	–	
0.75 to < 2.50	–	–	0.00%	–	0.00%	–	0.00%	–	–	0%	–	
2.50 to < 10.00	300	310	37.00%	–	0.00%	–	0.00%	–	–	0%	–	
10.00 to < 100.00	–	–	0.00%	–	0.00%	–	0.00%	–	–	0%	–	
100.00 (Default)	–	–	0.00%	–	0.00%	–	0.00%	–	–	0%	–	
Sub-total	389,191	4,455	37.92%	406,652	0.02%	64	46.11%	1.65	35,861	9%	42	327
Portfolio (ii) – Bank												
0.00 to < 0.15	301,021	91,920	12.05%	323,420	0.04%	174	43.55%	1.24	43,587	13%	59	
0.15 to < 0.25	4,482	5,097	20.51%	5,515	0.22%	35	37.21%	0.90	1,859	34%	5	
0.25 to < 0.50	6,195	9,825	16.53%	7,792	0.39%	32	40.68%	1.28	4,122	53%	12	
0.50 to < 0.75	8,478	8,352	20.65%	9,998	0.58%	63	42.31%	1.21	5,924	59%	25	
0.75 to < 2.50	4,195	6,557	20.77%	5,386	1.29%	121	40.18%	1.40	4,590	85%	28	
2.50 to < 10.00	238	253	41.06%	296	2.78%	26	30.51%	0.28	222	75%	3	
10.00 to < 100.00	1	20	29.09%	6	22.75%	8	15.04%	0.46	5	78%	–	
100.00 (Default)	–	–	0.00%	–	0.00%	–	0.00%	–	–	0%	–	
Sub-total	324,610	122,024	13.89%	352,413	0.09%	459	43.29%	1.23	60,309	17%	132	549
Portfolio (iii) – Corporate – Other												
0.00 to < 0.15	130,361	158,710	23.49%	183,876	0.08%	854	46.87%	1.41	39,754	22%	70	
0.15 to < 0.25	48,560	50,188	19.21%	58,225	0.22%	536	52.46%	1.34	24,677	42%	67	
0.25 to < 0.50	33,965	45,261	24.32%	45,092	0.39%	494	46.22%	1.34	23,380	52%	79	
0.50 to < 0.75	62,299	75,045	23.37%	73,183	0.57%	677	43.40%	1.42	43,427	59%	178	
0.75 to < 2.50	75,549	45,108	19.69%	76,846	1.30%	966	35.66%	1.39	50,609	66%	330	
2.50 to < 10.00	29,866	22,469	18.20%	22,020	4.40%	600	35.81%	1.40	21,394	97%	316	
10.00 to < 100.00	22,084	14,158	7.65%	10,751	19.39%	418	33.65%	1.90	15,525	144%	470	
100.00 (Default)	5,372	1,320	9.80%	5,480	100.00%	104	41.11%	1.97	8,112	148%	1,253	
Sub-total	408,056	412,259	21.89%	475,473	2.19%	4,649	44.27%	1.41	226,878	48%	2,763	3,397

