

The Hongkong and Shanghai Banking Corporation Limited

**Banking Disclosure Statement at 30 June 2022
(Unaudited)**

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

Introduction

Purpose

The information contained in this document is for The Hongkong and Shanghai Banking Corporation Limited ('the Bank') and its subsidiaries (together 'the group'). It should be read in conjunction with the group's *Interim Report 2022*. The group's *Interim Report 2022*, the Banking Disclosure Statement and the Main Features of Regulatory Capital Instruments and Non-capital LAC Debt Instruments document, taken together, comply with both the Banking (Disclosure) Rules ('BDR') made under section 60A of the Banking Ordinance and the Financial Institutions (Resolution) (Loss-absorbing Capacity Requirements – Banking Sector) Rules ('LAC Rules') made under section 19(1) of the Financial Institutions (Resolution) Ordinance ('FIRO').

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

These banking disclosures are governed by the group's disclosure policy, which has been approved by the Board of Directors. The disclosure policy sets out the governance, control and assurance requirements for publication of the document. While the disclosure statement is not required to be externally audited, the document has been subject to independent review in accordance with the group's policies on disclosure and its financial reporting and governance processes.

Basis of preparation

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

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

The Banking Disclosure Statement

The group's Banking Disclosure Statement at 30 June 2022 comprises Pillar 3 information required under the framework of the Basel Committee on Banking Supervision ('BCBS'). The disclosures are made in accordance with the latest BDR and the LAC Rules issued by the HKMA. According to the BDR and the LAC Rules, disclosure of comparative information is not required unless otherwise specified in the standard disclosure templates. Prior period disclosures can be found in the Regulatory Disclosure section of our website, www.hsbc.com.hk.

The Banking Disclosure Statement includes the majority of the information required under the BDR and the LAC Rules. The Main Features of Regulatory Capital Instruments and Non-capital LAC Debt Instruments are published as a standalone document. The remainder of the disclosure requirements are covered in the group's *Interim Report 2022*. All the group's banking disclosures can be found in the Regulatory Disclosure section of our website, www.hsbc.com.hk.

Loss-absorbing Capacity Disclosures

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

Location of HAHO's LAC disclosures in 2022:

- KM2 – Key metrics of the Asian resolution group
- Table 11.ii of the Group's Pillar 3 Disclosures
- TLAC1 – TLAC composition
- Table 12 of the Group's Pillar 3 Disclosures
- TLAC3 – HSBC Asia Holdings Limited Creditor Ranking
- Table 16 of the Group's Pillar 3 Disclosures
- CCA(A) – Main Features of Regulatory Capital Instruments and Non-Capital LAC Debt Instruments
- A standalone document which can be found in: www.hsbc.com/investors/fixed-income-investors/regulatory-capital-securities

Key Metrics

Table 1: KM1 – Key prudential ratios

	a	b	c		d	e
	At					
	30 Jun 2022	31 Mar 2022	31 Dec 2021	30 Sep 2021	30 Jun 2021	
Regulatory capital (HK\$m)¹						
1	Common Equity Tier 1 ('CET1')	467,359	468,885	484,654	490,668	488,897
2	Tier 1	521,391	515,037	530,701	536,766	535,060
3	Total capital	583,691	571,095	590,478	596,090	595,374
Risk-weighted assets ('RWAs') (HK\$m)¹						
4	Total RWAs	3,252,522	3,206,381	3,156,553	3,068,069	3,117,666
Risk-based regulatory capital ratios (as a percentage of RWA)¹						
5	CET1 ratio (%)	14.4	14.6	15.4	16.0	15.7
6	Tier 1 ratio (%)	16.0	16.1	16.8	17.5	17.2
7	Total capital ratio (%)	17.9	17.8	18.7	19.4	19.1
Additional CET1 buffer requirements (as a percentage of RWA)¹						
8	Capital conservation buffer requirement (%)	2.50	2.50	2.50	2.50	2.50
9	Countercyclical capital buffer ('CCyB') requirement (%) ²	0.51	0.50	0.50	0.51	0.52
10	Higher loss absorbency requirements (%) (applicable only to Global systemically important authorised institution ('G-SIBs') or Domestic systemically important authorised institution ('D-SIBs'))	2.50	2.50	2.50	2.50	2.50
11	Total authorised institution ('AI')-specific CET1 buffer requirements (%)	5.51	5.50	5.50	5.51	5.52
12	CET1 available after meeting the AI's minimum capital requirements (%)	9.9	9.8	10.7	11.4	11.1
Basel III leverage ratio³						
13	Total leverage ratio ('LR') exposure measure (HK\$m)	9,422,058	9,462,765	9,192,814	9,154,966	9,068,163
14	LR (%)	5.5	5.4	5.8	5.9	5.9
Liquidity Coverage Ratio ('LCR')⁴						
15	Total high quality liquid assets ('HQLA') (HK\$m)	1,953,032	2,016,383	1,911,407	1,866,862	1,950,607
16	Total net cash outflows (HK\$m)	1,266,403	1,317,227	1,241,508	1,180,720	1,236,236
17	LCR (%)	154.5	153.2	154.3	158.3	157.9
Net Stable Funding Ratio ('NSFR')⁵						
18	Total available stable funding (HK\$m)	5,559,766	5,561,953	5,514,833	5,423,463	5,365,697
19	Total required stable funding (HK\$m)	3,719,911	3,697,289	3,631,003	3,607,383	3,569,865
20	NSFR (%)	149.5	150.4	151.9	150.3	150.3

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

2 The jurisdictional CCyB of Hong Kong used in the calculation of the CCyB buffer requirement was 1.0% since 31 March 2020. The jurisdictional CCyB of other countries used in the calculation of the CCyB requirement ranged from 0% to 1.5% at 30 June 2022.

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

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

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

Structure of the regulatory group

Basis of consolidation

The basis of consolidation for financial accounting purposes is in accordance with Hong Kong Financial Reporting Standards ('HKFRS'), as described in Note 1 of the financial statements in the group's *Annual Report and Accounts 2021*.

The basis of consolidation for regulatory purposes is different from that for accounting purposes. Subsidiaries included in the consolidation for regulatory purposes are specified in a notice from the HKMA in accordance with section 3C(1) of the BCR. Subsidiaries not included in consolidation for regulatory purposes are securities and insurance companies that are authorised and supervised by regulators, and are subject to supervisory arrangements regarding the maintenance of adequate capital to support business activities comparable to those prescribed for authorised institutions under the BCR and the Banking Ordinance. The capital invested by the group in these subsidiaries is deducted from the capital base, subject to threshold, as determined in accordance with Part 3 of the BCR.

For insurance entities, the present value of in-force long-term insurance business asset of HK\$71,075m and the related deferred tax liability is only recognised on consolidation in financial reporting and are therefore not included in the asset or equity positions for the stand-alone entities presented in the below table.

There are no subsidiaries that are included within the regulatory scope of consolidation but not included within the accounting scope of consolidation at 30 June 2022.

For all subsidiaries included in both the accounting and regulatory scope of consolidation, the same consolidation methodology is applied at 30 June 2022.

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

The Bank and its banking subsidiaries maintain regulatory reserves to satisfy the provisions of the Banking Ordinance and local regulatory requirements for prudential supervision purposes. At 30 June 2022, the effect of this requirement is to reduce the amount of reserves which can be distributed to shareholders by HK\$19,298m.

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

	Principal activities	At 30 Jun 2022	
		Total assets	Total equity
		HK\$m	HK\$m
HSBC Broking Futures (Hong Kong) Ltd	Futures broking	299	103
HSBC Broking Services (Asia) Ltd and its subsidiaries	Broking services	12,440	3,168
HSBC Corporate Advisory (Malaysia) Sdn Bhd	Financial services	4	4
HSBC Corporate Finance (Hong Kong) Ltd	Financial services	16	14
HSBC Global Asset Management Holdings (Bahamas) Ltd	Asset management	130	128
HSBC Global Asset Management (Hong Kong) Ltd	Asset management	1,073	622
HSBC Asset Management (Japan) Ltd	Asset management	210	113
HSBC Global Asset Management (Singapore) Ltd	Asset management	122	37
HSBC Insurance (Asia-Pacific) Holdings Ltd and its subsidiaries	Insurance	631,438	44,352
HSBC InvestDirect (India) Private Ltd and its subsidiaries	Financial services	1,290	923
HSBC Investment Funds (Hong Kong) Ltd	Asset management	527	261
HSBC Qianhai Securities Ltd	Securities services	1,578	1,147
HSBC Securities (Japan) Ltd ¹	Broking services	249	249
HSBC Securities (Japan) Co. Ltd	Broking services	347,969	978
HSBC Securities (Singapore) Pte Ltd	Broking services	748	85
HSBC Securities Brokers (Asia) Ltd	Broking services	531	487
Hang Seng Insurance Co. Ltd and its subsidiaries	Insurance	192,103	14,762
Hang Seng Investment Management Ltd	Asset management	301	259
Hang Seng Investment Services Ltd	Investment services	9	9
Hang Seng Qianhai Fund Management Co. Ltd	Asset management	266	246
Hang Seng Securities Ltd	Broking services	3,068	809

¹ In member's voluntary liquidation.

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

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

Balance sheet reconciliation

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

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

	a	b	c
	At 30 Jun 2022		
	Balance sheet as in published financial statements HK\$m	Under regulatory scope of consolidation HK\$m	Cross-referenced to definition of Capital Components
Assets			
Cash and balances at central banks	233,769	233,274	
Items in the course of collection from other banks	47,348	47,348	
Hong Kong Government certificates of indebtedness	344,194	344,194	
Trading assets	681,035	680,182	
<i>of which: significant Loss-absorbing capacity ('LAC') investments eligible as Additional tier1 ('AT1') capital issued by financial sector entities</i>		11	1
Derivatives	502,780	503,490	
Financial assets designated and otherwise mandatorily measured at fair value through profit or loss	219,385	5,496	
Reverse repurchase agreements – non-trading	875,200	544,992	
Loans and advances to banks	493,423	482,559	
Loans and advances to customers	3,864,799	3,850,837	
<i>of which: impairment allowances eligible for inclusion in Tier 2 capital</i>		(6,227)	2
Financial investments	2,099,827	1,602,187	
Amounts due from Group companies	202,711	537,359	
<i>of which: significant LAC investments eligible as Tier 2 capital issued by financial sector entities</i>		6,353	3
Investments in subsidiaries		22,749	
Interests in associates and joint ventures	189,058	185,598	
<i>of which: goodwill</i>		3,864	4
<i>of which: significant LAC investments in financial sector entities exceeding 10% threshold</i>		145,999	5
Goodwill and intangible assets	105,323	30,296	
<i>of which: goodwill</i>		4,721	6
<i>of which: intangible assets</i>		25,575	7
Property, plant and equipment	128,522	121,135	
Deferred tax assets	4,928	4,678	
<i>of which: deferred tax assets net of related tax liabilities</i>		4,781	8
<i>of which: deferred tax liabilities related to goodwill</i>		(89)	9
<i>of which: deferred tax liabilities related to intangible assets</i>		(14)	10
Prepayments, accrued income and other assets	363,730	250,820	
<i>of which: defined benefit pension fund net assets</i>		13	11
Total assets	10,356,032	9,447,194	

