

Regulatory Disclosures

30 June 2021



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

KM1: Key prudential ratios

	(a)	(b)	(c)	(d)	(e)
	At 30 June 2021	At 31 March 2021	At 31 December 2020	At 30 September 2020	At 30 June 2020
	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m
Regulatory capital					
1 Common Equity Tier 1 (CET1)	225,551	220,640	216,542	216,426	216,560
2 Tier 1	249,027	244,116	240,018	239,902	240,036
3 Total capital	279,813	273,946	269,576	270,581	270,258
RWA					
4 Total RWA	1,413,929	1,256,099	1,220,000	1,347,574	1,169,600
Risk-based regulatory capital ratios (as a percentage of RWA)					
5 CET1 ratio (%)	15.95%	17.57%	17.75%	16.06%	18.52%
6 Tier 1 ratio (%)	17.61%	19.43%	19.67%	17.80%	20.52%
7 Total capital ratio (%)	19.79%	21.81%	22.10%	20.08%	23.11%
Additional CET1 buffer requirements (as a percentage of RWA)					
8 Capital conservation buffer requirement (%)	2.500%	2.500%	2.500%	2.500%	2.500%
9 Countercyclical capital buffer requirement (%)	0.820%	0.799%	0.790%	0.809%	0.778%
10 Higher loss absorbency requirements (%) (applicable only to G-SIBs or D-SIBs)	1.500%	1.500%	1.500%	1.500%	1.500%
11 Total AI-specific CET1 buffer requirements (%)	4.820%	4.799%	4.790%	4.809%	4.778%
12 CET1 available after meeting the AI's minimum capital requirements (%)	11.45%	13.07%	13.25%	11.56%	14.02%
Basel III leverage ratio					
13 Total leverage ratio (LR) exposure measure	3,546,256	3,071,633	3,036,425	3,438,516	2,960,539
14 LR (%)	7.02%	7.95%	7.90%	6.98%	8.11%
Liquidity Coverage Ratio (LCR)/Liquidity Maintenance Ratio (LMR)					
Applicable to category 1 institution only:					
15 Total high quality liquid assets (HQLA)	897,070	948,742	829,430	704,240	629,778
16 Total net cash outflows	687,483	734,006	648,810	550,321	487,193
17 LCR (%)	130.81%	130.80%	129.65%	128.55%	129.63%
Applicable to category 2 institution only:					
17a LMR (%)	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
Net Stable Funding Ratio (NSFR)/Core Funding Ratio (CFR)					
Applicable to category 1 institution only:					
18 Total available stable funding	1,778,438	1,752,790	1,726,956	1,669,808	1,662,594
19 Total required stable funding	1,517,142	1,417,975	1,393,610	1,455,375	1,423,913
20 NSFR (%)	117.22%	123.61%	123.92%	114.73%	116.76%
Applicable to category 2A institution only:					
20a CFR (%)	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable

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

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

		(a)	(b)	(c)	(d)	(e)
		At 30 June 2021	At 31 March 2021	At 31 December 2020	At 30 September 2020	At 30 June 2020
		HK\$m	HK\$m	HK\$m	HK\$m	HK\$m
Of the material entity at LAC consolidation group level						
1	Internal loss-absorbing capacity available	256,337	250,470	246,100	247,105	246,782
2	Risk-weighted amount under the LAC Rules	1,413,929	1,256,099	1,220,000	1,347,574	1,169,600
3	Internal LAC risk-weighted ratio	18.13%	19.94%	20.17%	18.34%	21.10%
4	Exposure measure under the LAC Rules	3,546,256	3,071,633	3,036,425	3,438,516	2,960,539
5	Internal LAC leverage ratio	7.23%	8.15%	8.10%	7.19%	8.34%
6a	Does the subordination exemption in the antepenultimate paragraph of Section 11 of the FSB TLAC Term Sheet apply? ¹	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
6b	Does the subordination exemption in the penultimate paragraph of Section 11 of the FSB TLAC Term Sheet apply? ¹	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
6c	If the capped subordination exemption applies, the amount of funding issued that ranks pari passu with excluded liabilities and that is recognised as external loss-absorbing capacity, divided by funding issued that ranks pari passu with excluded liabilities and that would be recognised as external loss-absorbing capacity if no cap was applied ¹	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable

Footnote:

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

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

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

		(a)	(b)	(c)	(d)	(e)
		At 30 June 2021 ¹	At 31 March 2021 ¹	At 31 December 2020 ¹	At 30 September 2020 ¹	At 30 June 2020 ¹
		HK\$m	HK\$m	HK\$m	HK\$m	HK\$m
Of the non-HK resolution entity at resolution group level						
1	External loss-absorbing capacity available	3,036,509	2,937,356	2,921,224	2,743,041	2,517,967
2	Total risk-weighted amount under the relevant non-HK LAC regime	19,451,738	Not applicable ²	18,007,355	Not applicable ²	16,324,797
3	External loss-absorbing capacity as a percentage of risk-weighted amount	15.61%	15.71%	16.22%	15.69%	15.42%
4	Leverage ratio exposure measure under the relevant non-HK LAC regime	33,489,199	32,402,409	30,844,993	29,757,570	28,135,870
5	External loss-absorbing capacity as a percentage of leverage ratio exposure measure	9.07%	9.07%	9.47%	9.22%	8.95%
6a	Does the subordination exemption in the antepenultimate paragraph of Section 11 of the FSB TLAC Term Sheet apply?	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
6b	Does the subordination exemption in the penultimate paragraph of Section 11 of the FSB TLAC Term Sheet apply?	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
6c	If the capped subordination exemption applies, the amount of funding issued that ranks pari passu with excluded liabilities and that is recognised as external loss-absorbing capacity, divided by funding issued that ranks pari passu with excluded liabilities and that would be recognised as external loss-absorbing capacity if no cap was applied	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable

Footnote:

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

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

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

OV1: Overview of RWA

		(a)	(b)	(c)
		RWA		Minimum capital requirements
		At 30 June 2021	At 31 March 2021	At 30 June 2021
		HK\$m	HK\$m	HK\$m
1	Credit risk for non-securitization exposures	1,232,433	1,087,261	104,091
2	Of which STC approach	87,283	90,639	6,983
2a	Of which BSC approach	-	-	-
3	Of which foundation IRB approach	1,142,541	994,080	96,887
4	Of which supervisory slotting criteria approach	2,609	2,542	221
5	Of which advanced IRB approach	-	-	-
6	Counterparty default risk and default fund contributions	14,270	11,745	1,202
7	Of which SA-CCR approach	14,109	Not applicable	1,189
7a	Of which CEM	-	10,700	-
8	Of which IMM(CCR) approach	-	-	-
9	Of which others	161	1,045	13
10	CVA risk	7,361	7,030	589
11	Equity positions in banking book under the simple risk-weight method and internal models method	-	-	-
12	Collective investment scheme ("CIS") exposures – LTA	Not applicable	Not applicable	Not applicable
13	CIS exposures – MBA	Not applicable	Not applicable	Not applicable
14	CIS exposures – FBA	Not applicable	Not applicable	Not applicable
14a	CIS exposures – combination of approaches	Not applicable	Not applicable	Not applicable
15	Settlement risk	-	-	-
16	Securitization exposures in banking book	-	-	-
17	Of which SEC-IRBA	-	-	-
18	Of which SEC-ERBA (including IAA)	-	-	-
19	Of which SEC-SA	-	-	-
19a	Of which SEC-FBA	-	-	-
20	Market risk	14,653	12,383	1,172
21	Of which STM approach	2,465	1,447	197
22	Of which IMM approach	12,188	10,936	975
23	Capital charge for switch between exposures in trading book and banking book (not applicable before the revised market risk framework takes effect)	Not applicable	Not applicable	Not applicable
24	Operational risk	96,848	98,233	7,748
24a	Sovereign concentration risk	-	-	-
25	Amounts below the thresholds for deduction (subject to 250% RW)	6,253	6,391	500
26	Capital floor adjustment	-	-	-
26a	Deduction to RWA	27,355	27,307	2,188
26b	Of which portion of regulatory reserve for general banking risks and collective provisions which is not included in Tier 2 Capital	-	-	-
26c	Of which portion of cumulative fair value gains arising from the revaluation of land and buildings which is not included in Tier 2 Capital	27,355	27,307	2,188
27	Total	1,344,463	1,195,736	113,114

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

Compared with 31 March 2021, RWA under foundation IRB approach increased by HK\$148,461 million, mainly due to IPO business (including placement of IPO subscription funds to interbank market and IPO loans).

2. Composition of regulatory capital

CC1: Composition of regulatory capital

		At 30 June 2021	
		(a)	(b)
		HK\$m	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
	CET1 capital: instruments and reserves		
1	Directly issued qualifying CET1 capital instruments plus any related share premium	43,043	(6)
2	Retained earnings	194,696	(7)
3	Disclosed reserves	45,881	(9)+(10)+(11)+(12)
4	<i>Directly issued capital subject to phase-out arrangements from CET1 (only applicable to non-joint stock companies)</i>	Not applicable	Not applicable
5	Minority interests arising from CET1 capital instruments issued by consolidated bank subsidiaries and held by third parties (amount allowed in CET1 capital of the consolidation group)	-	
6	CET1 capital before regulatory deductions	283,620	
	CET1 capital: regulatory deductions		
7	Valuation adjustments	33	Not applicable
8	Goodwill (net of associated deferred tax liabilities)	-	
9	Other intangible assets (net of associated deferred tax liabilities)	1,510	(3)-(5)
10	Deferred tax assets (net of associated deferred tax liabilities)	102	(2)
11	Cash flow hedge reserve	-	
12	Excess of total EL amount over total eligible provisions under the IRB approach	-	
13	Credit-enhancing interest-only strip, and any gain-on-sale and other increase in the CET1 capital arising from securitization transactions	-	
14	Gains and losses due to changes in own credit risk on fair valued liabilities	23	(1)+(4)
15	Defined benefit pension fund net assets (net of associated deferred tax liabilities)	-	
16	Investments in own CET1 capital instruments (if not already netted off paid-in capital on reported balance sheet)	-	
17	Reciprocal cross-holdings in CET1 capital instruments	-	
18	Insignificant LAC investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-	
19	Significant LAC investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-	
20	Mortgage servicing rights (net of associated deferred tax liabilities)	Not applicable	Not applicable
21	Deferred tax assets arising from temporary differences (net of associated deferred tax liabilities)	Not applicable	Not applicable
22	Amount exceeding the 15% threshold	Not applicable	Not applicable
23	of which: significant investments in the ordinary share of financial sector entities	Not applicable	Not applicable
24	of which: mortgage servicing rights	Not applicable	Not applicable
25	of which: deferred tax assets arising from temporary differences	Not applicable	Not applicable
26	National specific regulatory adjustments applied to CET1 capital	56,401	
26a	Cumulative fair value gains arising from the revaluation of land and buildings (own-use and investment properties)	49,736	(8)+(9)
26b	Regulatory reserve for general banking risks	6,665	(11)
26c	Securitization exposures specified in a notice given by the MA	-	
26d	Cumulative losses below depreciated cost arising from the institution's holdings of land and buildings	-	
26e	Capital shortfall of regulated non-bank subsidiaries	-	
26f	Capital investment in a connected company which is a commercial entity (amount above 15% of the reporting institution's capital base)	-	

2. Composition of regulatory capital (continued)

CC1: Composition of regulatory capital (continued)