8 Credit risk for non-securitization exposures (continued)

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

At 30 June 2020 PD scale	(a) Original on-balance sheet gross exposure HK\$'M	(b) Off-balance sheet exposures pre-CCF HK\$'M	(c) Average CCF	(d) EAD post-CRM and post-CCF HK\$'M	(e) Average PD	(f) Number of obligors	(g) Average LGD	(h) Average maturity	(i) RWA HK\$'M	(j) RWA density	(k) EL HK\$'M	(l) Provisions HK\$'M
Portfolio (iv) – Corporate – Small- and-medium sized corporates												
0.00 to < 0.15	274	335	32.47%	383	0.09%	8	54.07%	3.70	131	34%	–	
0.15 to < 0.25	875	979	51.43%	1,303	0.23%	184	26.18%	1.16	246	19%	1	
0.25 to < 0.50	918	3,875	63.62%	3,382	0.37%	213	19.93%	2.07	749	22%	3	
0.50 to < 0.75	3,040	1,210	17.22%	3,214	0.61%	250	17.84%	1.36	747	23%	4	
0.75 to < 2.50	7,602	2,478	16.81%	7,893	1.49%	1,161	25.64%	1.55	3,603	46%	30	
2.50 to < 10.00	6,012	1,982	18.35%	5,708	4.67%	414	22.41%	1.21	3,117	55%	60	
10.00 to < 100.00	2,078	235	23.87%	1,486	17.88%	67	21.50%	1.32	1,265	85%	60	
100.00 (Default)	500	79	25.54%	269	100.00%	66	52.29%	1.22	414	154%	149	
Sub-total	21,299	11,173	37.63%	23,638	4.04%	2,363	23.51%	1.51	10,272	43%	307	254
Portfolio (v) – Retail – QRRE												
0.00 to < 0.15	5,024	107,241	49.21%	57,797	0.07%	1,070,234	88.54%	–	2,298	4%	37	
0.15 to < 0.25	270	2,991	81.96%	2,721	0.18%	97,695	78.85%	–	208	8%	4	
0.25 to < 0.50	903	11,786	52.35%	7,072	0.31%	116,248	87.92%	–	936	13%	19	
0.50 to < 0.75	1,550	23,266	49.11%	12,976	0.68%	177,838	89.29%	–	3,279	25%	78	
0.75 to < 2.50	1,027	6,728	52.95%	4,590	1.46%	75,621	88.39%	–	2,053	45%	59	
2.50 to < 10.00	2,009	2,820	63.14%	3,790	5.18%	48,286	89.11%	–	4,024	106%	175	
10.00 to < 100.00	681	409	65.04%	947	26.34%	12,999	89.01%	–	2,031	214%	224	
100.00 (Default)	159	6	0.61%	159	100.00%	5,961	69.06%	–	193	121%	94	
Sub-total	11,623	155,247	50.52%	90,052	0.92%	1,604,882	88.29%	–	15,022	17%	690	150
Portfolio (vi) – Retail – Residential mortgage exposures												
0.00 to < 0.15	229,283	1,331	100.53%	230,622	0.08%	113,720	12.76%	–	36,168	16%	25	
0.15 to < 0.25	121,380	10,877	100.17%	132,275	0.19%	85,356	14.85%	–	15,561	12%	37	
0.25 to < 0.50	28,690	545	101.27%	29,241	0.44%	25,782	14.64%	–	3,425	12%	18	
0.50 to < 0.75	10,483	35	100.37%	10,518	0.55%	8,653	16.84%	–	1,990	19%	10	
0.75 to < 2.50	19,802	426	100.41%	20,230	1.16%	16,869	14.47%	–	4,260	21%	34	
2.50 to < 10.00	5,063	103	100.23%	5,166	3.76%	4,936	13.76%	–	1,975	38%	27	
10.00 to < 100.00	741	7	100.33%	748	31.28%	1,032	16.05%	–	601	80%	38	
100.00 (Default)	631	–	100.00%	631	100.00%	936	18.61%	–	802	127%	54	
Sub-total	416,073	13,324	100.26%	429,431	0.45%	257,284	13.74%	–	64,782	15%	243	605

8 Credit risk for non-securitization exposures (continued)

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

At 30 June 2020 PD scale	(a) Original on-balance sheet gross exposure HK\$'M	(b) Off-balance sheet exposures pre-CCF HK\$'M	(c) Average CCF	(d) EAD post-CRM and post-CCF HK\$'M	(e) Average PD	(f) Number of obligors	(g) Average LGD	(h) Average maturity	(i) RWA HK\$'M	(j) RWA density	(k) EL HK\$'M	(l) Provisions HK\$'M
Portfolio (vii) – Retail – Small business retail exposures												
0.00 to < 0.15	173	29	85.02%	180	0.08%	9	71.91%	–	26	14%	–	
0.15 to < 0.25	300	26	39.78%	257	0.20%	203	68.25%	–	72	28%	–	
0.25 to < 0.50	634	31	50.11%	370	0.37%	172	46.12%	–	103	28%	1	
0.50 to < 0.75	615	34	26.88%	344	0.63%	228	58.46%	–	164	48%	1	
0.75 to < 2.50	2,784	151	9.37%	2,016	1.48%	1,155	77.70%	–	1,812	90%	24	
2.50 to < 10.00	1,550	62	7.19%	1,123	4.35%	479	83.98%	–	1,365	122%	41	
10.00 to < 100.00	229	7	6.72%	128	27.61%	98	86.81%	–	205	160%	31	
100.00 (Default)	35	4	0.00%	33	100.00%	31	86.41%	–	53	162%	24	
Sub-total	6,320	344	23.36%	4,451	3.39%	2,375	74.72%	–	3,800	85%	122	54
Portfolio (viii) – Other retail exposures to individuals												
0.00 to < 0.15	1,885	13,795	84.49%	13,540	0.06%	68,931	80.43%	–	1,762	13%	6	
0.15 to < 0.25	2,257	2,832	82.19%	4,585	0.16%	24,023	81.00%	–	1,310	29%	6	
0.25 to < 0.50	13,278	5,473	60.88%	16,611	0.34%	55,574	76.74%	–	7,318	44%	44	
0.50 to < 0.75	6,604	2,620	59.27%	8,157	0.68%	36,523	77.02%	–	5,309	65%	43	
0.75 to < 2.50	18,720	5,549	38.65%	20,865	1.35%	80,547	61.46%	–	14,434	69%	174	
2.50 to < 10.00	31,238	7,077	59.13%	35,422	4.56%	135,984	58.79%	–	29,791	84%	846	
10.00 to < 100.00	3,438	701	36.40%	3,693	23.32%	26,536	74.06%	–	5,463	148%	632	
100.00 (Default)	1,234	–	0.00%	1,234	100.00%	23,461	63.23%	–	1,430	116%	666	
Sub-total	78,654	38,047	66.90%	104,107	3.96%	451,579	68.00%	–	66,817	64%	2,417	960
Total (all portfolios subject to the IRB approaches)	1,655,826	756,873	30.44%	1,886,217	1.00%	2,323,655	0.41%	1.44	483,741	26%	6,716	6,296