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

	a	b	c
	At 30 Jun 2022		
	Balance sheet in published financial statements HK\$m	Under regulatory scope of consolidation HK\$m	Cross-referenced to definition of Capital Components
Liabilities			
Hong Kong currency notes in circulation	344,194	344,194	
Items in the course of transmission to other banks	52,117	52,117	
Repurchase agreements – non-trading	287,591	287,309	
Deposits by banks	337,078	337,078	
Customer accounts	6,113,666	6,111,767	
Trading liabilities	106,297	106,297	
Derivatives	495,427	495,495	
<i>of which: gains and losses due to changes in own credit risk on fair valued liabilities</i>		(606)	12
Financial liabilities designated at fair value	149,750	114,941	
<i>of which: gains and losses due to changes in own credit risk on fair valued liabilities</i>		(39)	13
Debt securities in issue	107,280	106,921	
Retirement benefit liabilities	1,712	1,712	
Amounts due to Group companies	392,567	405,745	
<i>of which: qualifying Tier 2 capital instruments</i>		18,851	14
<i>of which: gains and losses due to changes in own credit risk on fair valued liabilities</i>		(4,031)	15
Accruals and deferred income, other liabilities and provisions	313,462	236,321	
Liabilities under insurance contracts	689,045	–	
Current tax liabilities	3,097	1,931	
Deferred tax liabilities	34,818	22,050	
<i>of which: deferred tax liabilities related to goodwill</i>		4	16
<i>of which: deferred tax liabilities related to intangible assets</i>		3,836	17
<i>of which: deferred tax liabilities related to defined benefit pension fund net assets</i>		1	18
Subordinated liabilities	4,029	4,029	
Total liabilities	9,432,130	8,627,907	
Equity			
Share capital	180,181	180,181	
<i>of which: portion eligible for inclusion in CET1 capital</i>		178,727	19
<i>of which: revaluation reserve capitalisation issue</i>		1,454	20
Other equity instruments	52,386	52,386	
<i>of which: qualifying AT1 capital instruments</i>		52,386	21
Other reserves	117,341	119,422	22
<i>of which: fair value gains arising from revaluation of land and buildings</i>		63,198	23
<i>of which: cash flow hedging reserves</i>		(341)	24
<i>of which: valuation adjustment</i>		8	25
Retained earnings	508,541	413,187	26
<i>of which: regulatory reserve for general banking risks</i>		19,298	27
<i>of which: regulatory reserve eligible for inclusion in Tier 2 capital</i>		10,908	28
<i>of which: fair value gains arising from revaluation of land and buildings</i>		4,202	29
<i>of which: valuation adjustment</i>		2,513	30
Total shareholders' equity	858,449	765,176	
Non-controlling interests	65,453	54,111	
<i>of which: portion allowable in CET1 capital</i>		30,586	31
<i>of which: portion allowable in AT1 capital</i>		1,657	32
<i>of which: portion allowable in Tier 2 capital</i>		1,683	33
Total equity	923,902	819,287	
Total liabilities and equity	10,356,032	9,447,194	

Capital and RWAs

Regulatory capital disclosures

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

Table 4: CC1 – Composition of regulatory capital

	a	b
	At 30 Jun 2022	
	Component of regulatory capital	Cross-referenced to Table 3
	HK\$m	Source based on reference numbers/ letters of the balance sheet under the regulatory scope of consolidation
CET1 capital: instruments and reserves		
1	178,727	19
2	413,187	26
3	119,422	22
5	30,586	31
6	741,922	
CET1 capital: regulatory deductions		
7	2,521	25+30
8	8,492	4+6+9-16
9	21,725	7+10-17
10	4,781	8
11	(341)	24
14	4,676	-(12+13+15)
15	12	11-18
19	145,999	5
26	86,698	
26a	67,400	23+29
26b	19,298	27
28	274,563	
29	467,359	
AT1 capital: instruments		
30	52,386	21
31	52,386	21
34	1,657	32
36	54,043	
AT1 capital: regulatory deductions		
40	11	1
43	11	
44	54,032	
45	521,391	
Tier 2 capital: instruments and provisions		
46	18,851	14
48	1,683	33
50	17,135	28-2
51	37,669	
Tier 2 capital: regulatory deductions		
55	6,353	3
56	(30,984)	
56a	(30,984)	(20+23+29)x45%
57	(24,631)	
58	62,300	
59	583,691	
60	3,252,522	

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

		a	b
		At 30 Jun 2022	
		Component of regulatory capital	Cross-referenced to Table 3
		HK\$m	Source based on reference numbers/ letters of the balance sheet under the regulatory scope of consolidation
Capital ratios (as a percentage of RWA)			
61	CET1 capital ratio	14.4%	
62	Tier 1 capital ratio	16.0%	
63	Total capital ratio	17.9%	
64	Institution-specific buffer requirement (capital conservation buffer plus countercyclical capital buffer plus higher loss absorbency requirements)	5.51%	
65	<i>of which: capital conservation buffer requirement</i>	2.50%	
66	<i>of which: bank specific countercyclical capital buffer requirement</i>	0.51%	
67	<i>of which: higher loss absorbency requirement</i>	2.50%	
68	CET1 (as a percentage of RWA) available after meeting minimum capital requirements	9.9%	
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	24,219	
73	Significant LAC investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	61,336	
Applicable caps on the inclusion of provisions in Tier 2 capital			
76	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to the basic indicator ('BSC') approach, or the standardise (credit risk) ('STC') approach and SEC-ERBA, SEC-SA and SEC-FBA (prior to application of cap)	3,244	
77	Cap on inclusion of provisions in Tier 2 under the BSC approach, or the STC approach, and SEC-ERBA, SEC-SA and SEC-FBA	3,595	
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)	13,891	
79	Cap for inclusion of provisions in Tier 2 under the IRB approach and SEC-IRBA	14,758	

Total regulatory capital decreased by HK\$6.8bn in the first half of 2022, mainly due to:

- a HK\$21.8bn decrease from unfavourable foreign currency translation differences;
- a HK\$12.3bn decrease in fair value through other comprehensive income reserve;
- a HK\$6.8bn increase in the threshold deduction for significant investments in financial sector entities;
- a HK\$3.1bn decrease from fully phasing out the non-eligible Tier 2 capital instrument;

partially offset by

- a HK\$16.5bn increase from regulatory profits, net of dividends;
- a HK\$7.8bn increase from issuance of new ordinary shares;
- a HK\$7.8bn increase from issuance of new Additional tier 1 capital instrument; and
- a HK\$5.1bn increase from issuance of new Tier 2 capital instrument.

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

Notes to the template:

		At 30 Jun 2022	
		Hong Kong basis	Basel III basis
		HK\$m	HK\$m
10	Deferred tax assets (net of associated deferred tax liabilities)	4,781	202

Explanation:

As set out in paragraphs 69 and 87 of the Basel III text issued by the Basel Committee (December 2010), Deferred Tax Assets ('DTAs') of the bank to be realised are to be deducted, whereas DTAs which relate to temporary differences may be given limited recognition in CET1 capital (and hence be excluded from deduction from CET1 capital up to the specified threshold). In Hong Kong, an AI is required to deduct all DTAs in full, irrespective of their origin, from CET1 capital. Therefore, the amount to be deducted as reported in row 10 may be greater than that required under Basel III.

The amount reported under the column 'Basel III basis' in this box represents the amount reported in row 10 (i.e. the amount reported under the 'Hong Kong basis') adjusted by reducing the amount of DTAs to be deducted which relate to temporary differences to the extent not in excess of the 10% threshold set for DTAs arising from temporary differences and the aggregate 15% threshold set for Mortgage Servicing Rights ('MSRs'), DTAs arising from temporary differences and significant investments in CET1 capital instruments issued by financial sector entities (excluding those that are loans, facilities or other credit exposures to connected companies) under Basel III.

		At 30 Jun 2022	
		Hong Kong basis	Basel III basis
		HK\$m	HK\$m
19	Significant LAC investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	145,999	144,420

Explanation:

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

Therefore, the amount to be deducted as reported in row 19 may be greater than that required under Basel III. The amount reported under the column 'Basel III basis' in this box represents the amount reported in row 19 (i.e. the amount reported under the 'Hong Kong basis') adjusted by excluding the aggregate amount of loans, facilities or other credit exposures to the AI's connected companies which were subject to deduction under the Hong Kong approach.

Remarks:

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

Table 5: CCA – Capital instruments

		At 30 Jun 2022	
		Total amount	Amount recognised in regulatory capital
			HK\$m
CET1 capital instruments			
	Ordinary shares	HK\$180,181m	178,726
AT1 capital instruments			
	Fixed rate perpetual subordinated loans, callable from 2024	US\$1,100m	8,617
	Fixed rate perpetual subordinated loans, callable from 2024	US\$900m	7,044
	Fixed rate perpetual subordinated loans, callable from 2025	US\$1,000m	7,834
	Fixed rate perpetual subordinated loans, callable from 2025	US\$700m	5,467
	Fixed rate perpetual subordinated loans, callable from 2025	US\$500m	3,905
	Fixed rate perpetual subordinated loans, callable from 2026	US\$900m	7,063
	Fixed rate perpetual subordinated loans, callable from 2027	US\$600m	4,685
	Fixed rate perpetual subordinated loans, callable from 2027	US\$1,000m	7,771
Tier 2 capital instruments			
	Subordinated loan due 2030, callable from 2025	US\$1,000m	7,718
	Subordinated loan due 2030, callable from 2025	US\$180m	1,399
	Subordinated loan due 2031, callable from 2026	US\$600m	4,594
	Subordinated loan due 2032, callable from 2027	SG\$900m	5,140

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

Countercyclical capital buffer ratio

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

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

		a	c	d	e
		At 30 Jun 2022			
Geographical breakdown by Jurisdiction ('J')		Applicable JCCyB ratio in effect	RWAs used in computation of CCyB ratio	AI-specific CCyB ratio	CCyB amount
		%	HK\$m	%	HK\$m
1	Hong Kong ¹	1.00	1,197,855		
2	Bulgaria	0.50	2		
3	Czech Republic	0.50	2		
4	Luxembourg	0.50	4,944		
5	Norway (includes Bouvet Islands, Svalbard and Jan Mayen Islands)	1.50	59		
6	Slovakia	1.00	1		
	Sum²		1,202,863		
	Total³		2,344,550	0.51	16,653

1 The JCCyB of Hong Kong used in the calculation of the CCyB buffer requirement was 1.0% since 31 March 2020. The JCCyB of other countries used in the calculation of the CCyB requirement ranged from 0% to 1.5% at 30 June 2022.