		At 30 June 2021	
		(a)	(b)
		HK\$m	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
27	Regulatory deductions applied to CET1 capital due to insufficient AT1 capital and Tier 2 capital to cover deductions	-	
28	Total regulatory deductions to CET1 capital	58,069	
29	CET1 capital	225,551	
	AT1 capital: instruments		
30	Qualifying AT1 capital instruments plus any related share premium	23,476	
31	of which: classified as equity under applicable accounting standards	23,476	(13)
32	of which: classified as liabilities under applicable accounting standards	-	
33	<i>Capital instruments subject to phase-out arrangements from AT1 capital</i>	-	
34	AT1 capital instruments issued by consolidated bank subsidiaries and held by third parties (amount allowed in AT1 capital of the consolidation group)	-	
35	<i>of which: AT1 capital instruments issued by subsidiaries subject to phase-out arrangements</i>	-	
36	AT1 capital before regulatory deductions	23,476	
	AT1 capital: regulatory deductions		
37	Investments in own AT1 capital instruments	-	
38	Reciprocal cross-holdings in AT1 capital instruments	-	
39	Insignificant LAC investments in AT1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-	
40	Significant LAC investments in AT1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	-	
41	National specific regulatory adjustments applied to AT1 capital	-	
42	Regulatory deductions applied to AT1 capital due to insufficient Tier 2 capital to cover deductions	-	
43	Total regulatory deductions to AT1 capital	-	
44	AT1 capital	23,476	
45	Tier 1 capital (T1 = CET1 + AT1)	249,027	
	Tier 2 capital: instruments and provisions		
46	Qualifying Tier 2 capital instruments plus any related share premium	-	
47	<i>Capital instruments subject to phase-out arrangements from Tier 2 capital</i>	-	
48	Tier 2 capital instruments issued by consolidated bank subsidiaries and held by third parties (amount allowed in Tier 2 capital of the consolidation group)	-	
49	<i>of which: capital instruments issued by subsidiaries subject to phase-out arrangements</i>	-	
50	Collective provisions and regulatory reserve for general banking risks eligible for inclusion in Tier 2 capital	8,405	Not applicable
51	Tier 2 capital before regulatory deductions	8,405	
	Tier 2 capital: regulatory deductions		
52	Investments in own Tier 2 capital instruments	-	
53	Reciprocal cross-holdings in Tier 2 capital instruments and non-capital LAC liabilities	-	

2. Composition of regulatory capital (continued)

CC1: Composition of regulatory capital (continued)

		At 30 June 2021	
		(a)	(b)
		HK\$m	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
54	Insignificant LAC investments in Tier 2 capital instruments issued by, and non-capital LAC liabilities of, financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold and, where applicable, 5% threshold)	-	
54a	Insignificant LAC investments in non-capital LAC liabilities of financial sector entities that are outside the scope of regulatory consolidation (amount formerly designated for the 5% threshold but no longer meets the conditions) (for institutions defined as "section 2 institution" under §2(1) of Schedule 4F to BCR only)	-	
55	Significant LAC investments in Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-	
55a	Significant LAC investments in non-capital LAC liabilities of financial sector entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-	
56	National specific regulatory adjustments applied to Tier 2 capital	(22,381)	
56a	Add back of cumulative fair value gains arising from the revaluation of land and buildings (own-use and investment properties) eligible for inclusion in Tier 2 capital	(22,381)	[(8)+(9)]*45%
56b	Regulatory deductions applied to Tier 2 capital to cover the required deductions falling within §48(1)(g) of BCR	-	
57	Total regulatory adjustments to Tier 2 capital	(22,381)	
58	Tier 2 capital (T2)	30,786	
59	Total regulatory capital (TC = T1 + T2)	279,813	
60	Total RWA	1,413,929	
Capital ratios (as a percentage of RWA)			
61	CET1 capital ratio	15.95%	
62	Tier 1 capital ratio	17.61%	
63	Total capital ratio	19.79%	
64	Institution-specific buffer requirement (capital conservation buffer plus countercyclical capital buffer plus higher loss absorbency requirements)	4.820%	
65	of which: capital conservation buffer requirement	2.500%	
66	of which: bank specific countercyclical capital buffer requirement	0.820%	
67	of which: higher loss absorbency requirement	1.500%	
68	CET1 (as a percentage of RWA) available after meeting minimum capital requirements	11.45%	
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	20,246	
73	Significant LAC investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	3,501	
74	Mortgage servicing rights (net of associated deferred tax liabilities)	Not applicable	Not applicable
75	Deferred tax assets arising from temporary differences (net of associated deferred tax liabilities)	Not applicable	Not applicable

2. Composition of regulatory capital (continued)

CC1: Composition of regulatory capital (continued)

		At 30 June 2021	
		(a)	(b)
		HK\$m	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
	Applicable caps on the inclusion of provisions in Tier 2 capital		
76	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to the BSC approach, or the STC approach and SEC-ERBA, SEC-SA and SEC-FBA (prior to application of cap)	1,042	
77	Cap on inclusion of provisions in Tier 2 under the BSC approach, or the STC approach, and SEC-ERBA, SEC-SA and SEC-FBA	1,188	
78	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to the IRB approach and SEC-IRBA (prior to application of cap)	8,008	
79	Cap for inclusion of provisions in Tier 2 under the IRB approach and SEC-IRBA	7,363	
	Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2018 and 1 Jan 2022)		
80	Current cap on CET1 capital instruments subject to phase-out arrangements	Not applicable	Not applicable
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	Not applicable	Not applicable
82	Current cap on AT1 capital instruments subject to phase-out arrangements	-	
83	Amount excluded from AT1 capital due to cap (excess over cap after redemptions and maturities)	-	
84	Current cap on Tier 2 capital instruments subject to phase-out arrangements	-	
85	Amount excluded from Tier 2 capital due to cap (excess over cap after redemptions and maturities)	-	

2. Composition of regulatory capital (continued)

CC1: Composition of regulatory capital (continued)

Notes to the Template

Row No.	Description	Hong Kong basis	Basel III basis
		HK\$m	HK\$m
9	Other intangible assets (net of associated deferred tax liabilities)	1,510	-
	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)	102	-
	Explanation As set out in paragraphs 69 and 87 of the Basel III text issued by the Basel Committee (December 2010), DTAs of the bank to be realized are to be deducted, whereas DTAs which relate to temporary differences may be given limited recognition in CET1 capital (and hence be excluded from deduction from CET1 capital up to the specified threshold). In Hong Kong, an AI is required to deduct all DTAs in full, irrespective of their origin, from CET1 capital. Therefore, the amount to be deducted as reported in row 10 may be greater than that required under Basel III. The amount reported under the column "Basel III basis" in this box represents the amount reported in row 10 (i.e. the amount reported under the "Hong Kong basis") adjusted by reducing the amount of DTAs to be deducted which relate to temporary differences to the extent not in excess of the 10% threshold set for DTAs arising from temporary differences and the aggregate 15% threshold set for MSRs, DTAs arising from temporary differences and significant investments in CET1 capital instruments issued by financial sector entities (excluding those that are loans, facilities or other credit exposures to connected companies) under Basel III.		
18	Insignificant LAC investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-	-
	Explanation For the purpose of determining the total amount of insignificant LAC investments in CET1 capital instruments issued by financial sector entities, an AI is required to aggregate any amount of loans, facilities or other credit exposures provided by it to any of its connected companies, where the connected company is a financial sector entity, as if such loans, facilities or other credit exposures were direct holdings, indirect holdings or synthetic holdings of the AI in the capital instruments of the financial sector entity, except where the AI demonstrates to the satisfaction of the MA that any such loan was made, any such facility was granted, or any such other credit exposure was incurred, in the ordinary course of the AI's business. Therefore, the amount to be deducted as reported in row 18 may be greater than that required under Basel III. The amount reported under the column "Basel III basis" in this box represents the amount reported in row 18 (i.e. the amount reported under the "Hong Kong basis") adjusted by excluding the aggregate amount of loans, facilities or other credit exposures to the AI's connected companies which were subject to deduction under the Hong Kong approach.		
19	Significant LAC investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-	-
	Explanation For the purpose of determining the total amount of significant LAC investments in CET1 capital instruments issued by financial sector entities, an AI is required to aggregate any amount of loans, facilities or other credit exposures provided by it to any of its connected companies, where the connected company is a financial sector entity, as if such loans, facilities or other credit exposures were direct holdings, indirect holdings or synthetic holdings of the AI in the capital instruments of the financial sector entity, except where the AI demonstrates to the satisfaction of the MA that any such loan was made, any such facility was granted, or any such other credit exposure was incurred, in the ordinary course of the AI's business. Therefore, the amount to be deducted as reported in row 19 may be greater than that required under Basel III. The amount reported under the column "Basel III basis" in this box represents the amount reported in row 19 (i.e. the amount reported under the "Hong Kong basis") adjusted by excluding the aggregate amount of loans, facilities or other credit exposures to the AI's connected companies which were subject to deduction under the Hong Kong approach.		

2. Composition of regulatory capital (continued)

CC1: Composition of regulatory capital (continued)

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

Abbreviations:

CET1: Common Equity Tier 1

AT1: Additional Tier 1

2. Composition of regulatory capital (continued)

CC2: Reconciliation of regulatory capital to balance sheet

	(a)	(b)	(c)
	Balance sheet as in published financial statements as at 30 June 2021 HK\$m	Under regulatory scope of consolidation as at 30 June 2021 HK\$m	Reference
ASSETS			
Cash and balances and placements with banks and other financial institutions	545,564	545,079	
Financial assets at fair value through profit or loss	32,266	32,093	
Derivative financial instruments	37,193	37,193	
- of which: <i>debit valuation adjustments in respect of derivative contracts</i>		11	(1)
Hong Kong SAR Government certificates of indebtedness	197,650	197,650	
Advances and other accounts	1,747,188	1,747,193	
Investment in securities	896,662	896,654	
Interests in subsidiaries	-	801	
Interests in associates and joint ventures	700	700	
Investment properties	18,752	18,609	
Properties, plant and equipment	45,833	45,374	
Current tax assets	34	34	
Deferred tax assets	106	102	(2)
Other assets	127,401	127,222	
- of which: <i>other intangible assets</i>		1,806	(3)
Total assets	3,649,349	3,648,704	
LIABILITIES			
Hong Kong SAR currency notes in circulation	197,650	197,650	
Deposits and balances from banks and other financial institutions	331,354	331,354	
Financial liabilities at fair value through profit or loss	13,030	13,030	
Derivative financial instruments	36,957	36,957	
- of which: <i>debit valuation adjustments in respect of derivative contracts</i>		(12)	(4)
Deposits from customers	2,689,339	2,689,748	
Debt securities and certificates of deposit in issue	78	78	
Other accounts and provisions	62,717	62,558	
Current tax liabilities	4,917	4,877	
Deferred tax liabilities	5,498	5,356	
- of which: <i>deferred tax liabilities related to other intangible assets</i>		296	(5)
Total liabilities	3,341,540	3,341,608	

2. Composition of regulatory capital (continued)

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

	(a)	(b)	(c)
	Balance sheet as in published financial statements as at 30 June 2021 HK\$m	Under regulatory scope of consolidation as at 30 June 2021 HK\$m	Reference
EQUITY			
Share capital	43,043	43,043	(6)
Reserves	241,017	240,577	
- Retained earnings	194,101	194,696	(7)
- of which: cumulative fair value gains arising from the revaluation of investment properties		12,293	(8)
- Premises revaluation reserve	38,465	37,443	(9)
- Reserve for fair value changes	2,654	2,656	(10)
- Regulatory reserve	6,665	6,665	(11)
- Translation reserve	(868)	(883)	(12)
Capital and reserves attributable to equity holders of the Bank	284,060	283,620	
Other equity instruments of the Bank	23,476	23,476	(13)
Non-controlling interests	273	-	
Total equity	307,809	307,096	
Total liabilities and equity	3,649,349	3,648,704	