Increase in exposures was in line with the balance sheet growth during the period. Increase in average PD was mainly driven by the credit migration during the period. Provision decreased was due to the reduction in regulatory reserve requirement.

8 Credit risk for non-securitization exposures (continued)

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

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

At 30 June 2020		(a) Pre-credit derivatives RWA HK\$'M	(b) Actual RWA HK\$'M
1	Corporate – Specialized lending under supervisory slotting criteria approach (project finance)	–	–
2	Corporate – Specialized lending under supervisory slotting criteria approach (object finance)	6,054	6,054
3	Corporate – Specialized lending under supervisory slotting criteria approach (commodities finance)	–	–
4	Corporate – Specialized lending under supervisory slotting criteria approach (income-producing real estate)	7,918	7,918
5	Corporate – Specialized lending (high-volatility commercial real estate)	–	–
6	Corporate – Small-and-medium sized corporates	10,272	10,272
7	Corporate – Other corporates	226,878	226,878
8	Sovereigns	35,441	35,441
9	Sovereign foreign public sector entities	420	420
10	Multilateral development banks	–	–
11	Bank exposures – Banks	49,035	49,035
12	Bank exposures – Securities firms	9,602	9,602
13	Bank exposures – Public sector entities (excluding sovereign foreign public sector entities)	1,672	1,672
14	Retail – Small business retail exposures	3,800	3,800
15	Retail – Residential mortgages to individuals	62,679	62,679
16	Retail – Residential mortgages to property-holding shell companies	2,103	2,103
17	Retail – Qualifying revolving retail exposures (QRRE)	15,022	15,022
18	Retail – Other retail exposures to individuals	66,817	66,817
19	Equity – Equity exposures under market-based approach (simple risk-weight method)	–	–
20	Equity – Equity exposures under market-based approach (internal models method)	–	–
21	Equity – Equity exposures under PD/LGD approach (publicly traded equity exposures held for long-term investment)	–	–
22	Equity – Equity exposures under PD/LGD approach (privately owned equity exposures held for long-term investment)	–	–
23	Equity – Equity exposures under PD/LGD approach (other publicly traded equity exposures)	–	–
24	Equity – Equity exposures under PD/LGD approach (other equity exposures)	–	–
24a	Equity – Equity exposures associated with equity investments in funds (CIS exposures)	–	–
25	Other – Cash items	687	687
26	Other – Other items	42,376	42,376
27	Total	540,776	540,776

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

8 Credit risk for non-securitization exposures (continued)

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

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

	(a) Amount HK\$'M
1 RWA as at end of previous reporting period (31 March 2020)	524,901
2 Asset size	7,375
3 Asset quality	6,113
4 Model updates	–
5 Methodology and policy	–
6 Acquisitions and disposals	–
7 Foreign exchange movements	1,701
8 Other	–
9 RWA as at end of reporting period (30 June 2020)	540,090

RWA increase from asset size was driven by the customer loan growth during the period. RWA increase from asset quality was mainly due to credit migration during the period.

i. Specialized lending under supervisory slotting criteria approach and equities under simple risk-weight method – for IRB approach (CR10)

The following table sets out the quantitative information in respect of specialized lending under the supervisory slotting criteria approach.