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

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

RWAs used in computation of CCyB ratio increased by HK\$87.9bn in the first half of 2022, mainly due to movements in asset quality in Hong Kong corporate portfolios.

Leverage ratio

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

Table 7: LR2 – Leverage ratio

	a	b	
	30 Jun 2022 HK\$m	31 Mar 2022 HK\$m	
On-balance sheet exposures			
1	On-balance sheet exposures (excluding those arising from derivative contracts and securities financing transactions ('SFTs'), but including collateral)	7,510,342	7,607,909
2	Less: Asset amounts deducted in determining Tier 1 capital	(271,352)	(274,233)
3	Total on-balance sheet exposures (excluding derivative contracts and SFTs)	7,238,990	7,333,676
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)	167,343	110,781
5	Add-on amounts for potential future exposure ('PFE') associated with all derivative contracts	303,275	316,378
7	Less: Deductions of receivables assets for cash variation margin provided under derivative contracts	(26,175)	—
8	Less: Exempted central counterparty ('CCP') leg of client-cleared trade exposures	(31,201)	(20,914)
9	Adjusted effective notional amount of written credit-related derivative contracts	206,874	207,984
10	Less: Adjusted effective notional offsets and add-on deductions for written credit-related derivative contracts	(188,936)	(191,659)
11	Total exposures arising from derivative contracts	431,180	422,570
Exposures arising from SFTs			
12	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	1,140,449	1,106,302
13	Less: Netted amounts of cash payables and cash receivables of gross SFT assets	(42,023)	(57,876)
14	CCR exposure for SFT assets	38,268	33,046
16	Total exposures arising from SFTs	1,136,694	1,081,472
Other off-balance sheet exposures			
17	Off-balance sheet exposure at gross notional amount	3,431,359	3,399,586
18	Less: Adjustments for conversion to credit equivalent amounts	(2,780,864)	(2,741,091)
19	Off-balance sheet items	650,495	658,495
Capital and total exposures			
20	Tier 1 capital	521,391	515,037
20a	Total exposures before adjustments for specific and collective provisions	9,457,359	9,496,213
20b	Adjustments for specific and collective provisions	(35,301)	(33,448)
21	Total exposures after adjustments for specific and collective provisions	9,422,058	9,462,765
Leverage ratio			
22	Leverage ratio (%)	5.5	5.4

The leverage ratio was 5.5% at 30 June 2022, which increased from 5.4% at 31 March 2022 due to higher Tier 1 capital and a decrease in exposures. Total exposures decreased by HK\$40.7bn in the second quarter of 2022, primarily due to a decrease in holdings in treasury bills and debt securities of HK\$92.4bn, partly offset by an increase of HK\$55.2bn in SFTs mainly as a result of higher demand for reverse repo trades.

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

	a	
	Value under the LR framework	
	30 Jun 2022 HK\$m	
Item		
1	Total consolidated assets as per published financial statements	10,356,032
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	(852,125)
4	Adjustments for derivative contracts	(72,310)
5	Adjustment for SFTs (i.e. repos and similar secured lending)	38,268
6	Adjustment for off-balance sheet ('OBS') items (i.e. conversion to credit equivalent amounts of OBS exposures)	650,495
6a	Adjustments for prudent valuation adjustments ('PVA') and specific and collective provisions that are allowed to be excluded from exposure measure	(3,808)
7	Other adjustments	(694,494)
8	Leverage ratio exposure measure	9,422,058

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

Overview of RWAs and the minimum capital requirements
Table 9: OV1 – Overview of RWAs

	a	b	c
	RWAs ¹	RWAs ¹	Minimum ² capital requirements
	30 Jun 2022 HK\$m	31 Mar 2022 HK\$m	30 Jun 2022 HK\$m
1 Credit risk for non-securitisation exposures	2,313,457	2,284,569	194,920
2 <i>of which: STC approach</i>	262,906	257,230	21,033
4 <i>of which: supervisory slotting criteria approach</i>	116,684	104,354	9,895
5 <i>of which: advanced IRB approach</i>	1,933,867	1,922,985	163,992
6 Counterparty default risk and default fund contributions	104,462	102,709	8,766
7 <i>of which: SA-CCR approach</i>	38,316	37,597	3,212
8 <i>of which: IMM (CCR) approach</i>	36,471	33,860	3,064
9 <i>of which: Others</i>	29,675	31,252	2,490
10 Credit valuation adjustment ('CVA') Risk	41,149	42,197	3,292
11 Equity positions in banking book under the simple risk weight method and the internal models method	31,147	27,693	2,641
15 Settlement risk	142	1,131	12
16 Securitisation exposures in banking book	6,467	6,829	518
18 <i>of which: SEC-ERBA including internal assessment approach ('IAA')</i>	2,409	2,270	193
19 <i>of which: SEC-SA</i>	4,058	4,559	325
20 Market risk	169,064	153,997	13,528
21 <i>of which: STM approach</i>	3,822	2,652	309
22 <i>of which: IMM approach</i>	165,242	151,345	13,219
24 Operational risk	330,769	332,479	26,461
24a Sovereign concentration risk	1,126	–	90
25 Amounts below the thresholds for deduction (subject to 250% risk weight ('RW'))	153,339	154,737	13,003
26a Deduction to RWAs	37,870	37,465	3,030
26c <i>of which: portion of cumulative fair value gains arising from the revaluation of land and buildings which is not included in Tier 2 Capital</i>	37,870	37,465	3,030
27 Total	3,113,252	3,068,876	260,201

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

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

Credit risk for non-securitisation exposures

RWAs increased by HK\$28.9bn in the second quarter of 2022. Excluding the decrease arising from foreign currency translation differences of HK\$45.4bn, the increase of HK\$74.3bn was mainly due to:

- an increase of HK\$29.7bn from asset quality due to unfavourable credit rating movements in corporate portfolios;
- an increase in asset size of HK\$22.6bn largely driven by growth in loan book of Hong Kong and India; and
- an increase in RWA of HK\$13.7bn on mainland China's commercial real estate exposure booked in Hong Kong.

RWA flow statements

RWA flow statement for credit risk

Table 10: CR8 – RWA flow statement of credit risk exposures under IRB approach¹

	a
	HK\$m
1 RWAs as at 31 Mar 2022	2,027,339
2 Asset size	11,083
3 Asset quality	29,668
4 Model updates	13,728
5 Methodology and policy	8,305
7 Foreign exchange movements	(39,572)
9 RWAs as at 30 Jun 2022	2,050,551

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

RWAs under the IRB approach increased by HK\$23.2bn in the second quarter of 2022. Excluding the decrease arising from foreign currency translation differences of HK\$39.6bn, the increase of HK\$62.8bn was mainly due to:

- an increase of HK\$29.7bn from asset quality due to unfavourable credit rating movements in corporate portfolios;
- an increase in RWA of HK\$13.7bn on mainland China's commercial real estate exposure booked in Hong Kong; and
- an increase in asset size of HK\$11.1bn largely driven by growth in loan book of Hong Kong and India.

RWA flow statement for counterparty credit risk

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

	a
	HK\$m
1 RWAs as at 31 Mar 2022	33,860
2 Asset size	5,768
3 Credit quality of counterparties	(2,515)
4 Model updates	(714)
7 Foreign exchange movements	72
9 RWAs as at 30 Jun 2022	36,471

RWA flow statement for market risk

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

	a	b	c	e	f
	Value at Risk ('VaR') HK\$m	Stressed VaR HK\$m	Incremental Risk Charge ('IRC') HK\$m	Other HK\$m	Total RWAs HK\$m
1 RWAs as at 31 Mar 2022	19,182	49,564	36,034	46,565	151,345
2 Movement in risk levels	(1,944)	13,284	(10,484)	12,721	13,577
6 Foreign exchange movements	40	105	76	99	320
8 RWAs as at 30 Jun 2022	17,278	62,953	25,626	59,385	165,242

Loss-absorbing Capacity

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

	a	b	c	d	e
	At				
	30 Jun 2022	31 Mar 2022	31 Dec 2021	30 Sep 2021	30 Jun 2021
Of the group at LAC consolidation group level					
1 Internal loss-absorbing capacity available (HK\$m)	808,512	756,510	794,544	802,415	793,162
2 Risk-weighted amount under the LAC Rules (HK\$m)	3,252,522	3,206,381	3,156,553	3,068,069	3,117,666
3 Internal LAC risk-weighted ratio (%)	24.9	23.6	25.2	26.2	25.4
4 Exposure measure under the LAC Rules (HK\$m)	9,415,660	9,454,727	9,184,770	9,147,311	9,060,385
5 Internal LAC leverage ratio (%)	8.6	8.0	8.7	8.8	8.8
6a Does the subordination exemption in the antepenultimate paragraph of Section 11 of the Financial Stability Board ('FSB') Total Loss-absorbing Capacity ('TLAC') Term Sheet apply? ¹	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
6b Does the subordination exemption in the penultimate paragraph of Section 11 of the FSB TLAC Term Sheet apply? ¹	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
6c If the capped subordination exemption applies, the amount of funding issued that ranks <i>pari passu</i> with excluded liabilities and that is recognised as external loss-absorbing capacity, divided by funding issued that ranks <i>pari passu</i> with excluded liabilities and that would be recognised as external loss-absorbing capacity if no cap was applied (%) ¹	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable

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

At 30 June 2022, the internal LAC risk-weighted ratio increased to 24.9% from 23.6% at 31 March 2022 and the internal LAC leverage ratio increased to 8.6% from 8.0% at 31 March 2022. The increases in the internal LAC risk-weighted ratio and the internal LAC leverage ratio were mainly due to higher available internal LAC.

Internal LAC available increased by HK\$52.0bn in the second quarter of 2022, arising from an increase of HK\$39.4bn in non-regulatory capital elements and an increase of HK\$12.6bn in regulatory capital elements. The increase in non-regulatory capital elements was due to the issuance of new LAC instruments of HK\$49bn, partly offset by a decrease in carrying value of LAC instruments of HK\$9.6bn.