2. Composition of regulatory capital (continued)

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

(i) Instruments that meet both regulatory capital and LAC requirements		(a)
		CET1 Capital Ordinary shares
1	Issuer	Bank of China (Hong Kong) Limited
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	Not applicable
3	Governing law(s) of the instrument	Hong Kong law
3a	Means by which enforceability requirement of Section 13 of the TLAC Term Sheet is achieved (for non-capital LAC debt instruments governed by non-Hong Kong law)	Not applicable
<i>Regulatory treatment</i>		
4	Transitional Basel III rules ¹	Not applicable
5	Post-transitional Basel III rules ²	Common Equity Tier 1
6	Eligible at solo*/group/solo and group (for regulatory capital purposes)	Solo and Group
6a	Eligible at solo*/LAC consolidation group/solo and LAC consolidation group (for LAC purposes)	Solo and LAC consolidation group
7	Instrument type (types to be specified by each jurisdiction)	Ordinary shares
8	Amount recognised in regulatory capital (currency in millions, as of most recent reporting date)	HK\$43,043m (as of 30 June 2021)
8a	Amount recognised in loss-absorbing capacity (currency in millions, as of most recent reporting date)	HK\$43,043m (as of 30 June 2021)
9	Par value of instrument	No par value (refer to Note 1 for details)
10	Accounting classification	Shareholders' equity
11	Original date of issuance	1 October 2001 (refer to Note 2 for details)
12	Perpetual or dated	Perpetual
13	Original maturity date	No maturity date
14	Issuer call subject to prior supervisory approval	No
15	Optional call date, contingent call dates and redemption price	Not applicable
16	Subsequent call dates, if applicable	Not applicable
<i>Coupons/dividends</i>		
17	Fixed or floating dividend/coupon	Floating
18	Coupon rate and any related index	Not applicable
19	Existence of a dividend stopper	No
20	Fully discretionary, partially discretionary or mandatory	Fully discretionary
21	Existence of step-up or other incentive to redeem	No
22	Non-cumulative or cumulative	Non-cumulative
23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	Not applicable
25	If convertible, fully or partially	Not applicable
26	If convertible, conversion rate	Not applicable
27	If convertible, mandatory or optional conversion	Not applicable
28	If convertible, specify instrument type convertible into	Not applicable
29	If convertible, specify issuer of instrument it converts into	Not applicable
30	Write-down feature	No
31	If write-down, write-down trigger(s)	Not applicable
32	If write-down, full or partial	Not applicable
33	If write-down, permanent or temporary	Not applicable
34	If temporary write-down, description of write-up mechanism	Not applicable
34a	Type of subordination	Contractual
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument in the insolvency creditor hierarchy of the legal entity concerned)	Subordinated capital securities mentioned in column (b) of this main features table
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	Not applicable
Full terms and conditions		Click here to download

2. Composition of regulatory capital (continued)

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

(ii) Instruments that meet only regulatory capital (but not LAC) requirements		(b) Additional Tier 1 Capital Subordinated capital securities
1	Issuer	Bank of China (Hong Kong) Limited
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	Rule 144A: CUSIP - 06428JAA7 ISIN - US06428JAA79 Regulation S: CUSIP - 06428YAA4 ISIN - US06428YAA47
3	Governing law(s) of the instrument	English law, except that the provisions of the Capital Securities relating to subordination shall be governed by Hong Kong law
3a	Means by which enforceability requirement of Section 13 of the TLAC Term Sheet is achieved (for non-capital LAC debt instruments governed by non-Hong Kong law)	Not applicable
<i>Regulatory treatment</i>		
4	Transitional Basel III rules ¹	Not applicable
5	Post-transitional Basel III rules ²	Additional Tier 1
6	Eligible at solo*/group/solo and group (for regulatory capital purposes)	Solo and Group
6a	Eligible at solo*/LAC consolidation group/solo and LAC consolidation group (for LAC purposes)	Not applicable
7	Instrument type (types to be specified by each jurisdiction)	Perpetual debt instruments
8	Amount recognised in regulatory capital (currency in millions, as of most recent reporting date)	HK\$23,476m (as of 30 June 2021)
8a	Amount recognised in loss-absorbing capacity (currency in millions, as of most recent reporting date)	Not applicable
9	Par value of instrument	USD3,000m
10	Accounting classification	Shareholders' equity
11	Original date of issuance	14 September 2018
12	Perpetual or dated	Perpetual
13	Original maturity date	No maturity date
14	Issuer call subject to prior supervisory approval	Yes
15	Optional call date, contingent call dates and redemption price	First call date: 14 September 2023 The issuer may redeem all but not some only of the Capital Securities then outstanding Also early redemption for tax reasons; tax deduction reasons; capital event; at the option of the issuer etc (please refer to "Terms & Conditions of the Capital Securities" at p.100 of the Supplemental Offering Circular dated 11 September 2018 for further details on call dates and redemption amounts)
16	Subsequent call dates, if applicable	Any distribution payment date after the first call date
<i>Coupons/dividends</i>		
17	Fixed or floating dividend/coupon	Fixed

2. Composition of regulatory capital (continued)

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

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

Footnote:

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

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

* Include solo-consolidated

2. Composition of regulatory capital (continued)

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

Note 1:

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

Note 2:

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

Note 3:

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

2. Composition of regulatory capital (continued)

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

		At 30 June 2021
		(a)
		HK\$m
	Regulatory capital elements of internal loss-absorbing capacity and adjustments	
1	Common Equity Tier 1 ("CET1") capital	225,551
2	Additional Tier 1 ("AT1") capital before LAC adjustments	23,476
3	AT1 capital instruments ineligible as internal loss-absorbing capacity as not issued directly or indirectly to, and held directly or indirectly by, the resolution entity or non-HK resolution entity in the material subsidiary's resolution group	(23,476)
4	Other adjustments	-
5	AT1 capital eligible under the LAC Rules	-
6	Tier 2 ("T2") capital before LAC adjustments	30,786
7	Amortized portion of T2 capital instruments that are internal LAC debt instruments issued directly or indirectly to, and held directly or indirectly by, the resolution entity or non-HK resolution entity in the material subsidiary's resolution group	-
8	T2 capital instruments ineligible as internal loss-absorbing capacity as not issued directly or indirectly to, and held directly or indirectly by, the resolution entity or non-HK resolution entity in the material subsidiary's resolution group	-
9	Other adjustments	-
10	T2 capital eligible under the LAC Rules	30,786
11	Internal loss-absorbing capacity arising from regulatory capital	256,337
	Non-regulatory capital elements of internal loss-absorbing capacity	
12	Internal non-capital LAC debt instruments issued directly or indirectly to, and held indirectly or indirectly by, the resolution entity or non-HK resolution entity in the material subsidiary's resolution group	-
17	Internal loss-absorbing capacity arising from non-capital LAC debt instruments before adjustments	-
	Non-regulatory capital elements of internal loss-absorbing capacity: adjustments	
18	Internal loss-absorbing capacity before deductions	256,337
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	256,337
	Risk-weighted amount and exposure measure under the LAC Rules for internal loss-absorbing capacity purposes	
23	Risk-weighted amount under the LAC Rules	1,413,929
24	Exposure measure under the LAC Rules	3,546,256
	Internal LAC ratios and buffers	
25	Internal LAC risk-weighted ratio	18.13%
26	Internal LAC leverage ratio	7.23%
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	11.45%
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)	4.820%
29	Of which: capital conservation buffer requirement	2.500%
30	Of which: institution-specific countercyclical capital buffer requirement	0.820%
31	Of which: higher loss absorbency requirement	1.500%

2. Composition of regulatory capital (continued)

TLAC2: Material subsidiary – creditor ranking at legal entity level

		At 30 June 2021		
		Creditor ranking		Sum of values in columns 1
		1 (most junior)	1 (most junior)	
		HK\$m	HK\$m	HK\$m
1	Is a resolution entity or a non-HK resolution entity the creditor/investor?	No	Yes	
2	Description of creditor ranking	Ordinary shares ¹		
3	Total capital and liabilities net of credit risk mitigation	14,609	28,434	43,043
4	Subset of row 3 that are excluded liabilities	-	-	-
5	Total capital and liabilities less excluded liabilities	14,609	28,434	43,043
6	Subset of row 5 that are eligible as internal loss-absorbing capacity	14,609	28,434	43,043
7	Subset of row 6 with 1 year ≤ residual maturity < 2 years	-	-	-
8	Subset of row 6 with 2 years ≤ residual maturity < 5 years	-	-	-
9	Subset of row 6 with 5 years ≤ residual maturity < 10 years	-	-	-
10	Subset of row 6 with residual maturity ≥ 10 years, but excluding perpetual securities	-	-	-
11	Subset of row 6 that is perpetual securities	14,609	28,434	43,043

Footnote:

¹ Issued and fully paid ordinary shares.

3. Macroprudential supervisory measures

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

		At 30 June 2021			
	Geographical breakdown by Jurisdiction (J)	(a)	(c)	(d)	(e)
		Applicable JCCyB ratio in effect	RWA used in computation of CCyB ratio	AI-specific CCyB ratio	CCyB amount
		%	HK\$m	%	HK\$m
1	Hong Kong SAR	1.000%	877,493		
2	Luxembourg	0.500%	806		
	Sum		878,299		
	Total		1,070,955	0.820%	11,594

4. Leverage ratio

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

		At 30 June 2021
	Item	(a)
		Value under the LR framework
		HK\$m
1	Total consolidated assets as per published financial statements	3,649,349
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	(647)
2a	Adjustment for securitised exposures that meet the operational requirements for the recognition of risk transference	-
3	Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting standard but excluded from the LR exposure measure	-
3a	Adjustments for eligible cash pooling transactions	-
4	Adjustments for derivative contracts	(9,161)
5	Adjustment for SFTs (i.e. repos and similar secured lending)	22
6	Adjustment for off-balance sheet ("OBS") items (i.e. conversion to credit equivalent amounts of OBS exposures)	163,016
6a	Adjustments for prudent valuation adjustments and specific and collective provisions that are allowed to be excluded from exposure measure	(617)
7	Other adjustments	(255,706)
	<i>of which: Hong Kong SAR Government certificates of indebtedness</i>	<i>(197,650)</i>
8	Leverage ratio exposure measure	3,546,256