Specialized Lending under supervisory slotting criteria approach – Other than HVCRE

At 30 June 2020		(a)	(b)	(c)	(d)(i)	(d)(ii)	(d)(iii) EAD amount			(e)	(f)
Regulatory Categories	Remaining Maturity	On-balance sheet exposure amount HK\$'M	Off-balance sheet exposure amount HK\$'M	SRW	PF HK\$'M	OF HK\$'M	CF HK\$'M	IPRE HK\$'M	Total HK\$'M	RWA HK\$'M	Expected loss amount HK\$'M
Strong [^]	Less than 2.5 years	950	13	50%	–	397	–	553	950	476	–
Strong	Equal to or more than 2.5 years	2,353	46	70%	–	2,353	–	–	2,353	1,647	9
Good [^]	Less than 2.5 years	410	14	70%	–	–	–	417	417	292	2
Good	Equal to or more than 2.5 years	4,256	704	90%	–	4,287	–	177	4,464	4,018	35
Satisfactory		6,515	126	115%	–	304	–	6,252	6,556	7,539	184
Weak		–	–	250%	–	–	–	–	–	–	–
Default		–	–	0%	–	–	–	–	–	–	–
Total		14,484	903		–	7,341	–	7,399	14,740	13,972	230

[^] Use of preferential risk-weights.

Increase in total exposure, income-producing real estate exposure and total RWA was mainly due to the growth in customer loans.

9 Counterparty Credit risk

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

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

At 30 June 2020		(a)	(b)	(c)	(d)	(e)	(f)
		Replacement cost (RC) HK\$'M	PFE	Effective EPE %	Alpha (α) used for computing default risk exposure	Default risk exposure after CRM HK\$'M	RWA HK\$'M
1	SA-CCR (for derivative contracts)	–	–		1.4	–	–
1a	CEM ¹	24,740	60,078		0.0	84,804	26,461
2	IMM (CCR) approach			–	0.0	–	–
3	Simple Approach (for SFTs)					–	–
4	Comprehensive Approach (for SFTs) ²					116,695	2,107
5	VaR (for SFTs)					–	–
6	Total						28,568

¹ Decrease in default risk exposures under CEM approach was mainly due to decrease in transaction volume during the period. RWA increased was mainly due to decrease in collateralized exposures.

² Increase in default risk exposures under comprehensive approach was mainly due to the increase in reverse repo transactions.

b. CVA capital charge (CCR2)

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

At 30 June 2020		(a)	(b)
		EAD post CRM HK\$'M	RWA HK\$'M
Netting sets for which CVA capital charge is calculated by the advanced CVA method			
1	(i) VaR (after application of multiplication factor if applicable)		–
2	(ii) Stressed VaR (after application of multiplication factor if applicable)		–
3	Netting sets for which CVA capital charge is calculated by the standardized CVA method	78,497	16,948
4	Total	78,497	16,948

Decrease in CVA RWA was mainly due to the decrease in default risk exposures subject to CVA capital charge.

9 Counterparty Credit risk (continued)

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

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

At 30 June 2020	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)
Risk Weight	0%	10%	20%	35%	50%	75%	100%	150%	250%	Others	Total default risk exposure after CRM
Exposure class	HK\$'M	HK\$'M	HK\$'M	HK\$'M	HK\$'M	HK\$'M	HK\$'M	HK\$'M	HK\$'M	HK\$'M	HK\$'M
1 Sovereign exposures	-	-	-	-	-	-	-	-	-	-	-
2 PSE exposures	-	-	-	-	-	-	-	-	-	-	-
2a – Of which: domestic PSEs	-	-	-	-	-	-	-	-	-	-	-
2b – Of which: foreign PSEs	-	-	-	-	-	-	-	-	-	-	-
3 Multilateral development bank exposures	89	-	-	-	-	-	-	-	-	-	89
4 Bank exposures	-	-	-	-	-	-	-	-	-	-	-
5 Securities firm exposures	-	-	-	-	-	-	-	-	-	-	-
6 Corporate exposures	-	-	42	-	-	-	430	-	-	-	472
7 CIS exposures	-	-	-	-	-	-	-	-	-	-	-
8 Regulatory retail exposures	-	-	-	-	-	130	-	-	-	-	130
9 Residential mortgage loans	-	-	-	-	-	-	-	-	-	-	-
10 Other exposures which are not past due exposures	-	-	-	-	-	-	-	-	-	-	-
11 Significant exposures to commercial entities	-	-	-	-	-	-	-	-	-	-	-
12 Total	89	-	42	-	-	130	430	-	-	-	691