Table 14: TLAC1(A) – TLAC composition

	a
	At 30 Jun 2022
Regulatory capital elements of internal loss-absorbing capacity and adjustments (HK\$m)	
1 Common Equity Tier 1 ('CET1') capital	467,359
2 Additional tier 1 ('AT1') capital before LAC adjustments	54,032
5 AT1 capital eligible under the LAC Rules	54,032
6 Tier 2 ('T2') capital before LAC adjustments	62,300
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	–
10 T2 capital eligible under the LAC Rules	62,300
11 Internal loss-absorbing capacity arising from regulatory capital	583,691
Non-regulatory capital elements of internal loss-absorbing capacity (HK\$m)	
12 Internal non-capital LAC debt instruments issued directly or indirectly to, and held indirectly or indirectly by, the resolution entity or non-HK resolution entity in the material subsidiary's resolution group	224,867
17 Internal loss-absorbing capacity arising from non-capital LAC debt instruments before adjustments	224,867
Non-regulatory capital elements of internal loss-absorbing capacity: adjustments (HK\$m)	
18 Internal loss-absorbing capacity before deductions	808,558
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	46
22 Internal loss-absorbing capacity after deductions	808,512
Risk-weighted amount and exposure measure under the LAC Rules for internal loss-absorbing capacity purposes (HK\$m)	
23 Risk-weighted amount under the LAC Rules	3,252,522
24 Exposure measure under the LAC Rules	9,415,660
Internal LAC ratios and buffers (%)	
25 Internal LAC risk-weighted ratio	24.9%
26 Internal LAC leverage ratio	8.6%
27 CET1 capital (as a percentage of RWA under the BCR) available after meeting the LAC consolidation group's minimum capital and LAC requirements	6.9%
28 Institution-specific buffer requirement (capital conservation buffer plus countercyclical capital buffer requirements plus higher loss absorbency requirement, expressed as a percentage of RWA under the BCR)	5.51%
29 of which: capital conservation buffer requirement	2.50%
30 of which: institution-specific countercyclical capital buffer requirement	0.51%
31 of which: higher loss absorbency requirement	2.50%

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

		Creditor ranking (HK\$m)					Sum of 1 to 5
		1 (most junior)	2	3	4	5 (most senior)	
1	Is the resolution entity or a non-HK resolution entity the creditor/investor? (yes or no)	Yes	Yes	No ¹	Yes	Yes	
2	Description of creditor ranking	Ordinary shares ²	AT1 instruments	Primary capital notes	Tier 2 instruments	LAC loans	
3	Total capital and liabilities net of credit risk mitigation ('CRM')	180,181	52,572	3,139	19,040	236,010	490,942
5	Total capital and liabilities less excluded liabilities	180,181	52,572	3,139	19,040	236,010	490,942
6	– of row 5 that are eligible as internal loss-absorbing capacity	180,181	52,572	–	19,040	236,010	487,803
7	– of row 6 with 1 year ≤ residual maturity < 2 years	–	–	–	–	42,677	42,677
8	– of row 6 with 2 years ≤ residual maturity < 5 years	–	–	–	–	81,265	81,265
9	– of row 6 with 5 years ≤ residual maturity < 10 years	–	–	–	19,040	93,119	112,159
10	– of row 6 with residual maturity ≥ 10 years, but excluding perpetual securities	–	–	–	–	18,949	18,949
11	– of row 6 that are perpetual securities	180,181	52,572	–	–	–	232,753

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

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

Credit risk

Credit quality of assets

Credit quality of exposures

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

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

Table 16: CR1 – Credit quality of exposures

		a		b		c		d		e		f		g	
		Gross carrying amounts of						of which: Expected Credit Loss ('ECL') accounting provisions ¹ for credit losses on STC approach exposures				of which: ECL accounting provisions for credit losses on IRB approach exposures		Net values (a+b-c)	
		Defaulted exposures	Non-defaulted exposures	Allowances/ impairments	Allocated in regulatory category of specific provisions	Allocated in regulatory category of collective provisions									
		HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m
1	Loans	55,300	4,712,180	34,419	2,140	1,050									
2	Debt securities	38	1,568,057	303	–	29									
3	Off-balance sheet exposures	2,883	3,453,759	1,003	8	71									
4	Total at 30 Jun 2022	58,221	9,733,996	35,725	2,148	1,150									

¹ The categorisation of ECL accounting provisions into the regulatory categories of specific and collective provisions follows the treatment specified in the completion instructions of the HKMA Capital Adequacy Ratio – MA(BS)3 return. According to the completion instructions, the ECL accounting provisions classified into Stage 1 and Stage 2 are treated as collective provisions, while those classified under Stage 3 are treated as specific provisions. Provisions made for purchased or originated credit-impaired financial assets, under which any changes in lifetime expected credit losses will be recognised in the profit or loss account as an impairment gain or loss, are treated as specific provisions.

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

		a
		HK\$m
1	Defaulted loans and debt securities at 31 Dec 2021	42,265
2	Loans and debt securities that have defaulted since 31 Dec 2021	21,583
3	Returned to non-defaulted status	(1,518)
4	Amounts written off	(1,819)
5	Other changes ¹	(5,173)
6	Defaulted loans and debt securities at 30 Jun 2022	55,338

¹ Other changes include repayment and foreign exchange movements.

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

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

	Total gross loans and advances to customers	Gross credit-impaired loans and advances	Specific provisions ¹	Collective provisions ¹
	HK\$m	HK\$m	HK\$m	HK\$m
At 30 Jun 2022				
Residential mortgages	1,178,698	5,420	(308)	(121)
Real Estate	617,331	18,338	(5,081)	(3,490)
Wholesale and retail trade	445,901	12,585	(9,907)	(460)
Manufacturing	396,736	5,887	(3,763)	(704)
Others ²	1,246,043	14,104	(4,657)	(5,380)
Total	3,884,709	56,334	(23,716)	(10,155)

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

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

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

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

	Total gross loans and advances to customers HK\$m	Gross credit-impaired loans and advances HK\$m	Overdue loans and advances HK\$m	Specific provisions ¹ HK\$m	Collective provisions ¹ HK\$m
At 30 Jun 2022					
Hong Kong	2,443,057	32,305	9,680	(11,132)	(6,311)
Mainland China	418,102	2,308	1,240	(1,127)	(1,753)
Others ²	1,023,550	21,721	13,098	(11,457)	(2,091)
Total	3,884,709	56,334	24,018	(23,716)	(10,155)

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

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

Loans and advances to customers

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

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

Table 20: Loans and advances to customers by geographical location

	Hong Kong HK\$m	Rest of Asia-Pacific HK\$m	Other HK\$m	Total HK\$m
At 30 Jun 2022				
Gross loans and advances to customers	2,057,722	1,542,112	298,884	3,898,718

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

Table 21: Loans and advances to customers by industry

	Gross Advances at 30 Jun 2022 HK\$m	Collateral and other security at 30 Jun 2022 HK\$m
Industrial, commercial and financial	1,003,324	593,887
– property development	144,855	52,417
– property investment	302,721	270,355
– financial concerns	118,811	77,144
– stockbrokers	8,846	2,653
– wholesale and retail trade	101,614	46,240
– manufacturing	57,917	14,475
– transport and transport equipment	51,380	32,950
– recreational activities	1,623	930
– information technology	39,206	1,171
– others	176,351	95,552
Individuals	943,553	850,362
– advances for the purchase of flats under the Hong Kong Government's Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme	66,162	66,162
– advances for the purchase of other residential properties	693,077	693,077
– credit card advances	57,264	–
– others	127,050	91,123
Gross loans and advances to customers for use in Hong Kong	1,946,877	1,444,249
Trade Finance	176,822	37,202
Gross loans and advances to customers for use outside Hong Kong	1,775,019	707,879
Gross loans and advances to customers	3,898,718	2,189,330

The categories of advances, and the relevant definitions, used by the HKMA differ from those used for internal purposes by the group as disclosed in Note 3 in the group's *Interim Report 2022*.

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

Banking Disclosure Statement at 30 June 2022

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

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

Table 22: Overdue and rescheduled loans and advances to customers

	Hong Kong		Rest of Asia-Pacific		Total	
	HK\$m	% ¹	HK\$m	% ¹	HK\$m	% ¹
At 30 Jun 2022						
Gross amounts which have been overdue with respect to either principal or interest for:						
– more than three months but not more than six months	2,459	0.1	1,697	0.1	4,156	0.1
– more than six months but not more than one year	1,411	0.1	858	0.1	2,269	0.1
– more than one year	7,861	0.3	10,448	0.7	18,309	0.4
Total	11,731	0.5	13,003	0.9	24,734	0.6
Specific provisions made in respect of amounts overdue ²	(4,972)		(10,110)		(15,082)	
Fair value of collateral held in respect of amounts overdue	4,387		2,760		7,147	
Rescheduled loans and advances to customers	3,737	0.2	3,866	0.3	7,603	0.2

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

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

Off-balance sheet exposures other than derivative transactions

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

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

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

	30 Jun 2022 HK\$m
Contract amounts	
Direct credit substitutes	44,934
Transaction-related contingencies	291,938
Trade-related contingencies	140,299
Forward asset purchases	3,043
Commitments that are unconditionally cancellable without prior notice	2,595,258
Commitments which have an original maturity of not more than one year	70,583
Commitments which have an original maturity of more than one year	310,587
Total	3,456,642
Risk-weighted amounts	320,792