4. Leverage ratio (continued)

LR2: Leverage ratio

		At 30 June 2021	At 31 March 2021
		(a)	(b)
		HK\$'m	HK\$'m
On-balance sheet exposures			
1	On-balance sheet exposures (excluding those arising from derivative contracts and SFTs, but including collateral)	3,377,021	2,876,975
2	Less: Asset amounts deducted in determining Tier 1 capital	(58,056)	(56,451)
3	Total on-balance sheet exposures (excluding derivative contracts and SFTs)	3,318,965	2,820,524
Exposures arising from derivative contracts			
4	Replacement cost associated with all derivative contracts (where applicable net of eligible cash variation margin and/or with bilateral netting)	11,480	20,067
5	Add-on amounts for PFE associated with all derivative contracts	24,887	18,422
6	Gross-up for collateral provided in respect of derivative contracts where deducted from the balance sheet assets pursuant to the applicable accounting framework	-	-
7	Less: Deductions of receivables assets for cash variation margin provided under derivative contracts	(8,336)	(8,773)
8	Less: Exempted CCP leg of client-cleared trade exposures	-	-
9	Adjusted effective notional amount of written credit-related derivative contracts	-	-
10	Less: Adjusted effective notional offsets and add-on deductions for written credit-related derivative contracts	-	-
11	Total exposures arising from derivative contracts	28,031	29,716
Exposures arising from SFTs			
12	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	47,344	63,152
13	Less: Netted amounts of cash payables and cash receivables of gross SFT assets	-	-
14	CCR exposure for SFT assets	22	59
15	Agent transaction exposures	-	-
16	Total exposures arising from SFTs	47,366	63,211
Other off-balance sheet exposures			
17	Off-balance sheet exposure at gross notional amount	730,356	749,493
18	Less: Adjustments for conversion to credit equivalent amounts	(567,340)	(580,978)
19	Off-balance sheet items	163,016	168,515
Capital and total exposures			
20	Tier 1 capital	249,027	244,116
20a	Total exposures before adjustments for specific and collective provisions	3,557,378	3,081,966
20b	Adjustments for specific and collective provisions	(11,122)	(10,333)
21	Total exposures after adjustments for specific and collective provisions	3,546,256	3,071,633
Leverage ratio			
22	Leverage ratio	7.02%	7.95%

5. Liquidity

LIQ1: Liquidity Coverage Ratio – for category 1 institution

Number of data points used in calculating the average value of the LCR and related components set out in this template: (71)		For the quarter ended 30 June 2021	
		(a)	(b)
Basis of disclosure: consolidated		Unweighted value (average)	Weighted value (average)
		HK\$'m	HK\$'m
A. HQLA			
1	Total HQLA		897,070
B. Cash Outflows			
2	Retail deposits and small business funding, of which:	1,116,144	75,040
3	<i>Stable retail deposits and stable small business funding</i>	395,362	11,861
4	<i>Less stable retail deposits and less stable small business funding</i>	531,370	53,137
4a	<i>Retail term deposits and small business term funding</i>	189,412	10,042
5	Unsecured wholesale funding (other than small business funding), and debt securities and prescribed instruments issued by the AI, of which:	1,347,873	700,933
6	<i>Operational deposits</i>	407,098	100,408
7	<i>Unsecured wholesale funding (other than small business funding) not covered in row 6</i>	940,775	600,525
8	<i>Debt securities and prescribed instruments issued by the AI and redeemable within the LCR period</i>	-	-
9	Secured funding transactions (including securities swap transactions)		122
10	Additional requirements, of which:	464,289	80,108
11	<i>Cash outflows arising from derivative contracts and other transactions, and additional liquidity needs arising from related collateral requirements</i>	36,685	36,685
12	<i>Cash outflows arising from obligations under structured financing transactions and repayment of funding obtained from such transactions</i>	-	-
13	<i>Potential drawdown of undrawn committed facilities (including committed credit facilities and committed liquidity facilities)</i>	427,604	43,423
14	Contractual lending obligations (not otherwise covered in Section B) and other contractual cash outflows	54,976	54,976
15	Other contingent funding obligations (whether contractual or non-contractual)	338,516	5,342
16	Total Cash Outflows		916,521
C. Cash Inflows			
17	Secured lending transactions (including securities swap transactions)	3,457	137
18	Secured and unsecured loans (other than secured lending transactions covered in row 17) and operational deposits placed at other financial institutions	249,111	167,724
19	Other cash inflows	66,473	61,177
20	Total Cash Inflows	319,041	229,038
D. Liquidity Coverage Ratio		Adjusted value	
21	Total HQLA		897,070
22	Total Net Cash Outflows		687,483
23	LCR (%)		130.81%

5. Liquidity (continued)

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

Notes:

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

The Group's average LCR of the first and second quarter in 2021 were 130.80% and 130.81% respectively, continuously maintained at stable and healthy level.

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

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

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

5. Liquidity (continued)

LIQ2: Net Stable Funding Ratio – for category 1 institution

For the quarter ended 30 June 2021 (HK\$m)		(a)	(b)	(c)	(d)	(e)
Basis of disclosure: consolidated		Unweighted value by residual maturity				Weighted amount
		No specified term to maturity	< 6 months or repayable on demand	6 months to < 12 months	12 months or more	
A. Available stable funding (“ASF”) item						
1	Capital:	314,923	-	-	-	314,923
2	Regulatory capital	314,923	-	-	-	314,923
2a	Minority interests not covered by row 2	-	-	-	-	-
3	Other capital instruments	-	-	-	-	-
4	Retail deposits and small business funding:	-	1,108,815	12,035	433	1,030,246
5	Stable deposits		418,805	2,125	69	399,954
6	Less stable deposits		690,010	9,910	364	630,292
7	Wholesale funding:	-	1,890,231	13,427	2,783	424,660
8	Operational deposits		373,089	-	-	186,545
9	Other wholesale funding	-	1,517,142	13,427	2,783	238,115
10	Liabilities with matching interdependent assets	197,650	-	-	-	-
11	Other liabilities:	42,760	30,212	824	8,197	8,609
12	Net derivative liabilities	-				
13	All other funding and liabilities not included in the above categories	42,760	30,212	824	8,197	8,609
14	Total ASF					1,778,438
B. Required stable funding (“RSF”) item						
15	Total HQLA for NSFR purposes	982,660				98,054
16	Deposits held at other financial institutions for operational purposes	-	919	-	-	460
17	Performing loans and securities:	18,821	834,139	263,907	1,125,243	1,295,029
18	Performing loans to financial institutions secured by Level 1 HQLA	-	3,417	-	-	342
19	Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	47	428,108	60,891	30,892	125,601
20	Performing loans, other than performing residential mortgage, to non-financial corporate clients, retail and small business customers, sovereigns, the Monetary Authority for the account of the Exchange Fund, central banks and PSEs, of which:	17,888	366,319	161,013	692,923	859,742
21	With a risk-weight of less than or equal to 35% under the STC approach	8	4,104	129	13,491	10,891
22	Performing residential mortgages, of which:	-	8,341	8,196	333,631	225,263
23	With a risk-weight of less than or equal to 35% under the STC approach	-	8,104	8,032	332,956	224,489
24	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	886	27,954	33,807	67,797	84,081
25	Assets with matching interdependent liabilities	197,650	-	-	-	-
26	Other assets:	124,053	104,369	844	1,185	103,066
27	Physical traded commodities, including gold	3,648				3,101
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs	3,972				3,376
29	Net derivative assets	2,772				2,772
30	Total derivative liabilities before adjustments for deduction of variation margin posted	32,913				1,646
31	All other assets not included in the above categories	80,748	104,369	844	1,185	92,171
32	Off-balance sheet items		737,004			20,533
33	Total RSF					1,517,142
34	Net Stable Funding Ratio (%)					117.22%

5. Liquidity (continued)

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

For the quarter ended 31 March 2021 (HK\$m)		(a)	(b)	(c)	(d)	(e)
Basis of disclosure: consolidated		Unweighted value by residual maturity				Weighted amount
		No specified term to maturity	< 6 months or repayable on demand	6 months to < 12 months	12 months or more	
A. Available stable funding ("ASF") item						
1	Capital:	308,290	-	-	-	308,290
2	Regulatory capital	308,290	-	-	-	308,290
2a	Minority interests not covered by row 2	-	-	-	-	-
3	Other capital instruments	-	-	-	-	-
4	Retail deposits and small business funding:	-	1,091,023	14,171	426	1,016,044
5	Stable deposits		415,998	2,866	62	397,983
6	Less stable deposits		675,025	11,305	364	618,061
7	Wholesale funding:	-	1,430,496	15,021	2,679	419,953
8	Operational deposits		360,041	-	-	180,021
9	Other wholesale funding	-	1,070,455	15,021	2,679	239,932
10	Liabilities with matching interdependent assets	193,210	-	-	-	-
11	Other liabilities:	40,986	30,780	600	8,203	8,503
12	Net derivative liabilities	-				
13	All other funding and liabilities not included in the above categories	40,986	30,780	600	8,203	8,503
14	Total ASF					1,752,790
B. Required stable funding ("RSF") item						
15	Total HQLA for NSFR purposes		882,936			93,486
16	Deposits held at other financial institutions for operational purposes	-	915	-	-	458
17	Performing loans and securities:	18,775	532,950	221,194	1,113,761	1,202,096
18	Performing loans to financial institutions secured by Level 1 HQLA	-	2,963	-	-	296
19	Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	33	179,724	36,969	29,367	74,844
20	Performing loans, other than performing residential mortgage, to non-financial corporate clients, retail and small business customers, sovereigns, the Monetary Authority for the account of the Exchange Fund, central banks and PSEs, of which:	17,854	303,235	151,562	693,872	825,461
21	With a risk-weight of less than or equal to 35% under the STC approach	5	16,338	-	3,046	3,859
22	Performing residential mortgages, of which:	-	8,096	8,088	335,097	226,043
23	With a risk-weight of less than or equal to 35% under the STC approach	-	8,096	8,088	334,405	225,455
24	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	888	38,932	24,575	55,425	75,452
25	Assets with matching interdependent liabilities	193,210	-	-	-	-
26	Other assets:	135,019	49,068	837	1,231	100,444
27	Physical traded commodities, including gold	4,924				4,185
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs	3,973				3,377
29	Net derivative assets	4,048				4,048
30	Total derivative liabilities before adjustments for deduction of variation margin posted	40,282				2,014
31	All other assets not included in the above categories	81,792	49,068	837	1,231	86,820
32	Off-balance sheet items		759,770			21,491
33	Total RSF					1,417,975
34	Net Stable Funding Ratio (%)					123.61%

6. Credit risk for non-securitization exposures

CR1: Credit quality of exposures

		At 30 June 2021						
		(a)	(b)	(c)	(d)	(e)	(f)	(g)
		Gross carrying amounts of		Allowances/ impairments	Of which ECL accounting provisions for credit losses on STC approach exposures		Of which ECL accounting provisions for credit losses on IRB approach exposures	Net values (a+b-c)
		Defaulted exposures	Non-defaulted exposures		Allocated in regulatory category of specific provisions	Allocated in regulatory category of collective provisions		
		HK\$m	HK\$m		HK\$m	HK\$m	HK\$m	HK\$m
1	Loans	4,469	2,276,206	(10,211)	(1,084)	(910)	(8,217)	2,270,464
2	Debt securities	-	895,420	(19)	-	(10)	(9)	895,401
3	Off-balance sheet exposures	54	730,302	(617)	(42)	(56)	(519)	729,739
4	Total	4,523	3,901,928	(10,847)	(1,126)	(976)	(8,745)	3,895,604

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

CR2: Changes in defaulted loans and debt securities

			(a)
			HK\$m
1	Defaulted loans and debt securities at 31 December 2020		3,562
2	Loans and debt securities that have defaulted since the last reporting period		1,187
3	Returned to non-defaulted status		(10)
4	Amounts written off		(139)
5	Other changes		(131)
6	Defaulted loans and debt securities at 30 June 2021		4,469

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

CR3: Overview of recognized credit risk mitigation

		At 30 June 2021				
		(a)	(b1)	(b)	(d)	(f)
		Exposures unsecured: carrying amount	Exposures to be secured	Exposures secured by recognized collateral	Exposures secured by recognized guarantees	Exposures secured by recognized credit derivative contracts
		HK\$m	HK\$m	HK\$m	HK\$m	HK\$m
1	Loans	1,780,073	490,391	74,497	415,894	-
2	Debt securities	833,361	62,040	-	62,040	-
3	Total	2,613,434	552,431	74,497	477,934	-
4	Of which defaulted	863	375	268	107	-

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

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

		At 30 June 2021					
		(a)	(b)	(c)	(d)	(e)	(f)
		Exposures pre-CCF and pre-CRM		Exposures post-CCF and post-CRM		RWA and RWA density	
Exposure classes		On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
		HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	%
1	Sovereign exposures	673,031	1,413	673,031	283	14,105	2
2	PSE exposures	43,696	3,148	46,298	3,939	2,936	6
2a	Of which: domestic PSEs	4,891	3,148	7,493	3,939	2,286	20
2b	Of which: foreign PSEs	38,805	-	38,805	-	650	2
3	Multilateral development bank exposures	50,667	-	50,667	-	-	-
4	Bank exposures	1,324	235	3,197	139	1,330	40
5	Securities firm exposures	1	26	1	14	8	50
6	Corporate exposures	50,993	32,535	46,359	7,334	50,279	94
7	CIS exposures	-	-	-	-	-	-
8	Cash items	394	-	394	-	-	-
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	7,221	18,772	6,789	754	5,658	75
11	Residential mortgage loans	4,217	6,430	1,613	-	846	52
12	Other exposures which are not past due exposures	25,825	27,623	11,995	114	12,109	100
13	Past due exposures	8	-	8	-	12	150
14	Significant exposures to commercial entities	-	-	-	-	-	-
15	Total	857,377	90,182	840,352	12,577	87,283	10

Sovereign exposures increased by around 11%, mainly due to increase in government bond investments in the first half of 2021.