9 Counterparty Credit risk (continued)

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

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

At 30 June 2020 PD scale	(a) EAD post-CRM HK\$'M	(b) Average PD	(c) Number of obligors	(d) Average LGD	(e) Average maturity	(f) RWA HK\$'M	(g) RWA density
Portfolio (i) – Sovereign							
0.00 to < 0.15	27,581	0.02%	17	29.11%	0.29	596	2.16%
0.15 to < 0.25	–	0.00%	–	0.00%	–	–	0.00%
0.25 to < 0.50	–	0.00%	–	0.00%	–	–	0.00%
0.50 to < 0.75	–	0.00%	–	0.00%	–	–	0.00%
0.75 to < 2.50	–	0.00%	–	0.00%	–	–	0.00%
2.50 to < 10.00	–	0.00%	–	0.00%	–	–	0.00%
10.00 to < 100.00	–	0.00%	–	0.00%	–	–	0.00%
100.00 (Default)	–	0.00%	–	0.00%	–	–	0.00%
Sub-total	27,581	0.02%	17	29.11%	0.29	596	2.16%
Portfolio (ii) – Bank							
0.00 to < 0.15	127,374	0.05%	91	21.52%	0.61	10,346	8.12%
0.15 to < 0.25	6,622	0.22%	28	26.50%	0.90	1,834	27.70%
0.25 to < 0.50	3,892	0.39%	20	25.55%	1.32	1,510	38.79%
0.50 to < 0.75	3,709	0.60%	29	6.60%	0.93	345	9.31%
0.75 to < 2.50	2,376	1.37%	17	11.71%	1.00	546	22.98%
2.50 to < 10.00	69	2.67%	2	5.00%	1.00	8	11.74%
10.00 to < 100.00	88	13.77%	1	45.00%	2.07	214	243.44%
100.00 (Default)	–	0.00%	–	0.00%	–	–	0.00%
Sub-total	144,130	0.11%	188	21.32%	0.66	14,803	10.27%
Portfolio (iii) – Corporate							
0.00 to < 0.15	12,475	0.08%	309	25.08%	1.35	1,726	13.82%
0.15 to < 0.25	5,059	0.22%	345	60.81%	1.75	2,909	57.51%
0.25 to < 0.50	2,795	0.39%	224	53.66%	1.30	1,737	62.14%
0.50 to < 0.75	4,883	0.61%	198	31.44%	0.69	2,037	41.72%
0.75 to < 2.50	3,218	1.09%	155	51.06%	1.54	2,817	87.56%
2.50 to < 10.00	514	4.11%	47	64.69%	1.11	913	177.73%
10.00 to < 100.00	153	14.76%	22	66.22%	2.64	494	322.34%
100.00 (Default)	–	0.00%	–	0.00%	–	–	0.00%
Sub-total	29,097	0.48%	1,300	38.89%	1.33	12,633	43.42%
Total (all portfolios subject to the IRB approaches)	200,808	0.15%	1,505	24.94%	0.70	28,032	13.96%

Please refer to note 9(a) for the driver of the increase in default risk exposures. Average PD and RWA density remained stable during the period. Average maturity decreased during the period due to an increase in SFT transactions with shorter tenor and an increase in netting of derivative transactions with longer tenor.

9 Counterparty Credit risk (continued)

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

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

At 30 June 2020	(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				
Exposure classes	Segregated	Unsegregated	Segregated	Unsegregated	Segregated	Unsegregated	Segregated	Unsegregated	Segregated	Unsegregated	Fair value of posted collateral
	HK\$'M	HK\$'M	HK\$'M	HK\$'M	HK\$'M	HK\$'M	HK\$'M	HK\$'M	HK\$'M	HK\$'M	HK\$'M
Cash – domestic currency	–	–	–	8	–	–	–	–	9,775	–	6,872
Cash – other currencies	–	1,606	–	7,487	–	–	–	–	12,257	–	79,955
Domestic sovereign debt	–	–	–	–	–	–	–	–	–	–	10,141
Other sovereign debt	–	–	–	–	–	–	–	–	24,089	–	9,810
Government agency debt	–	–	–	–	–	–	–	–	13,519	–	–
Corporate bonds	–	4,286	–	–	–	–	–	–	30,216	–	9,917
Equity securities	–	–	–	–	–	–	–	–	6,633	–	0
Other collateral	–	612	–	–	–	–	–	–	–	–	–
Total	–	6,504	–	7,495	–	–	–	–	96,489	–	116,695

Increase in recognized collateral received and posted collateral were in line with the increase in SFT exposures.

f. Credit-related derivatives contracts (CCR6)

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

At 30 June 2020	(a)	(b)
	Protection bought	Protection sold
	HK\$'M	HK\$'M
Notional amounts		
Single-name credit default swaps	–	–
Index credit default swaps	–	–
Total return swaps	17,968	1,020
Credit-related options	–	–
Other credit-related derivative contracts	10,153	9,058
Total notional amounts	28,121	10,078
Fair values		
Positive fair value (asset)	200	81
Negative fair value (liability)	(4,818)	(180)

Increase in notional amount of total return swaps was mainly driven by the increase in transaction volume.