Credit risk under internal ratings-based approach

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

	a	b	c	d	e	f	g	h	i	j	k	l
Probability of Default ('PD') scale	Original on-balance sheet gross exposure HK\$m	Off-balance sheet exposures pre-credit conversion factor ('CCF') HK\$m	Average CCF %	Exposure at default ('EAD') post-CRM and post-CCF HK\$m	Average PD %	Number of obligors	Average loss given default ('LGD') %	Average maturity years	RWAs HK\$m	RWA density %	Expected Loss ('EL') HK\$m	Provisions HK\$m
Portfolio (i) – Sovereign												
0.00 to < 0.15	1,862,790	2,070	20.0	1,863,204	0.02	638	34.2	1.43	102,592	6	139	
0.15 to < 0.25	20,706	–	–	20,706	0.22	35	45.0	1.29	7,177	35	20	
0.25 to < 0.50	7,309	34	50.0	7,326	0.37	19	45.0	1.01	3,232	44	12	
0.50 to < 0.75	16,653	1,308	78.7	17,683	0.63	21	45.0	1.24	10,935	62	50	
0.75 to < 2.50	–	–	–	–	1.65	2	45.0	1.00	–	89	–	
2.50 to < 10.00	1,061	–	–	1,061	3.18	5	45.0	1.08	1,199	113	15	
10.00 to < 100.00	4,800	–	–	4,800	35.98	5	45.0	1.02	11,241	234	778	
100.00 (Default)	1,405	250	30.0	1,480	100.00	10	16.6	4.31	2,739	185	55	
Sub-total at 30 Jun 2022	1,914,724	3,662	41.9	1,916,260	0.20	735	34.5	1.43	139,115	7	1,069	1,742
Portfolio (ii) – Bank												
0.00 to < 0.15	508,559	69,704	34.5	532,597	0.05	16,268	38.6	1.15	69,285	13	105	
0.15 to < 0.25	21,985	13,480	43.0	27,784	0.22	686	45.9	1.04	11,623	42	28	
0.25 to < 0.50	5,204	2,777	37.0	6,233	0.37	974	39.5	1.01	3,166	51	9	
0.50 to < 0.75	8,594	2,882	34.9	9,599	0.63	353	39.6	1.07	6,025	63	24	
0.75 to < 2.50	2,167	2,214	37.7	3,003	1.28	226	43.1	0.67	2,281	76	17	
2.50 to < 10.00	660	51	23.9	672	3.39	112	54.7	0.44	909	135	13	
10.00 to < 100.00	38	263	30.3	117	13.35	39	72.2	0.75	341	291	10	
100.00 (Default)	112	–	–	112	100.00	1	64.7	1.00	2	2	93	
Sub-total at 30 Jun 2022	547,319	91,371	35.9	580,117	0.10	18,659	39.0	1.14	93,632	16	299	1,085
Portfolio (iii) – Corporate – small and medium sized corporates												
0.00 to < 0.15	8,674	26,021	32.8	17,194	0.10	799	36.3	1.65	2,489	14	6	
0.15 to < 0.25	8,481	14,363	24.4	11,890	0.22	934	36.1	1.83	3,086	26	9	
0.25 to < 0.50	22,888	20,324	27.6	28,499	0.37	1,273	29.4	2.03	8,881	31	31	
0.50 to < 0.75	35,745	20,617	26.9	41,298	0.63	1,378	29.6	2.13	16,776	41	77	
0.75 to < 2.50	111,867	52,359	26.4	125,694	1.43	4,324	28.9	1.82	74,964	60	524	
2.50 to < 10.00	25,543	12,620	25.4	28,751	4.06	1,294	31.8	1.61	21,787	76	385	
10.00 to < 100.00	1,520	855	30.2	1,778	11.34	161	45.5	1.37	2,741	154	94	
100.00 (Default)	1,938	131	14.8	1,958	100.00	59	42.2	1.64	3,527	180	650	
Sub-total at 30 Jun 2022	216,656	147,290	27.5	257,062	2.15	10,222	30.4	1.86	134,251	52	1,776	2,102
Portfolio (iv) – Corporate – other												
0.00 to < 0.15	611,537	783,686	27.9	827,755	0.08	19,339	45.8	1.62	170,852	21	316	
0.15 to < 0.25	198,178	265,083	27.0	267,352	0.22	5,208	47.4	1.36	103,054	39	279	
0.25 to < 0.50	148,253	219,103	21.2	193,388	0.37	4,521	45.1	1.41	94,882	49	322	
0.50 to < 0.75	212,234	170,611	25.5	246,462	0.63	3,893	38.7	1.56	139,814	57	601	
0.75 to < 2.50	394,020	323,534	23.1	468,632	1.37	9,667	38.0	1.32	355,055	76	2,416	
2.50 to < 10.00	113,281	87,718	22.5	133,026	3.97	3,358	35.1	1.34	131,060	99	1,877	
10.00 to < 100.00	26,517	9,965	23.8	28,893	17.20	407	34.8	1.43	52,573	182	1,421	
100.00 (Default)	42,838	2,274	25.4	43,415	100.00	554	40.5	1.24	65,738	151	20,467	
Sub-total at 30 Jun 2022	1,746,858	1,861,974	25.6	2,208,923	2.88	46,947	42.6	1.47	1,113,028	50	27,699	38,579

Banking Disclosure Statement at 30 June 2022

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

	a	b	c	d	e	f	g	h	i	j	k	l
PD scale	Original on-balance sheet gross exposure HK\$m	Off-balance sheet exposures pre-CCF HK\$m	Average CCF %	EAD post-CRM and post-CCF HK\$m	Average PD %	Number of obligors	Average LGD %	Average maturity ¹ years	RWAs HK\$m	RWA density %	EL HK\$m	Provisions HK\$m
Portfolio (v) – Retail – qualifying revolving retail exposures												
0.00 to < 0.15	28,037	464,328	33.9	185,298	0.06	4,257,475	101.1	–	7,034	4	110	
0.15 to < 0.25	2,858	17,619	48.2	11,350	0.22	240,527	101.2	–	1,347	12	26	
0.25 to < 0.50	7,690	32,359	38.6	20,186	0.40	360,668	97.5	–	3,741	19	78	
0.50 to < 0.75	5,980	7,254	53.3	9,847	0.58	90,492	97.8	–	2,511	26	56	
0.75 to < 2.50	15,369	31,494	39.2	27,714	1.35	291,387	96.8	–	12,994	47	362	
2.50 to < 10.00	8,810	5,487	62.4	12,234	4.52	112,970	91.3	–	12,662	103	509	
10.00 to < 100.00	3,415	1,049	81.6	4,271	22.22	37,518	87.5	–	8,116	190	847	
100.00 (Default)	161	62	1.1	162	100.00	2,275	99.4	–	284	175	139	
Sub-total at 30 Jun 2022	72,320	559,652	35.5	271,062	0.85	5,393,312	99.6	–	48,689	18	2,127	2,703
Portfolio (vi) – Retail – Residential mortgage exposures												
0.00 to < 0.15	468,707	30,594	55.0	485,549	0.09	166,186	15.3	–	87,075	18	64	
0.15 to < 0.25	208,802	12,946	89.2	220,355	0.19	118,471	12.4	–	36,191	16	51	
0.25 to < 0.50	173,251	2,661	73.8	175,214	0.36	61,470	11.8	–	33,028	19	77	
0.50 to < 0.75	83,928	638	125.1	84,726	0.58	37,118	12.3	–	17,522	21	60	
0.75 to < 2.50	100,143	732	96.5	100,850	1.14	48,525	11.3	–	23,104	23	129	
2.50 to < 10.00	37,834	252	103.5	38,095	4.28	16,774	11.6	–	14,990	39	193	
10.00 to < 100.00	6,025	54	102.9	6,081	18.51	4,465	15.6	–	5,157	85	178	
100.00 (Default)	4,980	52	–	4,980	100.00	3,860	13.2	–	7,060	142	218	
Sub-total at 30 Jun 2022	1,083,670	47,929	67.1	1,115,850	0.97	456,869	13.5	–	224,127	20	970	1,546
Portfolio (vii) – Retail – small business retail exposures												
0.00 to < 0.15	3,055	11	100.0	3,065	0.07	1,283	11.0	–	72	2	–	
0.15 to < 0.25	476	2	100.0	478	0.19	127	16.1	–	30	6	–	
0.25 to < 0.50	359	–	–	359	0.33	71	36.5	–	73	20	–	
0.50 to < 0.75	505	2	100.0	507	0.57	182	6.7	–	26	5	–	
0.75 to < 2.50	409	2	100.0	411	1.33	97	23.3	–	105	25	1	
2.50 to < 10.00	406	–	100.0	407	4.98	161	8.4	–	51	12	3	
10.00 to < 100.00	–	–	–	–	–	–	–	–	–	–	–	
100.00 (Default)	6	–	–	6	100.00	3	27.5	–	21	331	–	
Sub-total at 30 Jun 2022	5,216	17	100.0	5,233	0.75	1,924	13.6	–	378	7	4	7
Portfolio (viii) – Other retail exposures to individuals												
0.00 to < 0.15	6,655	28,362	29.9	15,129	0.08	79,226	11.3	–	329	2	1	
0.15 to < 0.25	2,023	16,560	31.3	7,200	0.21	51,698	5.5	–	163	2	1	
0.25 to < 0.50	9,063	11,386	37.3	13,311	0.34	85,445	59.4	–	4,392	33	25	
0.50 to < 0.75	4,065	3,866	45.1	5,809	0.67	20,570	32.1	–	1,518	26	11	
0.75 to < 2.50	10,664	3,792	39.4	12,159	1.70	43,421	57.2	–	8,164	67	107	
2.50 to < 10.00	2,804	211	44.9	2,899	4.40	16,524	77.5	–	3,282	113	101	
10.00 to < 100.00	584	43	47.3	604	17.82	5,124	80.2	–	1,005	166	90	
100.00 (Default)	127	17	16.6	129	100.00	1,198	69.6	–	229	177	75	
Sub-total at 30 Jun 2022	35,985	64,237	33.1	57,240	1.19	303,206	37.8	–	19,082	33	411	367

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

	a	b	c	d	e	f	g	h	i	j	k	l
	Original on-balance sheet gross exposure	Off-balance sheet exposures pre-CCF	Average CCF	EAD post-CRM and post-CCF	Average PD	Number of obligors	Average LGD	Average ¹ maturity	RWAs	RWA density	EL	Provisions ²
	HK\$m	HK\$m	%	HK\$m	%		%	years	HK\$m	%	HK\$m	HK\$m
Total (sum of all portfolios) at 30 Jun 2022	5,622,748	2,776,132	29.0	6,411,747	1.36	6,231,874	36.6	1.44	1,772,302	28	34,355	48,131

¹ The average maturity is relevant to wholesale portfolios only.

² Provisions in this table represent the eligible provisions as defined under Division 1, Part 6 of the BCR which include the regulatory reserves for general banking risks and the impairment allowances reported under IRB approach.

The increase in weighted average PD from 1.21% as at 31 December 2021 to 1.36% as at 30 June 2022 was mainly driven by an increase in exposure to corporate portfolios with high PD scales.

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

		a	b	c	d	e	f
Supervisory Rating Grade	Remaining maturity	On-balance sheet exposure amount	Off-balance sheet exposure amount	Supervisory risk weight ('SRW')	EAD amount	RWAs	EL amount
		HK\$m	HK\$m	%	HK\$m	HK\$m	HK\$m
Strong [^]	Less than 2.5 years	502	10	70	506	354	2
Strong	Equal to or more than 2.5 years	79	–	95	79	75	–
Good [^]	Less than 2.5 years	–	1	95	1	1	–
Good	Equal to or more than 2.5 years	16	–	120	16	20	–
Total at 30 Jun 2022		597	11		602	450	2

[^] Use of preferential risk-weights

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

		a	b	c	d(i)	d(iv)	d(v)	e	f
Supervisory Rating Grade	Remaining Maturity	On-balance sheet exposure amount	Off-balance sheet exposure amount	SRW	EAD amount				EL amount
					Project Finance ('PF')	Income Producing Real Estate ('IPRE')	Total	RWAs	
Strong [^]	Less than 2.5 years	41,164	6,750	50	1,803	42,039	43,842	21,920	–
Strong	Less than 2.5 years	9,751	4,786	70	932	10,742	11,674	8,172	47
Strong [^]	Equal to or more than 2.5 years	4,064	2,813	50	5,050	–	5,050	2,525	–
Strong	Equal to or more than 2.5 years	46,044	1,144	70	14,076	32,448	46,524	32,567	186
Good [^]	Less than 2.5 years	17,601	4,748	70	1,168	18,116	19,284	13,499	77
Good	Less than 2.5 years	7,521	2,464	90	–	8,378	8,378	7,541	67
Good [^]	Equal to or more than 2.5 years	3,693	64	70	3,730	–	3,730	2,611	15
Good	Equal to or more than 2.5 years	13,271	1,018	90	–	13,645	13,645	12,281	109
Satisfactory		12,363	2,607	115	3,157	9,989	13,146	15,118	368
Weak		–	–	250	–	–	–	–	–
Default		832	15	–	784	54	838	–	419
Total at 30 Jun 2022		156,304	26,409		30,700	135,411	166,111	116,234	1,288

[^] Use of preferential risk weights.