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

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

<div style="text-align: center;"> <div style="transform: rotate(-45deg); display: inline-block;">Risk Weight</div> <div style="display: inline-block;">Exposure class</div> </div>		At 30 June 2021										Total credit risk exposures amount (post CCF and post CRM)
		(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(ha)	(i)	
		0%	10%	20%	35%	50%	75%	100%	150%	250%	Others	
		HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m
1	Sovereign exposures	651,213	-	3,684	-	12,355	-	3,803	2,259	-	-	673,314
2	PSE exposures	35,556	-	14,681	-	-	-	-	-	-	-	50,237
2a	Of which: domestic PSEs	-	-	11,432	-	-	-	-	-	-	-	11,432
2b	Of which: foreign PSEs	35,556	-	3,249	-	-	-	-	-	-	-	38,805
3	Multilateral development bank exposures	50,667	-	-	-	-	-	-	-	-	-	50,667
4	Bank exposures	-	-	1,127	-	2,208	-	1	-	-	-	3,336
5	Securities firm exposures	-	-	-	-	15	-	-	-	-	-	15
6	Corporate exposures	-	-	1,055	-	5,633	-	46,513	492	-	-	53,693
7	CIS exposures	-	-	-	-	-	-	-	-	-	-	-
8	Cash items	394	-	-	-	-	-	-	-	-	-	394
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	-	-	-	-	-	7,543	-	-	-	-	7,543
11	Residential mortgage loans	-	-	-	912	-	697	4	-	-	-	1,613
12	Other exposures which are not past due exposures	-	-	-	-	-	-	12,109	-	-	-	12,109
13	Past due exposures	-	-	-	-	-	-	-	8	-	-	8
14	Significant exposures to commercial entities	-	-	-	-	-	-	-	-	-	-	-
15	Total	737,830	-	20,547	912	20,211	8,240	62,430	2,759	-	-	852,929

Sovereign exposures increased by around 11%, mainly due to increase in government bond investments in the first half of 2021.

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

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

(a) FIRB approach

	PD scale	At 30 June 2021											
		(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)
		Original on-balance sheet gross exposure	Off-balance sheet exposures pre-CCF	Average CCF	EAD post-CRM and post-CCF	Average PD	Number of obligors	Average LGD	Average maturity	RWA	RWA density	EL	Provisions
		%	HK\$m	HK\$m	%	HK\$m	%	%	Year	HK\$m	%	HK\$m	HK\$m
Portfolio (i) – Sovereign	0.00 to < 0.15	-	-	-	-	-	-	-	-	-	-	-	-
	0.15 to < 0.25	-	-	-	-	-	-	-	-	-	-	-	-
	0.25 to < 0.50	-	-	-	-	-	-	-	-	-	-	-	-
	0.50 to < 0.75	-	-	-	-	-	-	-	-	-	-	-	-
	0.75 to < 2.50	-	-	-	-	-	-	-	-	-	-	-	-
	2.50 to < 10.00	-	-	-	-	-	-	-	-	-	-	-	-
	10.00 to < 100.00	-	-	-	-	-	-	-	-	-	-	-	-
	100.00 (Default)	-	-	-	-	-	-	-	-	-	-	-	-
	Sub-total	-	-	-	-	-	-	-	-	-	-	-	-
Portfolio (ii) – Bank	0.00 to < 0.15	520,439	25,382	39	542,444	0.06	320	45	2.50	142,665	26	143	-
	0.15 to < 0.25	29,823	3,897	3	30,528	0.22	58	45	2.50	17,601	58	30	-
	0.25 to < 0.50	23,042	2,262	5	23,891	0.39	45	44	2.50	18,996	80	41	-
	0.50 to < 0.75	49,074	6,568	-	48,688	0.55	30	42	2.50	43,187	89	113	-
	0.75 to < 2.50	4,149	923	2	4,166	1.37	23	42	2.50	4,732	114	24	-
	2.50 to < 10.00	1,057	77	3	1,059	5.35	8	45	2.50	1,620	153	26	-
	10.00 to < 100.00	6	-	-	7	13.77	1	45	2.50	14	216	-	-
	100.00 (Default)	-	-	-	-	-	-	-	-	-	-	-	-
	Sub-total	627,590	39,109	26	650,783	0.13	485	45	2.24	228,815	35	377	2,752
Portfolio (iii) – Corporate – specialized lending (other than HVCRE) – FIRB/AIRB	0.00 to < 0.15	-	-	-	-	-	-	-	-	-	-	-	-
	0.15 to < 0.25	-	-	-	-	-	-	-	-	-	-	-	-
	0.25 to < 0.50	-	-	-	-	-	-	-	-	-	-	-	-
	0.50 to < 0.75	-	-	-	-	-	-	-	-	-	-	-	-
	0.75 to < 2.50	-	-	-	-	-	-	-	-	-	-	-	-
	2.50 to < 10.00	-	-	-	-	-	-	-	-	-	-	-	-
	10.00 to < 100.00	-	-	-	-	-	-	-	-	-	-	-	-
	100.00 (Default)	-	-	-	-	-	-	-	-	-	-	-	-
	Sub-total	-	-	-	-	-	-	-	-	-	-	-	-

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

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

(a) FIRB approach (continued)

	PD scale	At 30 June 2021											
		(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)
		Original on- balance sheet gross exposure	Off- balance sheet exposures pre-CCF	Average CCF	EAD post- CRM and post-CCF	Average PD	Number of obligors	Average LGD	Average maturity	RWA	RWA density	EL	Provisions
		HK\$m	HK\$m	%	HK\$m	%		%	Year	HK\$m	%	HK\$m	HK\$m
Portfolio (iv) – Corporate – small-and- medium sized corporates	0.00 to < 0.15	12,572	3,874	15	13,617	0.09	239	43	2.50	3,264	24	5	
	0.15 to < 0.25	3,131	3,002	10	11,423	0.22	180	43	2.50	4,135	36	11	
	0.25 to < 0.50	7,485	4,773	8	14,087	0.39	232	43	2.50	7,161	51	23	
	0.50 to < 0.75	10,216	7,310	4	8,225	0.58	344	41	2.50	4,604	56	20	
	0.75 to < 2.50	41,711	9,591	16	25,083	1.32	669	42	2.50	18,884	75	137	
	2.50 to < 10.00	9,205	3,352	2	10,027	3.52	274	36	2.50	8,362	83	129	
	10.00 to < 100.00	500	298	2	485	14.20	23	39	2.50	738	152	27	
	100.00 (Default)	90	-	-	90	100.00	1	40	2.50	450	500	-	
	Sub-total	84,910	32,200	10	83,037	1.19	1,962	41	2.50	47,598	57	352	554
Portfolio (v) – Corporate – HVCRE – FIRB/AIRB	0.00 to < 0.15	-	-	-	-	-	-	-	-	-	-	-	
	0.15 to < 0.25	-	-	-	-	-	-	-	-	-	-	-	
	0.25 to < 0.50	-	-	-	-	-	-	-	-	-	-	-	
	0.50 to < 0.75	-	-	-	-	-	-	-	-	-	-	-	
	0.75 to < 2.50	-	-	-	-	-	-	-	-	-	-	-	
	2.50 to < 10.00	-	-	-	-	-	-	-	-	-	-	-	
	10.00 to < 100.00	-	-	-	-	-	-	-	-	-	-	-	
	100.00 (Default)	-	-	-	-	-	-	-	-	-	-	-	
	Sub-total	-	-	-	-	-	-	-	-	-	-	-	-
Portfolio (vi) – Corporate – other (including purchased corporate receivables)	0.00 to < 0.15	341,371	96,605	47	581,992	0.10	620	45	2.50	175,978	30	265	
	0.15 to < 0.25	76,200	42,443	33	163,910	0.22	282	45	2.50	76,794	47	161	
	0.25 to < 0.50	73,611	37,882	37	112,945	0.39	294	45	2.50	70,497	62	197	
	0.50 to < 0.75	296,333	94,919	23	132,034	0.59	463	44	2.50	99,079	75	348	
	0.75 to < 2.50	237,430	124,405	17	190,947	1.37	887	42	2.50	178,798	94	1,069	
	2.50 to < 10.00	79,015	32,190	14	48,149	3.62	307	42	2.50	60,808	126	727	
	10.00 to < 100.00	7,162	3,375	10	5,834	16.52	44	41	2.50	12,459	214	393	
	100.00 (Default)	3,094	2	-	2,985	100.00	35	44	2.50	1,333	45	1,988	
	Sub-total	1,114,216	431,821	31	1,238,796	0.85	2,932	44	2.50	675,746	55	5,148	10,075

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

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

(a) FIRB approach (continued)