9 Counterparty Credit risk (continued)

g. Exposures to CCPs (CCR8)

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

At 30 June 2020	(a) Exposure after CRM HK\$'M	(b) RWA HK\$'M
1 Exposures of the AI as clearing member or client to qualifying CCPs (total)		3,203
2 Default risk exposures to qualifying CCPs (excluding items disclosed in rows 7 to 10), – of which:	20,601	412
3 (i) OTC derivative transactions	–	–
4 (ii) Exchange-traded derivative contracts	20,601	412
5 (iii) Securities financing transactions	–	–
6 (iv) Netting sets subject to valid cross-product netting agreements	–	–
7 Segregated initial margin	–	
8 Unsegregated initial margin	437	9
9 Funded default fund contributions	223	2,782
10 Unfunded default fund contributions	–	–
11 Exposures of the AI as clearing member or client to non-qualifying CCPs (total)		–
12 Default risk exposures to non-qualifying CCPs (excluding items disclosed in rows 17 to 20), – of which:	–	–
13 (i) OTC derivative transactions	–	–
14 (ii) Exchange-traded derivative contracts	–	–
15 (iii) Securities financing transactions	–	–
16 (iv) Netting sets subject to valid cross-product netting agreements	–	–
17 Segregated initial margin	–	–
18 Unsegregated initial margin	–	–
19 Funded default fund contributions	–	–
20 Unfunded default fund contributions	–	–

Increase in exposures to CCPs was mainly driven by higher transaction volume and increase in customer demands.

10 Securitization exposures

Securitization activities are undertaken by the Group for risk-taking purpose by various businesses acting as investors. The Group adopts the SEC-ERBA approach to calculate the credit risk for asset securitizations in which it is an investing institution. There was no asset securitizations for which the Group was an originating institution under the regulatory consolidation scope.

The Group uses the following external credit assessment institutions to calculate the capital adequacy requirements: S&P, Moody's and Fitch Ratings.

The Group's securitization exposures are measured in accordance with the accounting policy described in note 2(i) of the 2019 consolidated financial statements.

The securitised assets have appropriate credit and market risk limits in place with exposures being monitored against these limits. There is also a periodic performance analysis of the underlying collateral pools through review of trustee reports, market research and monitoring the changes of their external ratings. In addition, for Corporate & Institutional Banking and Commercial Banking clients, there is an internal credit model in place to measure any change in the performance of the underlying collateral pools.

a. Securitization exposures in banking book (SEC1)

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

	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
	Acting as originator (excluding sponsor)			Acting as sponsor			Acting as investor		
	Traditional	Synthetic	Sub-total	Traditional	Synthetic	Sub-total	Traditional	Synthetic	Sub-total
1 Retail (total) – of which:	-	-	-	-	-	-	16,142	-	16,142
2 residential mortgage	-	-	-	-	-	-	11,283	-	11,283
3 credit card	-	-	-	-	-	-	-	-	-
4 other retail exposures	-	-	-	-	-	-	4,859	-	4,859
5 re-securitization exposures	-	-	-	-	-	-	-	-	-
7 Wholesale (total) – of which:	-	-	-	-	-	-	215	-	215
8 loans to corporates	-	-	-	-	-	-	-	-	-
6 commercial mortgage	-	-	-	-	-	-	-	-	-
9 lease and receivables	-	-	-	-	-	-	-	-	-
10 other wholesale	-	-	-	-	-	-	215	-	215
11 re-securitization exposures	-	-	-	-	-	-	-	-	-

The movement during the period was mainly driven by the change in portfolio mix in the ordinary course of business.