RWAs of specialised lending under supervisory slotting criteria approach increased by HK\$17.4bn over the first half of 2022, mainly due to growth in specialised lending exposures in Hong Kong.

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

	a	c	d	e
	On-balance sheet exposure amount	SRW	EAD amount	RWAs
	HK\$m	%	HK\$m	HK\$m
Categories				
Publicly traded equity exposures	–	300	–	–
All other equity exposures	7,787	400	7,787	31,147
Total at 30 Jun 2022	7,787		7,787	31,147

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

	a	c	d	e	f	g	h	j
Risk Weight	0%	20%	35%	50%	75%	100%	150%	Total credit risk exposures amount (post-CCF and post-CRM)
Exposure class	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m
1 Sovereign exposures	33,322	209	–	–	–	–	–	33,531
2 Public sector entities ('PSE') exposures	82,837	23,146	–	2,376	–	8,834	6	117,199
2a of which: domestic PSEs	–	12,382	–	–	–	–	–	12,382
2b of which: foreign PSEs	82,837	10,764	–	2,376	–	8,834	6	104,817
4 Bank exposures	–	560	–	137	–	79	1	777
5 Securities firm exposures	–	–	–	1	–	–	–	1
6 Corporate exposures	–	13,620	–	4,521	–	132,078	50	150,269
10 Regulatory retail exposures	–	–	–	–	63,151	–	–	63,151
11 Residential mortgage loans	–	–	109,713	–	9,322	5,687	–	124,722
12 Other exposures which are not past due exposures	–	–	–	–	–	9,931	–	9,931
13 Past due exposures	93	2	–	–	–	263	1,447	1,805
15 Total at 30 Jun 2022	116,252	37,537	109,713	7,035	72,473	156,872	1,504	501,386

Credit risk mitigation
Table 29: CR3 – Overview of recognised credit risk mitigation

	a	b1	b	d
	Exposures unsecured: carrying amount HK\$m	Exposures to be secured HK\$m	Exposures secured by recognised collateral HK\$m	Exposures secured by recognised guarantees HK\$m
1 Loans	2,264,134	2,468,927	2,065,815	403,112
2 Debt securities	1,534,959	32,833	–	32,833
3 Total at 30 Jun 2022	3,799,093	2,501,760	2,065,815	435,945
4 of which: defaulted	9,860	22,543	20,451	2,092

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

	a	b
	Pre-credit derivatives RWAs HK\$m	Actual RWAs HK\$m
1 Corporate – Specialised lending under supervisory slotting criteria approach (project finance)	20,992	20,992
4 Corporate – Specialised lending under supervisory slotting criteria approach (income-producing real estate)	95,242	95,242
5 Corporate – Specialised lending (high-volatility commercial real estate)	450	450
6 Corporate – Small-and-medium sized corporates	134,251	134,251
7 Corporate – Other corporates	1,113,028	1,113,028
8 Sovereigns	136,115	136,115
10 Multilateral development banks	3,000	3,000
11 Bank exposures – Banks	74,132	74,132
12 Bank exposures – Securities firms	19,500	19,500
14 Retail – Small business retail exposures	378	378
15 Retail – Residential mortgages to individuals	220,569	220,569
16 Retail – Residential mortgages to property-holding shell companies	3,558	3,558
17 Retail – Qualifying revolving retail exposures ('QRRE')	48,689	48,689
18 Retail – Other retail exposures to individuals	19,082	19,082
19 Equity – Equity exposures under market-based approach (simple risk weight method)	31,147	31,147
26 Other – Cash items	3,921	3,921
27 Other – Other items	157,786	157,786
28 Total (under the IRB calculation approaches) at 30 Jun 2022	2,081,840	2,081,840

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

	a	b	c	d	e	f
	Exposures pre-CCF and pre-CRM		Exposures post-CCF and post-CRM		RWAs and RWA density	
	On-balance sheet amount HK\$m	Off-balance sheet amount HK\$m	On-balance sheet amount HK\$m	Off-balance sheet amount HK\$m	RWAs HK\$m	RWA density %
Exposure classes						
1 Sovereign exposures	–	–	33,478	53	42	–
2 PSE exposures	158,232	12,463	113,884	3,315	14,660	13
2a <i>of which: domestic PSEs</i>	11,602	2,015	11,603	779	2,476	20
2b <i>of which: foreign PSEs</i>	146,630	10,448	102,281	2,536	12,184	12
4 Bank exposures	678	932	724	53	261	34
5 Securities firm exposures	1	135	1	–	1	44
6 Corporate exposures	160,866	180,510	139,841	10,428	137,136	91
10 Regulatory retail exposures	66,054	432,598	62,917	234	47,363	75
11 Residential mortgage loans	124,049	9,209	123,969	753	51,078	41
12 Other exposures which are not past due exposures	25,037	15,118	9,802	129	9,931	100
13 Past due exposures	1,779	82	1,779	26	2,434	135
15 Total at 30 Jun 2022	536,696	651,047	486,395	14,991	262,906	52

Counterparty credit risk exposures

Counterparty default risk exposures

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

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

	a	b	c	d	e	f
	Replacement cost ('RC') HK\$m	PFE HK\$m	Effective expected positive exposures ('EPE') HK\$m	Alpha (α) used for computing default risk exposure HK\$m	Default risk exposure after CRM HK\$m	RWAs HK\$m
1 SA-CCR approach (for derivative contracts)	32,862	81,392		1.4	159,955	38,316
2 IMM (CCR) approach			75,427	1.4	105,598	36,471
4 Comprehensive approach (for SFTs)					229,255	28,726
6 Total at 30 Jun 2022						103,513

Table 33: CCR2 – CVA capital charge

	a	b
	EAD post CRM HK\$m	RWAs HK\$m
Netting sets for which CVA capital charge is calculated by the advanced CVA method	105,598	15,340
1 (i) VaR (after application of multiplication factor if applicable)		2,775
2 (ii) Stressed VaR (after application of multiplication factor if applicable)		12,565
3 Netting sets for which CVA capital charge is calculated by the standardised CVA method	160,666	25,809
4 Total at 30 Jun 2022	266,264	41,149

Table 34: CCR6 – Credit-related derivatives contracts

	a	b
	Protection bought HK\$m	Protection sold HK\$m
At 30 Jun 2022		
Notional amounts		
Single-name credit default swaps	125,246	119,324
Index credit default swaps	92,787	86,033
Total return swaps	9,471	9,807
Total notional amounts	227,504	215,164
Fair values		
Positive fair value (asset)	1,164	1,274
Negative fair value (liability)	(1,292)	(893)

The increase in notional amount of credit default swaps by HK\$17.5bn in the first half of 2022 was due to higher client demand for both bought and sold protection.

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

	Derivative contracts				SFTs	
	Fair value of recognised collateral received		Fair value of posted collateral		Fair value of recognised collateral received	Fair value of posted collateral
	Segregated	Unsegregated	Segregated	Unsegregated		
	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m
Cash – domestic currency	–	7,677	–	4,278	20,929	23,115
Cash – other currencies	–	102,039	–	95,264	366,681	1,058,111
Domestic sovereign debt	–	–	–	–	8,933	25,488
Other sovereign debt	–	15,019	5,338	24,184	770,605	464,287
Government agency debt	–	1,271	–	60	–	–
Corporate bonds	8,483	10,026	8,127	–	302,861	73,306
Equity securities	–	2,822	–	–	100,740	100,793
Other collateral	–	7,599	–	–	–	–
Total at 30 Jun 2022	8,483	146,453	13,465	123,786	1,570,749	1,745,100

The unsegregated collateral posted for derivative contracts increased by HK\$49.0bn in the first half of 2022, due to a decrease in fair value of derivative contracts.

The received and posted collateral for SFTs increased by HK\$232.9bn and HK\$229.5bn respectively in the first half of 2022, due to higher demand for reverse repo from sovereign counterparties.

Table 36: CCR8 – Exposures to CCPs

	a	b
	Exposure after CRM HK\$m	RWAs HK\$m
At 30 Jun 2022		
1 Exposures of the AI as clearing member or clearing client to qualifying CCPs (total)		857
2 Default risk exposures to qualifying CCPs (excluding items disclosed in rows 7 to 10)	13,630	273
3 of which: (i) Over-the-counter ('OTC') derivative transactions	3,275	66
4 of which: (ii) exchange-traded derivative contracts	10,355	207
7 Segregated initial margin	7,474	
8 Unsegregated initial margin	13,884	278
9 Funded default fund contributions	1,376	306
11 Exposures of the AI as clearing member or clearing client to non-qualifying CCPs (total)		92
12 Default risk exposures to non-qualifying CCPs (excluding items disclosed in rows 17 to 20)	1	1
14 of which: (ii) exchange-traded derivative contracts	1	1
18 Unsegregated initial margin	91	91
19 Funded default fund contributions	24	–

Counterparty default risk under internal ratings-based approach

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

	a	b	c	d	e	f	g
	EAD post-CRM HK\$m	Average PD %	Number of obligors	Average LGD %	Average maturity years	RWAs HK\$m	RWA density %
PD scale							
Portfolio (i) – Sovereign							
0.00 to < 0.15	73,183	0.06	51	45.1	0.24	5,742	8
0.15 to < 0.25	4,020	0.22	2	45.0	0.03	1,220	30
0.25 to < 0.50	308	0.37	3	45.0	1.70	160	52
0.50 to < 0.75	2	0.63	2	63.5	1.36	2	88
0.75 to < 2.50	–	–	–	–	–	–	–
2.50 to < 10.00	–	–	–	–	–	–	–
10.00 to < 100.00	–	10.00	2	45.0	1.00	1	176
100.00 (Default)	–	–	–	–	–	–	–
Sub-total at 30 Jun 2022	77,513	0.07	60	45.1	0.23	7,125	9
Portfolio (ii) – Bank							
0.00 to < 0.15	274,993	0.06	1,955	35.6	0.77	30,715	11
0.15 to < 0.25	15,271	0.22	153	49.2	0.56	6,087	40
0.25 to < 0.50	4,742	0.37	212	48.4	0.56	2,501	53
0.50 to < 0.75	2,246	0.63	36	45.6	1.05	1,718	76
0.75 to < 2.50	846	1.02	24	48.3	0.46	737	87
2.50 to < 10.00	23	3.07	4	45.5	1.01	31	136
10.00 to < 100.00	–	–	–	–	–	–	–
100.00 (Default)	–	–	–	–	–	–	–
Sub-total at 30 Jun 2022	298,121	0.08	2,384	36.6	0.76	41,789	14
Portfolio (iii) – Corporate							
0.00 to < 0.15	61,222	0.07	1,775	48.6	1.30	12,954	21
0.15 to < 0.25	9,578	0.22	569	50.0	1.10	4,163	43
0.25 to < 0.50	6,366	0.37	449	50.3	1.21	3,692	58
0.50 to < 0.75	4,361	0.63	399	51.4	2.23	3,810	87
0.75 to < 2.50	8,590	1.39	869	51.1	1.15	8,506	99
2.50 to < 10.00	1,927	3.69	272	52.9	1.43	2,815	146
10.00 to < 100.00	113	12.51	17	48.2	1.94	249	220
100.00 (Default)	557	100.00	2	48.0	0.01	–	–
Sub-total at 30 Jun 2022	92,714	0.95	4,352	49.3	1.30	36,189	39
Total (sum of all portfolios) at 30 Jun 2022	468,348	0.25	6,796	40.6	0.78	85,103	18

The average PD increased from 0.15% as at 31 December 2021 to 0.25% as at 30 June 2022 due to an increase in corporate exposures under Defaulted PD band.