	PD scale	At 30 June 2021											
		(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)
		Original on-balance sheet gross exposure	Off-balance sheet exposures pre-CCF	Average CCF	EAD post-CRM and post-CCF	Average PD	Number of obligors	Average LGD	Average maturity	RWA	RWA density	EL	Provisions
		%	HK\$m	HK\$m	%	HK\$m	%	%	Year	HK\$m	%	HK\$m	HK\$m
Portfolio (vii) – Equity – PD/LGD approach	0.00 to < 0.15	-	-	-	-	-	-	-	-	-	-	-	-
	0.15 to < 0.25	-	-	-	-	-	-	-	-	-	-	-	-
	0.25 to < 0.50	-	-	-	-	-	-	-	-	-	-	-	-
	0.50 to < 0.75	-	-	-	-	-	-	-	-	-	-	-	-
	0.75 to < 2.50	-	-	-	-	-	-	-	-	-	-	-	-
	2.50 to < 10.00	-	-	-	-	-	-	-	-	-	-	-	-
	10.00 to < 100.00	-	-	-	-	-	-	-	-	-	-	-	-
	100.00 (Default)	-	-	-	-	-	-	-	-	-	-	-	-
	Sub-total	-	-	-	-	-	-	-	-	-	-	-	-
Portfolio (viii) – Retail – QRRE	0.00 to < 0.15	-	-	-	-	-	-	-	-	-	-	-	-
	0.15 to < 0.25	-	-	-	-	-	-	-	-	-	-	-	-
	0.25 to < 0.50	-	-	-	-	-	-	-	-	-	-	-	-
	0.50 to < 0.75	-	-	-	-	-	-	-	-	-	-	-	-
	0.75 to < 2.50	-	-	-	-	-	-	-	-	-	-	-	-
	2.50 to < 10.00	-	-	-	-	-	-	-	-	-	-	-	-
	10.00 to < 100.00	-	-	-	-	-	-	-	-	-	-	-	-
	100.00 (Default)	-	-	-	-	-	-	-	-	-	-	-	-
	Sub-total	-	-	-	-	-	-	-	-	-	-	-	-
Portfolio (ix) – Retail – Residential mortgage exposures (including both to individuals and to property-holding shell companies)	0.00 to < 0.15	-	-	-	-	-	-	-	-	-	-	-	-
	0.15 to < 0.25	-	-	-	-	-	-	-	-	-	-	-	-
	0.25 to < 0.50	-	-	-	-	-	-	-	-	-	-	-	-
	0.50 to < 0.75	-	-	-	-	-	-	-	-	-	-	-	-
	0.75 to < 2.50	-	-	-	-	-	-	-	-	-	-	-	-
	2.50 to < 10.00	-	-	-	-	-	-	-	-	-	-	-	-
	10.00 to < 100.00	-	-	-	-	-	-	-	-	-	-	-	-
	100.00 (Default)	-	-	-	-	-	-	-	-	-	-	-	-
	Sub-total	-	-	-	-	-	-	-	-	-	-	-	-

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

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

(a) FIRB approach (continued)

	PD scale	At 30 June 2021											
		(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)
		Original on-balance sheet gross exposure	Off-balance sheet exposures pre-CCF	Average CCF	EAD post-CRM and post-CCF	Average PD	Number of obligors	Average LGD	Average maturity	RWA	RWA density	EL	Provisions
		%	HK\$m	HK\$m	%	HK\$m	%		%	Year	HK\$m	%	HK\$m
Portfolio (x) – Retail – small business retail exposures	0.00 to < 0.15	-	-	-	-	-	-	-	-	-	-	-	
	0.15 to < 0.25	-	-	-	-	-	-	-	-	-	-	-	
	0.25 to < 0.50	-	-	-	-	-	-	-	-	-	-	-	
	0.50 to < 0.75	-	-	-	-	-	-	-	-	-	-	-	
	0.75 to < 2.50	-	-	-	-	-	-	-	-	-	-	-	
	2.50 to < 10.00	-	-	-	-	-	-	-	-	-	-	-	
	10.00 to < 100.00	-	-	-	-	-	-	-	-	-	-	-	
	100.00 (Default)	-	-	-	-	-	-	-	-	-	-	-	
	Sub-total	-	-	-	-	-	-	-	-	-	-	-	-
Portfolio (xi) – Other retail exposures to individuals	0.00 to < 0.15	-	-	-	-	-	-	-	-	-	-	-	
	0.15 to < 0.25	-	-	-	-	-	-	-	-	-	-	-	
	0.25 to < 0.50	-	-	-	-	-	-	-	-	-	-	-	
	0.50 to < 0.75	-	-	-	-	-	-	-	-	-	-	-	
	0.75 to < 2.50	-	-	-	-	-	-	-	-	-	-	-	
	2.50 to < 10.00	-	-	-	-	-	-	-	-	-	-	-	
	10.00 to < 100.00	-	-	-	-	-	-	-	-	-	-	-	
	100.00 (Default)	-	-	-	-	-	-	-	-	-	-	-	
	Sub-total	-	-	-	-	-	-	-	-	-	-	-	-
Total (sum of all portfolios)		1,826,716	503,130	29	1,972,616	0.63	5,379	44	2.41	952,159	48	5,877	13,381

Compared with 31 December 2020, the 74% increase in RWA of “Portfolio (ii) – Bank” was mainly due to increase in “EAD post-CRM and post-CCF”.

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

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

(b) Retail IRB approach

	PD scale	At 30 June 2021											
		(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)
		Original on- balance sheet gross exposure	Off- balance sheet exposures pre-CCF	Average CCF	EAD post- CRM and post-CCF	Average PD	Number of obligors	Average LGD	Average maturity	RWA	RWA density	EL	Provisions
		%	HK\$m	HK\$m	%	HK\$m	%	%	Year	HK\$m	%	HK\$m	HK\$m
Portfolio (i) – Sovereign	0.00 to < 0.15	-	-	-	-	-	-	-	-	-	-	-	-
	0.15 to < 0.25	-	-	-	-	-	-	-	-	-	-	-	-
	0.25 to < 0.50	-	-	-	-	-	-	-	-	-	-	-	-
	0.50 to < 0.75	-	-	-	-	-	-	-	-	-	-	-	-
	0.75 to < 2.50	-	-	-	-	-	-	-	-	-	-	-	-
	2.50 to < 10.00	-	-	-	-	-	-	-	-	-	-	-	-
	10.00 to < 100.00	-	-	-	-	-	-	-	-	-	-	-	-
	100.00 (Default)	-	-	-	-	-	-	-	-	-	-	-	-
	Sub-total	-	-	-	-	-	-	-	-	-	-	-	-
Portfolio (ii) – Bank	0.00 to < 0.15	-	-	-	-	-	-	-	-	-	-	-	-
	0.15 to < 0.25	-	-	-	-	-	-	-	-	-	-	-	-
	0.25 to < 0.50	-	-	-	-	-	-	-	-	-	-	-	-
	0.50 to < 0.75	-	-	-	-	-	-	-	-	-	-	-	-
	0.75 to < 2.50	-	-	-	-	-	-	-	-	-	-	-	-
	2.50 to < 10.00	-	-	-	-	-	-	-	-	-	-	-	-
	10.00 to < 100.00	-	-	-	-	-	-	-	-	-	-	-	-
	100.00 (Default)	-	-	-	-	-	-	-	-	-	-	-	-
	Sub-total	-	-	-	-	-	-	-	-	-	-	-	-
Portfolio (iii) – Corporate – specialized lending (other than HVCRE) – FIRB/AIRB	0.00 to < 0.15	-	-	-	-	-	-	-	-	-	-	-	-
	0.15 to < 0.25	-	-	-	-	-	-	-	-	-	-	-	-
	0.25 to < 0.50	-	-	-	-	-	-	-	-	-	-	-	-
	0.50 to < 0.75	-	-	-	-	-	-	-	-	-	-	-	-
	0.75 to < 2.50	-	-	-	-	-	-	-	-	-	-	-	-
	2.50 to < 10.00	-	-	-	-	-	-	-	-	-	-	-	-
	10.00 to < 100.00	-	-	-	-	-	-	-	-	-	-	-	-
	100.00 (Default)	-	-	-	-	-	-	-	-	-	-	-	-
	Sub-total	-	-	-	-	-	-	-	-	-	-	-	-

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

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

(b) Retail IRB approach (continued)

	PD scale	At 30 June 2021											
		(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)
		Original on- balance sheet gross exposure	Off- balance sheet exposures pre-CCF	Average CCF	EAD post- CRM and post-CCF	Average PD	Number of obligors	Average LGD	Average maturity	RWA	RWA density	EL	Provisions
		HK\$m	HK\$m	%	HK\$m	%		%	Year	HK\$m	%	HK\$m	HK\$m
Portfolio (iv) – Corporate – small-and- medium sized corporates	0.00 to < 0.15	-	-	-	-	-	-	-		-	-	-	
	0.15 to < 0.25	-	-	-	-	-	-	-		-	-	-	
	0.25 to < 0.50	-	-	-	-	-	-	-		-	-	-	
	0.50 to < 0.75	-	-	-	-	-	-	-		-	-	-	
	0.75 to < 2.50	-	-	-	-	-	-	-		-	-	-	
	2.50 to < 10.00	-	-	-	-	-	-	-		-	-	-	
	10.00 to < 100.00	-	-	-	-	-	-	-		-	-	-	
	100.00 (Default)	-	-	-	-	-	-	-		-	-	-	
	Sub-total	-	-	-	-	-	-	-		-	-	-	-
Portfolio (v) – Corporate – HVCRE – FIRB/AIRB	0.00 to < 0.15	-	-	-	-	-	-	-		-	-	-	
	0.15 to < 0.25	-	-	-	-	-	-	-		-	-	-	
	0.25 to < 0.50	-	-	-	-	-	-	-		-	-	-	
	0.50 to < 0.75	-	-	-	-	-	-	-		-	-	-	
	0.75 to < 2.50	-	-	-	-	-	-	-		-	-	-	
	2.50 to < 10.00	-	-	-	-	-	-	-		-	-	-	
	10.00 to < 100.00	-	-	-	-	-	-	-		-	-	-	
	100.00 (Default)	-	-	-	-	-	-	-		-	-	-	
	Sub-total	-	-	-	-	-	-	-		-	-	-	-
Portfolio (vi) – Corporate – other (including purchased corporate receivables)	0.00 to < 0.15	-	-	-	-	-	-	-		-	-	-	
	0.15 to < 0.25	-	-	-	-	-	-	-		-	-	-	
	0.25 to < 0.50	-	-	-	-	-	-	-		-	-	-	
	0.50 to < 0.75	-	-	-	-	-	-	-		-	-	-	
	0.75 to < 2.50	-	-	-	-	-	-	-		-	-	-	
	2.50 to < 10.00	-	-	-	-	-	-	-		-	-	-	
	10.00 to < 100.00	-	-	-	-	-	-	-		-	-	-	
	100.00 (Default)	-	-	-	-	-	-	-		-	-	-	
	Sub-total	-	-	-	-	-	-	-		-	-	-	-

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

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

(b) Retail IRB approach (continued)

	PD scale	At 30 June 2021											
		(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)
		Original on-balance sheet gross exposure	Off-balance sheet exposures pre-CCF	Average CCF	EAD post-CRM and post-CCF	Average PD	Number of obligors	Average LGD	Average maturity	RWA	RWA density	EL	Provisions
		%	HK\$m	HK\$m	%	HK\$m	%	%	Year	HK\$m	%	HK\$m	HK\$m
Portfolio (vii) – Equity – PD/LGD approach	0.00 to < 0.15	-	-	-	-	-	-	-	-	-	-	-	-
	0.15 to < 0.25	-	-	-	-	-	-	-	-	-	-	-	-
	0.25 to < 0.50	-	-	-	-	-	-	-	-	-	-	-	-
	0.50 to < 0.75	-	-	-	-	-	-	-	-	-	-	-	-
	0.75 to < 2.50	-	-	-	-	-	-	-	-	-	-	-	-
	2.50 to < 10.00	-	-	-	-	-	-	-	-	-	-	-	-
	10.00 to < 100.00	-	-	-	-	-	-	-	-	-	-	-	-
	100.00 (Default)	-	-	-	-	-	-	-	-	-	-	-	-
	Sub-total	-	-	-	-	-	-	-	-	-	-	-	-
Portfolio (viii) – Retail – QRRE	0.00 to < 0.15	4,934	55,430	-	33,533	0.10	696,237	89	-	1,845	6	31	-
	0.15 to < 0.25	1,332	28,788	-	23,166	0.23	690,544	89	-	2,503	11	48	-
	0.25 to < 0.50	503	16,974	-	14,001	0.32	454,494	89	-	1,964	14	40	-
	0.50 to < 0.75	786	2,625	-	2,695	0.57	74,550	92	-	616	23	14	-
	0.75 to < 2.50	686	1,287	-	1,841	1.30	43,141	94	-	801	43	23	-
	2.50 to < 10.00	1,269	1,108	-	2,032	5.54	35,221	94	-	2,453	121	107	-
	10.00 to < 100.00	499	106	-	607	16.87	10,962	96	-	1,311	216	97	-
	100.00 (Default)	39	50	-	78	100.00	1,724	88	-	535	683	26	-
	Sub-total	10,048	106,368	-	77,953	0.60	2,006,873	90	-	12,028	15	386	166
Portfolio (ix) – Retail – Residential mortgage exposures (including both to individuals and to property-holding shell companies)	0.00 to < 0.15	152,871	-	-	152,871	0.10	74,815	11	-	30,760	20	18	-
	0.15 to < 0.25	58,760	-	-	58,760	0.22	17,576	11	-	12,668	22	14	-
	0.25 to < 0.50	54,451	-	-	54,451	0.39	15,856	11	-	12,884	24	24	-
	0.50 to < 0.75	70,738	-	-	70,738	0.60	21,271	13	-	18,075	26	57	-
	0.75 to < 2.50	19,317	-	-	19,317	0.92	5,032	13	-	5,122	27	23	-
	2.50 to < 10.00	1,014	-	-	1,014	4.69	523	12	-	385	38	6	-
	10.00 to < 100.00	513	-	-	513	23.83	275	12	-	342	67	15	-
	100.00 (Default)	131	-	-	131	100.00	103	13	-	208	158	1	-
	Sub-total	357,795	-	-	357,795	0.39	135,451	12	-	80,444	22	158	935