11 Market risk

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

Further information regarding market risk governance and management is set out in note 34 (c) traded risk on pages 122 to 127 of the 2019 consolidated financial statements.

a. Market risk under STM approach (MR1)

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

At 30 June 2020		(a) RWA HK\$'M
Outright product exposures		
1	Interest rate exposures (general and specific risk)	80,472
2	Equity exposures (general and specific risk)	–
3	Foreign exchange (including gold) exposures	2,801
4	Commodity exposures	2,214
Option exposures		
5	Simplified approach	–
6	Delta-plus approach	600
7	Other approach	–
8	Securitization exposures	390
9	Total	86,477

Decrease in market RWA from interest rate exposures was mainly driven by the decrease in interest rate position on CNY, GBP and USD during the period. Increase in market RWA from foreign exchange exposures was mainly driven by the increase in foreign exchange position on KRW, EUR and GBP.

b. Market risk exposures on guaranteed retirement funds

The capital requirement for the Group's guaranteed retirement funds is calculated based on the potential shortfall between the estimated returns from the funds and the guaranteed returns. The projected returns are estimated using a simulation approach with a 99% confidence level. The model is back-tested against actual results. As of 30 June 2020, the accounting provisions exceed the potential shortfalls, hence there are no additional capital requirements.

12 International claims

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

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

At 30 June 2020	<i>Banks</i> <i>HK\$'M</i>	<i>Official sector</i> <i>HK\$'M</i>	<i>Non-bank financial institution</i> <i>HK\$'M</i>	<i>Non-financial private sector</i> <i>HK\$'M</i>	<i>Total</i> <i>HK\$'M</i>
Developed countries	188,486	68,796	18,842	30,291	306,415
– of which United Kingdom (excluding Guernsey, Isle of Man and Jersey)	121,867	430	480	6,003	128,780
Offshore centres	28,742	940	30,179	101,888	161,749
– of which Hong Kong SAR	13,829	940	23,422	84,763	122,954
Developing Asia and Pacific	136,162	36,616	8,244	115,623	296,645
– of which China	96,013	10,558	6,812	78,075	191,458

13 Advances to customers analysed by industry sector

The analysis of gross advances to customers by industry sector is based on the categories used by the HKMA.

	At 30 June 2020 HK\$'M	% of advances covered by collateral or other securities
Gross advances for use in Hong Kong		
<i>Industrial, commercial and financial</i>		
– Property development	17,292	49%
– Property investment	24,552	84%
– Financial concerns	29,762	48%
– Stockbrokers	16,281	31%
– Wholesale and retail trade	15,834	22%
– Manufacturing	13,907	16%
– Transport and transport equipment	7,863	40%
– Recreational activities	85	0%
– Information technology	5,102	1%
– Others	27,709	11%
<i>Individuals</i>		
– Advances for the purchase of flats in the Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme	735	100%
– Advances for the purchase of other residential properties	224,323	100%
– Credit card advances	21,172	0%
– Others	33,547	36%
<i>Total gross advances for use in Hong Kong</i>	438,164	
Trade finance	70,911	5%
Trade bills	1,956	7%
Gross advances for use outside Hong Kong	512,272	56%
Gross advances to customers	1,023,303	57%

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

13 Advances to customers analysed by industry sector (continued)

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

	<i>Impaired advances to customers HK\$'M</i>	<i>Overdue advances to customers HK\$'M</i>	<i>Stage 3 expected credit loss provision HK\$'M</i>	<i>Stage 1 & 2 expected credit loss provision HK\$'M</i>	<i>Provision charge HK\$'M</i>
At 30 June 2020					
Advances for the purchase of other residential properties	167	82	2	5	(3)
Gross advances for use outside Hong Kong	3,235	1,048	1,370	1,521	954

14 Loans and advances to customers by geographical location

The analysis of gross advances to customers by geographical location is in accordance with the location of counterparties, after taking into account any recognised risk transfer.

	<i>Total gross loans and advances to customers HK\$'M</i>	<i>Impaired advances to customers HK\$'M</i>	<i>Overdue advances to customers HK\$'M</i>	<i>Stage 3 expected credit loss provision HK\$'M</i>	<i>Stage 1 & 2 expected credit loss provision HK\$'M</i>
At 30 June 2020					
Hong Kong	446,630	2,847	1,042	1,227	1,378
Mainland China	153,791	784	784	434	708
South Korea	290,758	1,405	199	681	408
Taiwan	66,863	1,045	73	254	242
Others	65,261	48	11	12	102
Total	1,023,303	6,129	2,109	2,608	2,838

15 Overdue advances to customers

	<i>At 30 June 2020</i>	
	<i>HK\$'M</i>	<i>% of advances to customers</i>
Gross advances to customers which have been overdue with respect to either principal or interest for periods of:		
6 months or less but over 3 months	664	0.07%
1 year or less but over 6 months	583	0.06%
Over 1 year	862	0.08%
	<u>2,109</u>	<u>0.21%</u>

	<i>At 30 June 2020</i>
	<i>HK\$'M</i>
Fair value of collateral held against the covered portion of overdue advances to customers	<u>1,268</u>
Covered portion of overdue advances to customers	637
Uncovered portion of overdue advances to customers	<u>1,472</u>

The covered portion of overdue advances to customers represents the amount of collateral held against outstanding balances. It does not include any collateral held over and above outstanding exposures.