At 30 June 2022, the percentage of total RWAs covered by IRB models is 96% for sovereign exposures, 97% for bank exposures and 71% for corporate exposures. Details on the scope of models for each of the regulatory portfolios can be found in the 'Credit risk under internal ratings-based approach' section from pages 20 to 22.

Counterparty default risk under standardised approach

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

	a	c	d	e	f	i
Risk Weight	0% HK\$m	20% HK\$m	50% HK\$m	75% HK\$m	100% HK\$m	Total default risk exposure after CRM HK\$m
Exposure class						
1 Sovereign exposures	5	1,603				1,608
2 PSE exposures	1,450	1,160	2,206			4,816
2a of which: domestic PSEs		631				631
2b of which: foreign PSEs	1,450	529	2,206			4,185
4 Bank exposures		3,006	1,485		16	4,507
6 Corporate exposures			2		15,083	15,091
8 Regulatory retail exposures				199		199
12 Total at 30 Jun 2022	1,455	5,769	3,699	199	15,099	26,227

Securitisation

Analysis of securitisation exposures

Table 39: SEC1 – Securitisation exposures in banking book

	a	b	c	g	h	i
	Acting as originator (excluding sponsor)			Acting as investor		
	Traditional	Synthetic	Sub-total	Traditional	Synthetic	Sub-total
	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m
At 30 Jun 2022						
1 Retail (total) – of which:	59,154	–	59,154	29,774	–	29,774
2 <i>residential mortgage</i>	59,154	–	59,154	8,618	–	8,618
3 <i>credit card</i>	–	–	–	4,316	–	4,316
4 <i>other retail exposures</i>	–	–	–	16,840	–	16,840

Table 40: SEC2 – Securitisation exposures in trading book

	g	i
	Acting as investor	
	Traditional	Sub-total
	HK\$m	HK\$m
At 30 Jun 2022		
1 Retail (total) – of which:	7,982	7,982
2 <i>residential mortgage</i>	5,137	5,137
4 <i>other retail exposures</i>	2,845	2,845

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

	a	b	c	d	g	h	k	l	o	p
	Exposure values (by RW bands)				Exposure values (by regulatory approach)		RWAs (by regulatory approach)		Capital charges after cap	
	≤20% RW	>20% to 50% RW	>50% to 100% RW	>100% to <1250% RW	SEC-ERBA (including IAA)	SEC-SA	SEC-ERBA (including IAA)	SEC-SA	SEC-ERBA (including IAA)	SEC-SA
	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m
At 30 Jun 2022										
1 Total exposures	24,241	3,456	1,850	228	13,144	16,631	2,409	4,058	193	325
2 Traditional securitisation	24,241	3,456	1,850	228	13,144	16,631	2,409	4,058	193	325
3 <i>of which: securitisation</i>	24,241	3,456	1,850	228	13,144	16,631	2,409	4,058	193	325
4 <i>of which: retail</i>	24,241	3,456	1,850	228	13,144	16,631	2,409	4,058	193	325

Market risk

Market risk under standardised approach

Table 42: MR1 – Market risk under STM approach

		a
		RWAs HK\$m
Outright product exposures		
2	Equity exposures (general and specific risk)	3,174
4	Commodity exposures	2
8	Securitisation exposures	646
9	Total at 30 Jun 2022	3,822

Analysis of VaR, stressed VaR and incremental risk charge measures

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

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

		a
		HK\$m
At 30 Jun 2022		
VaR (10 day – one-tailed 99% confidence interval)¹		
1	Maximum Value	662
2	Average Value	469
3	Minimum Value	340
4	Period End	363
Stressed VaR (10 day – one-tailed 99% confidence interval)¹		
5	Maximum Value	1,836
6	Average Value	1,467
7	Minimum Value	975
8	Period End	1,768
IRC (99.9% confidence interval)		
9	Maximum Value	3,158
10	Average Value	2,481
11	Minimum Value	1,630
12	Period End	1,630

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

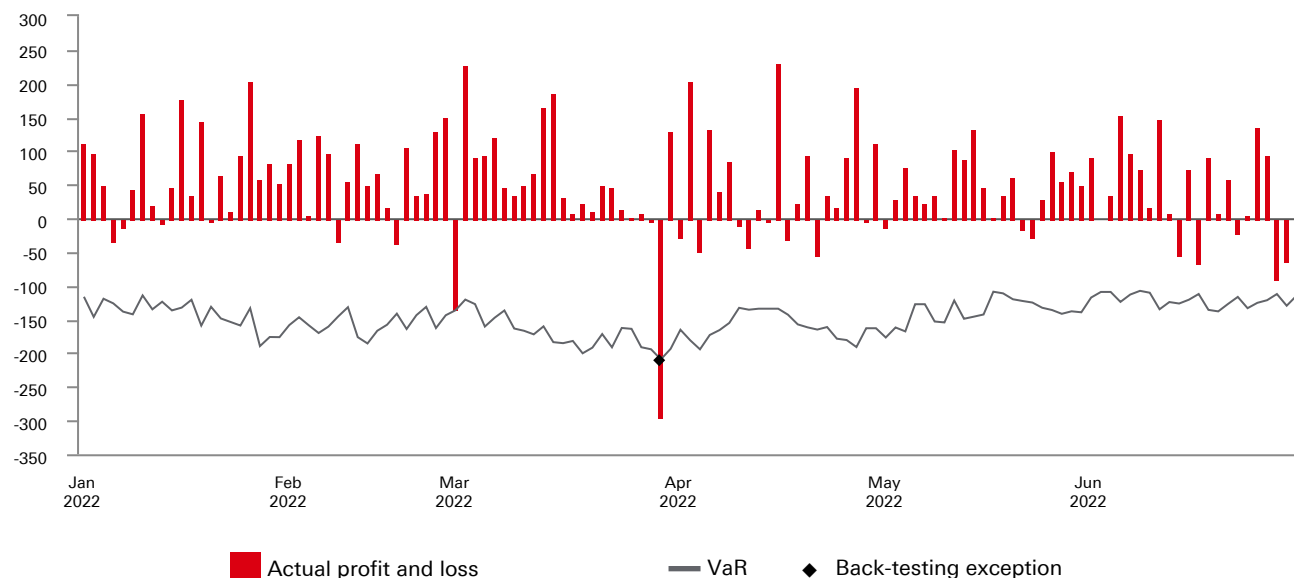
The group's trading VaR at 30 June 2022 was lower than 31 December 2021 mainly due to a reduction in the interest rate trading VaR.

The increase in trading Stressed VaR at 30 June 2022 compared to 31 December 2021 was mainly driven by an increase in interest rate positions from foreign exchange and cross currency products.

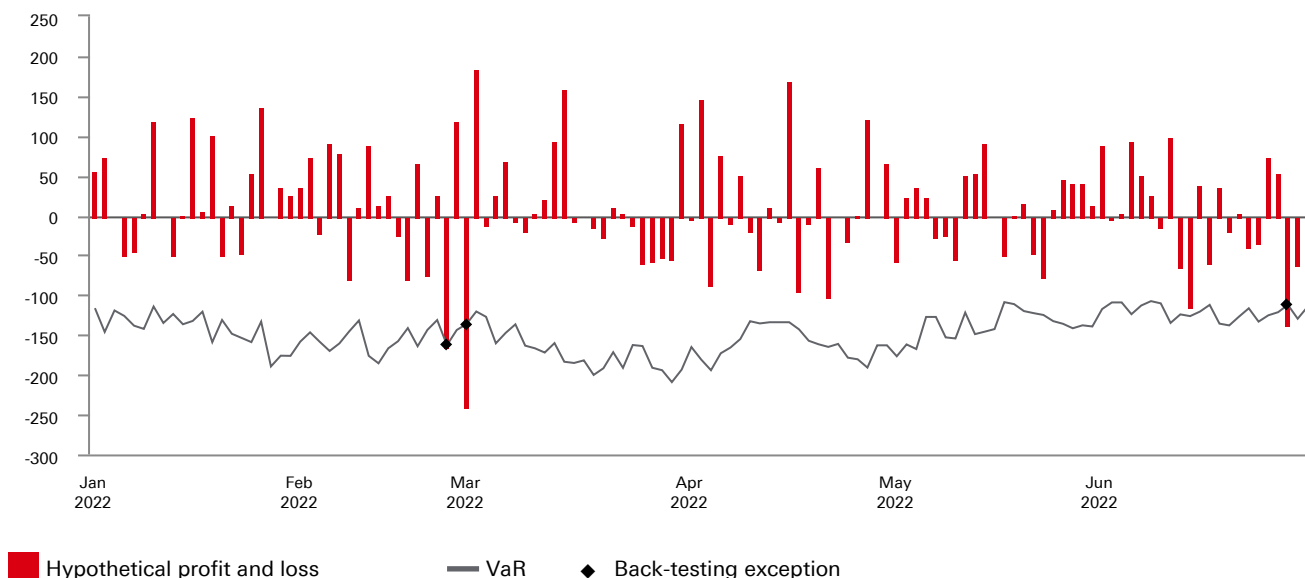
The trading IRC at 30 June 2022 was lower than 31 December 2021 due to a reduction in the bond trading positions.

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

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



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



In the first half of 2022, the group experienced one loss exception against actual profit and loss and three loss exceptions against hypothetical profit and loss. The loss back-testing exceptions comprised:

- a loss back-testing exception (against actual profit and loss) in late March mainly attributable to more volatile markets leading to larger independent price verification balances, and wider bid-offer spreads coupled with change in risk exposure leading to larger fair value adjustments;
- a loss back-testing exception (against hypothetical profit and loss) in late February mainly driven by the effect of interest rate movement in JPY on foreign exchange and cross currency products;
- a loss back-testing exception (against hypothetical profit and loss) in early March mainly driven by the effect of interest rate movement in USD on USD denominated interest rate position; and
- a loss back-testing exception (against hypothetical profit and loss) in late June mainly driven by the impact of widening credit spreads on credit bond positions, and the effect of the interest rate movement in JPY and USD on interest rate and foreign exchange products.