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

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

(b) Retail IRB approach (continued)

	PD scale	At 30 June 2021											
		(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)
		Original on-balance sheet gross exposure	Off-balance sheet exposures pre-CCF	Average CCF	EAD post-CRM and post-CCF	Average PD	Number of obligors	Average LGD	Average maturity	RWA	RWA density	EL	Provisions
		%	HK\$m	HK\$m	%	HK\$m	%	%	Year	HK\$m	%	HK\$m	HK\$m
Portfolio (x) – Retail – small business retail exposures	0.00 to < 0.15	913	1,782	35	1,529	0.08	1,389	13		42	3	-	
	0.15 to < 0.25	340	239	34	422	0.22	261	13		23	5	-	
	0.25 to < 0.50	453	250	39	550	0.39	322	13		45	8	-	
	0.50 to < 0.75	436	337	36	557	0.59	350	14		60	11	-	
	0.75 to < 2.50	804	332	36	923	1.39	656	18		195	21	3	
	2.50 to < 10.00	208	39	44	225	3.53	241	25		78	35	2	
	10.00 to < 100.00	6	1	40	6	16.40	13	71		8	128	1	
	100.00 (Default)	14	1	100	15	100.00	24	60		42	286	8	
	Sub-total	3,174	2,981	35	4,227	1.05	3,256	15		493	12	14	14
Portfolio (xi) – Other retail exposures to individuals	0.00 to < 0.15	51,480	9,122	-	59,984	0.03	10,658	4		357	1	1	
	0.15 to < 0.25	4,341	46	-	4,375	0.22	5,364	12		229	5	1	
	0.25 to < 0.50	33,265	21	-	33,279	0.37	16,411	12		2,349	7	15	
	0.50 to < 0.75	18,446	21	-	18,464	0.59	9,336	14		2,047	11	15	
	0.75 to < 2.50	16,284	18,356	1	17,736	1.37	10,400	29		6,194	35	89	
	2.50 to < 10.00	552	-	-	552	4.88	324	31		254	46	8	
	10.00 to < 100.00	266	-	-	266	15.91	699	27		159	60	17	
	100.00 (Default)	121	2	-	123	100.00	929	66		134	109	74	
	Sub-total	124,755	27,568	-	134,779	0.52	54,121	11		11,723	9	220	216
Total (sum of all portfolios)		495,772	136,917	1	574,754	0.45	2,199,701	22		104,688	18	778	1,331

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

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

		At 30 June 2021	
		(a)	(b)
		Pre-credit derivatives RWA	Actual RWA
		HK\$m	HK\$m
1	Corporate – Specialized lending under supervisory slotting criteria approach (project finance)	2,609	2,609
2	Corporate – Specialized lending under supervisory slotting criteria approach (object finance)	-	-
3	Corporate – Specialized lending under supervisory slotting criteria approach (commodities finance)	-	-
4	Corporate – Specialized lending under supervisory slotting criteria approach (income-producing real estate)	-	-
5	Corporate – Specialized lending (high-volatility commercial real estate)	-	-
6	Corporate – Small-and-medium sized corporates	47,598	47,598
7	Corporate – Other corporates	675,746	675,746
8	Sovereigns	-	-
9	Sovereign foreign public sector entities	-	-
10	Multilateral development banks	-	-
11	Bank exposures – Banks	146,630	146,630
12	Bank exposures – Securities firms	82,185	82,185
13	Bank exposures – Public sector entities (excluding sovereign foreign public sector entities)	-	-
14	Retail – Small business retail exposures	493	493
15	Retail – Residential mortgages to individuals	79,897	79,897
16	Retail – Residential mortgages to property-holding shell companies	547	547
17	Retail – Qualifying revolving retail exposures (QRRE)	12,028	12,028
18	Retail – Other retail exposures to individuals	11,723	11,723
19	Equity – Equity exposures under market-based approach (simple risk-weight method)	-	-
20	Equity – Equity exposures under market-based approach (internal models method)	-	-
21	Equity – Equity exposures under PD/LGD approach (publicly traded equity exposures held for long-term investment)	-	-
22	Equity – Equity exposures under PD/LGD approach (privately owned equity exposures held for long-term investment)	-	-
23	Equity – Equity exposures under PD/LGD approach (other publicly traded equity exposures)	-	-
24	Equity – Equity exposures under PD/LGD approach (other equity exposures)	-	-
25	Equity – Equity exposures associated with equity investments in funds (CIS exposures)	-	-
26	Other – Cash items	-	-
27	Other – Other items	85,694	85,694
28	Total (under the IRB calculation approaches)	1,145,150	1,145,150

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

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

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

		(a)
		HK\$m
1	RWA as at 31 March 2021	996,622
2	Asset size	149,117
3	Asset quality	(1,133)
4	Model updates	-
5	Methodology and policy	-
6	Acquisitions and disposals	-
7	Foreign exchange movements	544
8	Other	-
9	RWA as at 30 June 2021	1,145,150

RWA increased by HK\$148,528 million in the second quarter of 2021. It was mainly due to IPO business (including placement of IPO subscription funds to interbank market and IPO loans), leading to increase in asset size.

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

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

I. Specialized lending under supervisory slotting criteria approach – HVCRE

There were no specialised lending under supervisory slotting criteria approach – HVCRE as at 30 June 2021.

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

		At 30 June 2021									
Supervisory Rating Grade	Remaining Maturity	(a)	(b)	(c)	(d)(i)	(d)(ii)	(d)(iii)	(d)(iv)	(d)(v)	(e)	(f)
		On-balance sheet exposure amount	Off-balance sheet exposure amount	SRW	EAD amount					RWA	Expected loss amount
		HK\$m	HK\$m		PF	OF	CF	IPRE	Total		
					HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m
Strong^	Less than 2.5 years	-	-	50%	-	-	-	-	-	-	-
Strong	Equal to or more than 2.5 years	-	-	70%	-	-	-	-	-	-	-
Good^	Less than 2.5 years	-	-	70%	-	-	-	-	-	-	-
Good	Equal to or more than 2.5 years	1,937	-	90%	1,937	-	-	-	1,937	1,743	16
Satisfactory		689	64	115%	753	-	-	-	753	866	21
Weak		-	-	250%	-	-	-	-	-	-	-
Default		-	-	0%	-	-	-	-	-	-	-
Total		2,626	64		2,690	-	-	-	2,690	2,609	37

^ Use of preferential risk-weights.

Compared with 31 December 2020, the material change in RWA was due to the increment of project finance exposures.

III. Equity exposures under simple risk-weight method

The Group did not use simple risk-weight method to measure equities exposures as at 30 June 2021.

7. Counterparty credit risk

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

		At 30 June 2021					
		(a)	(b)	(c)	(d)	(e)	(f)
		Replacement cost (RC)	PFE	Effective EPE	Alpha (α) used for computing default risk exposure	Default risk exposure after CRM	RWA
		HK\$m	HK\$m	HK\$m		HK\$m	HK\$m
1	SA-CCR approach (for derivative contracts)	8,337	14,686		1.4	32,232	14,109
1a	CEM (for derivative contracts)	-	-		1.4	-	-
2	IMM(CCR) approach			-	-	-	-
3	Simple approach (for SFTs)					-	-
4	Comprehensive approach (for SFTs)					46,838	32
5	VaR (for SFTs)					-	-
6	Total						14,141

In accordance with the amendment to the Banking (Capital) Rules in relation to measurement method of counterparty default risk exposures, the Group replaced the existing “current exposure method (CEM)” by “standardised (counterparty credit risk) approach (SA-CCR)” for its measurement of default risk exposures arising from derivative contracts from 30 June 2021 onwards.

Compared with 31 December 2020, the 809% increase in SFTs’ default risk exposure after CRM was mainly driven by change in outstanding transaction volume.

CCR2: CVA capital charge

		At 30 June 2021	
		(a)	(b)
		EAD post CRM	RWA
		HK\$m	HK\$m
	Netting sets for which CVA capital charge is calculated by the advanced CVA method	-	-
1	(i) VaR (after application of multiplication factor if applicable)		-
2	(ii) Stressed VaR (after application of multiplication factor if applicable)		-
3	Netting sets for which CVA capital charge is calculated by the standardized CVA method	32,216	7,361
4	Total	32,216	7,361

7. Counterparty credit risk (continued)

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

		At 30 June 2021										
		(a)	(b)	(c)	(ca)	(d)	(e)	(f)	(g)	(ga)	(h)	(i)
		0%	10%	20%	35%	50%	75%	100%	150%	250%	Others	Total default risk exposure after CRM
	Risk Weight	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m
	Exposure class											
1	Sovereign exposures	523	-	-	-	-	-	-	-	-	-	523
2	PSE exposures	-	-	54	-	-	-	-	-	-	-	54
2a	Of which: domestic PSEs	-	-	54	-	-	-	-	-	-	-	54
2b	Of which: foreign PSEs	-	-	-	-	-	-	-	-	-	-	-
3	Multilateral development bank exposures	49	-	-	-	-	-	-	-	-	-	49
4	Bank exposures	-	-	-	-	-	-	-	-	-	-	-
5	Securities firm exposures	-	-	-	-	-	-	-	-	-	-	-
6	Corporate exposures	-	-	-	-	-	-	271	-	-	-	271
7	CIS exposures	-	-	-	-	-	-	-	-	-	-	-
8	Regulatory retail exposures	-	-	-	-	-	396	2	-	-	-	398
9	Residential mortgage loans	-	-	-	-	-	-	-	-	-	-	-
10	Other exposures which are not past due exposures	-	-	-	-	-	-	936	-	-	-	936
11	Significant exposures to commercial entities	-	-	-	-	-	-	-	-	-	-	-
12	Total	572	-	54	-	-	396	1,209	-	-	-	2,231

Compared with 31 December 2020, the 50% decrease in sovereign exposures was mainly driven by change in outstanding transaction volume. In addition, the material change in other exposure classes was mainly driven by the change of measurement method from “current exposure method (CEM)” to “standardised (counterparty credit risk) approach (SA-CCR)” in accordance with the amendment to the Banking (Capital) Rules.