The collateral held in respect of overdue advances to customers consists of cash, properties, securities and government guarantee.

	<i>At 30 June 2020</i>
	<i>HK\$'M</i>
Stage 3 expected credit loss provision against advances to customers overdue more than 3 months	<u>1,226</u>

As at 30 June 2020, there were no overdue advances to banks and other financial institutions, debt securities and other assets.

Repossessed collateral

As at 30 June 2020, the amount of assets obtained by taking possession of collateral held as security was as follows:

	<i>At 30 June 2020</i>
	<i>HK\$'M</i>
Property, plant and equipment	<u>49</u>

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

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

16 Rescheduled advances to customers

	<i>At 30 June 2020</i>	
	<i>HK\$'M</i>	<i>% of advances to customers</i>
Rescheduled advances to customers	1,742	0.17%

Rescheduled advances are those advances, which have been restructured or renegotiated because of a deterioration in the financial position of the borrowers, or the inability of the borrowers to meet the original repayment schedule and for which the revised repayment terms are non-commercial to the Group. Rescheduled advances to customers are stated net of any advances that have subsequently become overdue for over 3 months and reported as overdue advances in note 15.

As at 30 June 2020, there were no rescheduled advances to banks and other financial institutions, debt securities and other assets.

17 Mainland Activities

	<i>On-balance sheet exposure HK\$'M</i>	<i>Off-balance sheet exposure HK\$'M</i>	<i>Total HK\$'M</i>
<i>At 30 June 2020</i>			
(i) Central government, central government-owned entities and their subsidiaries and joint ventures ("JVs")	88,695	13,303	101,998
(ii) Local governments, local government-owned entities and their subsidiaries and JVs	5,982	253	6,235
(iii) PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	151,230	19,933	171,163
(iv) Other entities of central government not reported in item (i) above	6,066	59	6,125
(v) Other entities of local governments not reported in item (ii) above	1,803	538	2,341
(vi) PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	30,489	5,279	35,768
(vii) Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	23,862	4,840	28,702
Total	308,127	44,205	352,332
Total assets after provision	1,630,309		
On-balance sheet exposures as percentage of total assets	18.90%		

The off-balance sheet exposure represents the amount at risk should the contract be fully drawn upon and the client default. As the facilities may expire without being drawn upon, the contractual amounts do not represent future cash flows.

The note is compiled in accordance with the completion instructions of the return of Mainland activities ("MA(BS)20"), and hence only relates to the Bank and SCB China.

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

	<i>At 30 June 2020 HK\$'M</i>
<u>Contractual or notional amounts</u>	
Direct credit substitutes	11,578
Transaction-related contingencies	35,431
Trade-related contingencies	12,664
Forward asset purchases	196
Forward forward deposits placed	364
Other commitments:	
which are not unconditionally cancellable:	
with original maturity of not more than one year	23,243
with original maturity of more than one year	123,588
which are unconditionally cancellable	626,443
	<u>833,507</u>
Credit risk weighted amount (before 1.06 scaling factor)	<u>60,174</u>

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

19 Foreign exchange risk

Foreign exchange trading exposures are principally derived from customer driven transactions.

Foreign exchange risk in the non-trading book portfolios is minimised by match funding assets and liabilities in the same currency.

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

	<i>Consolidated At 30 June 2020 HK\$'M</i>
US dollars exposure	
Spot assets	584,343
Spot liabilities	(666,793)
Forward purchases	3,346,203
Forward sales	(3,261,672)
Net options position	(737)
Net long non-structural position	1,344
Chinese Renminbi exposure	
Spot assets	274,543
Spot liabilities	(244,647)
Forward purchases	1,435,377
Forward sales	(1,466,759)
Net option position	719
Net short non-structural position	(767)
South Korean Won exposure	
Spot assets	445,012
Spot liabilities	(420,194)
Forward purchases	887,890
Forward sales	(911,432)
Net option position	(267)
Net long non-structural position	1,009

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

	<i>At 30 June 2020 HK\$'M</i>
Chinese Renminbi	26,272
US dollars	22,811
South Korean Won	19,892

Acronyms

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