7. Counterparty credit risk (continued)

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

FIRB approach

	PD scale	At 30 June 2021						
		(a)	(b)	(c)	(d)	(e)	(f)	(g)
		EAD post-CRM	Average PD	Number of obligors	Average LGD	Average maturity	RWA	RWA density
		HK\$m	%		%	Year	HK\$m	%
Portfolio (i) – Sovereign	0.00 to < 0.15	-	-	-	-	-	-	-
	0.15 to < 0.25	-	-	-	-	-	-	-
	0.25 to < 0.50	-	-	-	-	-	-	-
	0.50 to < 0.75	-	-	-	-	-	-	-
	0.75 to < 2.50	-	-	-	-	-	-	-
	2.50 to < 10.00	-	-	-	-	-	-	-
	10.00 to < 100.00	-	-	-	-	-	-	-
	100.00 (Default)	-	-	-	-	-	-	-
	Sub-total	-	-	-	-	-	-	-
Portfolio (ii) – Bank	0.00 to < 0.15	67,049	0.06	122	14	1.12	5,874	9
	0.15 to < 0.25	1,729	0.22	19	36	2.09	820	47
	0.25 to < 0.50	1,174	0.39	17	41	2.33	875	75
	0.50 to < 0.75	361	0.67	3	45	2.50	368	102
	0.75 to < 2.50	162	0.91	5	45	2.50	145	89
	2.50 to < 10.00	-	-	-	-	-	-	-
	10.00 to < 100.00	-	-	-	-	-	-	-
	100.00 (Default)	-	-	-	-	-	-	-
	Sub-total	70,475	0.07	166	15	1.17	8,082	11
Portfolio (iii) – Corporate	0.00 to < 0.15	2,104	0.08	25	45	2.48	613	29
	0.15 to < 0.25	1,144	0.22	6	45	2.50	529	46
	0.25 to < 0.50	209	0.39	7	45	2.50	130	62
	0.50 to < 0.75	697	0.62	17	45	2.50	531	76
	0.75 to < 2.50	899	1.23	27	45	2.50	946	105
	2.50 to < 10.00	1,268	3.64	26	45	2.50	1,708	135
	10.00 to < 100.00	43	10.54	1	45	2.50	85	197
	100.00 (Default)	-	-	-	-	-	-	-
	Sub-total	6,364	1.12	109	45	2.49	4,542	71
Portfolio (iv) – Retail	0.00 to < 0.15	-	-	-	-	-	-	-
	0.15 to < 0.25	-	-	-	-	-	-	-
	0.25 to < 0.50	-	-	-	-	-	-	-
	0.50 to < 0.75	-	-	-	-	-	-	-
	0.75 to < 2.50	-	-	-	-	-	-	-
	2.50 to < 10.00	-	-	-	-	-	-	-
	10.00 to < 100.00	-	-	-	-	-	-	-
	100.00 (Default)	-	-	-	-	-	-	-
	Sub-total	-	-	-	-	-	-	-
Total (sum of all portfolios)		76,839	0.16	275	18	1.28	12,624	16

Compared with 31 December 2020, the material change in RWA of bank and corporate exposures was mainly driven by the change of measurement method from “current exposure method (CEM)” to “standardised (counterparty credit risk) approach (SA-CCR)” in accordance with the amendment to the Banking (Capital) Rules.

7. Counterparty credit risk (continued)

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

	At 30 June 2021					
	(a)	(b)	(c)	(d)	(e)	(f)
	Derivative contracts				SFTs	
	Fair value of recognized collateral received		Fair value of posted collateral		Fair value of recognized collateral received	Fair value of posted collateral
	Segregated	Unsegregated	Segregated	Unsegregated		
	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m
Cash	-	24,383	-	13,715	39,353	7,991
Debt securities	-	-	-	-	7,990	39,364
Equity securities	-	-	-	-	530	-
Total	-	24,383	-	13,715	47,873	47,355

Compared with 31 December 2020, the 116% increase in fair value of recognised collateral received (unsegregated) and 20% decrease in fair value of posted collateral (unsegregated) under derivative contracts were mainly driven by change in outstanding transactions' market value and outstanding transaction volume.

The 746% increase in fair value of recognised collateral received and 797% increase in fair value of posted collateral under SFTs were mainly driven by change in outstanding transactions' market value and outstanding transaction volume.

CCR6: Credit-related derivatives contracts

	At 30 June 2021	
	(a)	(b)
	Protection bought	Protection sold
	HK\$m	HK\$m
Notional amounts		
Index credit default swaps	-	-
Total notional amounts	-	-
Fair values		
Positive fair value (asset)	-	-
Negative fair value (liability)	-	-

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

The Group did not use IMM(CCR) approach to measure default risk exposures as at 30 June 2021.

7. Counterparty credit risk (continued)

CCR8: Exposures to CCPs

		At 30 June 2021	
		(a)	(b)
		Exposure after CRM	RWA
		HK\$m	HK\$m
1	Exposures of the AI as clearing member or clearing client to qualifying CCPs (total)		129
2	Default risk exposures to qualifying CCPs (excluding items disclosed in rows 7 to 10), of which:	1,154	30
3	(i) OTC derivative transactions	945	26
4	(ii) Exchange-traded derivative contracts	209	4
5	(iii) Securities financing transactions	-	-
6	(iv) Netting sets subject to valid cross-product netting agreements	-	-
7	Segregated initial margin	-	-
8	Unsegregated initial margin	125	5
9	Funded default fund contributions	215	94
10	Unfunded default fund contributions	-	-
11	Exposures of the AI as clearing member or clearing client to non-qualifying CCPs (total)		-
12	Default risk exposures to non-qualifying CCPs (excluding items disclosed in rows 17 to 20), of which:	-	-
13	(i) OTC derivative transactions	-	-
14	(ii) Exchange-traded derivative contracts	-	-
15	(iii) Securities financing transactions	-	-
16	(iv) Netting sets subject to valid cross-product netting agreements	-	-
17	Segregated initial margin	-	-
18	Unsegregated initial margin	-	-
19	Funded default fund contributions	-	-
20	Unfunded default fund contributions	-	-

Compared with 31 December 2020, the 81% decrease in qualifying CCPs RWA was mainly driven by the change of measurement method in accordance with the amendment to the Banking (Capital) Rules which was effective since 30 June 2021.

8. Securitization exposures

SEC1: Securitization exposures in banking book

There were no securitisation exposures in the banking book as at 30 June 2021.

SEC2: Securitization exposures in trading book

There were no securitisation exposures in the trading book as at 30 June 2021.

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

There were no securitisation exposures in the banking book and the associated capital requirements where the Group acts as an originator as at 30 June 2021.

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

There were no securitisation exposures in the banking book and the associated capital requirements where the Group acts as an investor as at 30 June 2021.

9. Market risk

MR1: Market risk under STM approach

		At 30 June 2021
		(a)
		RWA
		HK\$m
	Outright product exposures	
1	Interest rate exposures (general and specific risk)	1,639
2	Equity exposures (general and specific risk)	116
3	Foreign exchange (including gold) exposures	-
4	Commodity exposures	709
	Option exposures	
5	Simplified approach	-
6	Delta-plus approach	1
7	Other approach	-
8	Securitization exposures	-
9	Total	2,465

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

		(a)	(b)	(c)	(d)	(e)	(f)
		VaR	Stressed VaR	IRC	CRC	Other	Total RWA
		HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m
1	RWA as at 31 March 2021	2,270	8,666	-	-	-	10,936
1a	<i>Regulatory adjustment</i>	(1,646)	(6,966)	-	-	-	(8,612)
1b	RWA as at day-end of 31 March 2021	624	1,700	-	-	-	2,324
2	Movement in risk levels*	153	1,324	-	-	-	1,477
3	Model updates/changes	-	-	-	-	-	-
4	Methodology and policy	-	-	-	-	-	-
5	Acquisitions and disposals	-	-	-	-	-	-
6	Foreign exchange movements	-	-	-	-	-	-
7	Other	-	-	-	-	-	-
7a	RWA as at day-end of 30 June 2021	777	3,024	-	-	-	3,801
7b	<i>Regulatory adjustment</i>	1,314	7,073	-	-	-	8,387
8	RWA as at 30 June 2021	2,091	10,097	-	-	-	12,188

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

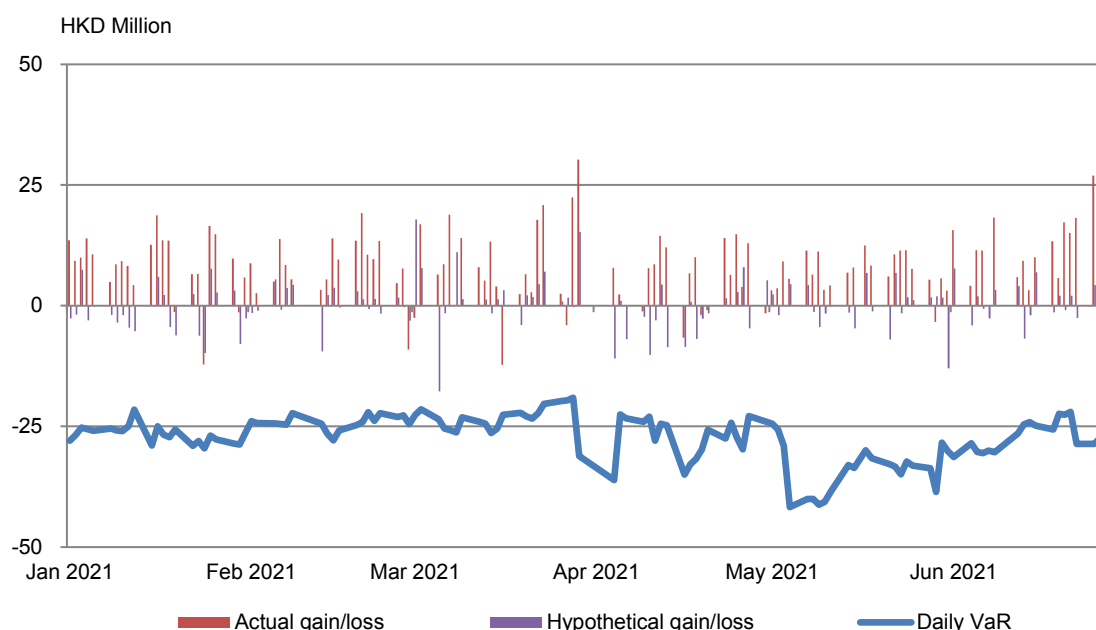
9. Market risk (continued)

MR3: IMM approach values for market risk exposures

		(a)
		HK\$'m
VaR (10 days – one-tailed 99% confidence interval)		
1	Maximum Value	74
2	Average Value	58
3	Minimum Value	44
4	Period End	62
Stressed VaR (10 days – one-tailed 99% confidence interval)		
5	Maximum Value	435
6	Average Value	249
7	Minimum Value	107
8	Period End	242
Incremental risk charge (IRC) (99.9% confidence interval)		
9	Maximum Value	-
10	Average Value	-
11	Minimum Value	-
12	Period End	-
Comprehensive risk charge (CRC) (99.9% confidence interval)		
13	Maximum Value	-
14	Average Value	-
15	Minimum Value	-
16	Period End	-
17	Floor	-

9. Market risk (continued)

MR4: Comparison of VaR estimates with gains or losses



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

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

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

There were no back-testing exceptions against both actual and hypothetical P&Ls in the first-half of 2021.