Liquidity information

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

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

		a	b
		Quarter ended 30 Jun 2022	
		Unweighted value (average)	Weighted value (average)
		HK\$m	HK\$m
Number of data points used in calculating the average value of the LCR and related components set out in this table for the quarters ended on 30 June 2022 was 71.			
Basis of disclosure: consolidated			
A	HQLA		
1	Total HQLA		1,953,032
B	Cash outflows		
2	Retail deposits and small business funding, of which:	3,569,939	336,779
3	Stable retail deposits and stable small business funding	289,188	8,704
4	Less stable retail deposits and less stable small business funding	3,280,751	328,075
5	Unsecured wholesale funding (other than small business funding) and debt securities and prescribed instruments issued by the AI, of which:	2,840,333	1,305,198
6	Operational deposits	908,904	223,029
7	Unsecured wholesale funding (other than small business funding) not covered in row 6	1,915,048	1,065,788
8	Debt securities and prescribed instruments issued by the AI and redeemable within the LCR period	16,381	16,381
9	Secured funding transactions (including securities swap transactions)		16,748
10	Additional requirements, of which:	1,005,929	326,756
11	Cash outflows arising from derivative contracts and other transactions, and additional liquidity needs arising from related collateral requirements	227,558	227,459
12	Cash outflows arising from obligations under structured financing transactions and repayment of funding obtained from such transactions	3,363	3,363
13	Potential drawdown of undrawn committed facilities (including committed credit facilities and committed liquidity facilities)	775,008	95,934
14	Contractual lending obligations (not otherwise covered in Section B) and other contractual cash outflows	210,483	210,483
15	Other contingent funding obligations (whether contractual or non-contractual)	2,669,136	24,761
16	Total cash outflows		2,220,725
C	Cash inflows		
17	Secured lending transactions (including securities swap transactions)	707,989	111,449
18	Secured and unsecured loans (other than secured lending transactions covered in row 17) and operational deposits placed at other financial institutions	978,908	540,036
19	Other cash inflows	303,720	302,837
20	Total cash inflows	1,990,617	954,322
D	Liquidity coverage ratio (adjusted value)		
21	Total HQLA		1,953,032
22	Total net cash outflows		1,266,403
23	LCR (%)		154.5

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

		a	b	c	d	e
		Quarter ended 30 Jun 2022				
		Unweighted value by residual maturity				
Basis of disclosure: consolidated		No specified term to maturity HK\$m	<6 months or repayable on demand HK\$m	6 months to < 12 months HK\$m	12 months or more HK\$m	Weighted amount HK\$m
A	Available stable funding ('ASF') item					
1	Capital:	806,379			25,230	831,609
2	Regulatory capital	806,379			20,534	826,913
3	Other capital instruments				4,696	4,696
4	Retail deposits and small business funding:		3,585,091			3,241,159
5	Stable deposits		291,569			276,990
6	Less stable deposits		3,293,522			2,964,169
7	Wholesale funding:		3,400,351	53,017	24,945	1,212,833
8	Operational deposits		875,782			437,891
9	Other wholesale funding		2,524,569	53,017	24,945	774,942
10	Liabilities with matching interdependent assets	344,194				
11	Other liabilities:	300,421	236,972	68,471	239,930	274,165
13	All other funding and liabilities not included in the above categories	300,421	236,972	68,471	239,930	274,165
14	Total ASF					5,559,766
B	Required stable funding ('RSF') item					
15	Total HQLA for NSFR purposes ¹		2,035,174			85,535
17	Performing loans and securities:	346,527	2,623,977	430,330	2,520,795	3,144,638
18	Performing loans to financial institutions secured by Level 1 HQLA		666,475	8,860	5,435	76,512
19	Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	15,245	609,046	76,538	187,900	332,873
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:	142,730	1,143,037	293,290	1,230,056	1,789,979
21	With a risk-weight of less than or equal to 35% under the STC approach	148	8,230	738	32,747	31,360
22	Performing residential mortgages, of which:		19,905	20,319	1,021,150	703,328
23	With a risk-weight of less than or equal to 35% under the STC approach		18,882	18,416	924,195	619,452
24	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	188,552	185,514	31,323	76,254	241,946
25	Assets with matching interdependent liabilities	344,194				
26	Other assets:	813,916	149,629	22	2,047	451,292
27	Physical traded commodities, including gold	17,686				15,033
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs	35,239				29,953
29	Net derivative assets	5,257				5,257
30	Total derivative liabilities before adjustments for deduction of variation margin posted	307,984				15,399
31	All other assets not included in the above categories	447,750	149,629	22	2,047	385,650
32	Off-balance sheet items ¹			3,462,171		38,446
33	Total RSF					3,719,911
34	Net Stable Funding Ratio (%)					149.5

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

		a	b	c	d	e
		Quarter ended 31 Mar 2022				
		Unweighted value by residual maturity				
Basis of disclosure: consolidated		No specified term to maturity HK\$m	<6 months or repayable on demand HK\$m	6 months to < 12 months HK\$m	12 months or more HK\$m	Weighted amount HK\$m
A	Available stable funding ('ASF') item					
1	Capital:	799,558			20,300	819,858
2	<i>Regulatory capital</i>	799,558			15,676	815,234
3	<i>Other capital instruments</i>				4,624	4,624
4	Retail deposits and small business funding:		3,600,901			3,255,449
5	<i>Stable deposits</i>		292,772			278,133
6	<i>Less stable deposits</i>		3,308,129			2,977,316
7	Wholesale funding:		3,391,028	45,616	20,493	1,232,784
8	<i>Operational deposits</i>		903,273			451,636
9	<i>Other wholesale funding</i>		2,487,755	45,616	20,493	781,148
10	Liabilities with matching interdependent assets	340,114				
11	Other liabilities:	250,546	250,112	47,473	230,125	253,862
13	<i>All other funding and liabilities not included in the above categories</i>	250,546	250,112	47,473	230,125	253,862
14	Total ASF					5,561,953
B	Required stable funding ('RSF') item					
15	Total HQLA for NSFR purposes ¹		2,014,289			85,481
17	Performing loans and securities:	344,477	2,592,391	403,716	2,543,486	3,146,388
18	<i>Performing loans to financial institutions secured by Level 1 HQLA</i>		574,970	1,661	16,470	74,797
19	<i>Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions</i>	19,094	601,679	65,203	194,184	336,132
20	<i>Performing loans, other than performing residential mortgage, to non-financial corporate clients, retail and small business customers, sovereigns, the Monetary Authority for the account of the Exchange Fund, central banks and PSEs, of which:</i>	126,509	1,139,462	284,173	1,204,488	1,756,835
21	<i>With a risk-weight of less than or equal to 35% under the STC approach</i>	198	6,317	730	30,376	27,703
22	<i>Performing residential mortgages, of which:</i>		23,541	20,967	1,044,320	720,923
23	<i>With a risk-weight of less than or equal to 35% under the STC approach</i>		19,568	19,300	945,561	634,158
24	<i>Securities that are not in default and do not qualify as HQLA, including exchange-traded equities</i>	198,874	252,739	31,712	84,024	257,701
25	Assets with matching interdependent liabilities	340,114				
26	Other assets:	713,019	129,568	2	2,132	426,201
27	<i>Physical traded commodities, including gold</i>	20,102				17,087
28	<i>Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs</i>	38,299				32,554
29	<i>Net derivative assets</i>	8,486				8,486
30	<i>Total derivative liabilities before adjustments for deduction of variation margin posted</i>	225,425				11,271
31	<i>All other assets not included in the above categories</i>	420,707	129,568	2	2,132	356,803
32	Off-balance sheet items ¹			3,453,892		39,219
33	Total RSF					3,697,289
34	Net Stable Funding Ratio (%)					150.4

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

Other disclosures

Mainland activities

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

Table 47: Mainland activities

		On-balance sheet exposure HK\$m	Off-balance sheet exposure HK\$m	Total exposures HK\$m
At 30 Jun 2022				
Types of counterparties				
1	Central government, central government-owned entities and their subsidiaries and joint ventures ('JVs')	237,903	26,025	263,928
2	Local governments, local government-owned entities and their subsidiaries and JVs	86,719	5,227	91,946
3	People's Republic of China ('PRC') nationals residing in mainland China or other entities incorporated in mainland China and their subsidiaries and JVs	462,820	73,330	536,150
4	Other entities of central government not reported in item 1 above	12,481	4,611	17,092
5	Other entities of local governments not reported in item 2 above	9,534	1,419	10,953
6	PRC nationals residing outside mainland China or entities incorporated outside mainland China where the credit is granted for use in mainland China	30,983	3,657	34,640
7	Other counterparties where the exposures are considered by the reporting institution to be non-bank mainland China exposures	46,654	3,677	50,331
Total		887,094	117,946	1,005,040
Total assets after provision		6,456,583		
On-balance sheet exposures as percentage of total assets		13.74%		

International claims

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

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

Table 48: International claims

	Banks HK\$m	Official sector HK\$m	Non-bank financial institutions HK\$m	Non-financial private sector HK\$m	Total HK\$m
At 30 Jun 2022					
Developed countries	639,351	427,234	388,514	530,497	1,985,596
<i>of which: United States</i>	61,666	244,078	136,657	223,977	666,378
<i>of which: Japan</i>	206,437	120,237	30,455	96,269	453,398
Offshore centres	105,611	62,642	181,191	562,290	911,734
<i>of which: Hong Kong</i>	63,025	3,525	112,682	377,112	556,344
Developing Asia and Pacific	530,285	154,741	83,276	446,883	1,215,185
<i>of which: Mainland China</i>	389,596	105,913	50,444	270,087	816,040

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Foreign currency positions

The group's foreign exchange exposures in the tables below are prepared in accordance with the HKMA return 'Foreign Currency Position Return – (MA(BS)6)'. The group had the following net structural foreign currency exposures that were not less than 10% of total net structural foreign currency positions at 30 June 2022:

Table 49: Net structural foreign currency exposures

	Net structural position	
	LCYm	HK\$m
At 30 Jun 2022		
Renminbi	230,809	270,590
US dollars	12,310	96,589

The group had the following non-structural foreign currency positions that were not less than 10% of the net non-structural positions in all foreign currencies at 30 June 2022:

Table 50: Non-structural foreign currency positions

HK\$m equivalent	Chinese Renminbi	Singapore dollars
	HK\$m	HK\$m
At 30 Jun 2022		
Spot assets	880,598	445,534
Spot liabilities	(837,375)	(269,896)
Forward purchases	2,434,243	1,010,635
Forward sales	(2,479,062)	(1,184,890)
Net options positions	10,691	88
Net long (net short) position¹	9,095	1,471

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

Other information

Abbreviations

The following abbreviated terms are used throughout this document.

Currencies		J	
HK\$m	Millions of Hong Kong dollars	JCCyB	Jurisdictional countercyclical capital buffer
HK\$b	Billions (thousands of millions) of Hong Kong dollars	JVs	Joint ventures
US\$m	Millions of United States dollars	L	
A		LAC	Loss-absorbing capacity
AI	Authorised institution	LAC Rules	Financial Institutions (Resolution) (Loss-absorbing Capacity Requirements - Banking Sector) Rules
ASF	Available stable funding	LCR ¹	Liquidity Coverage Ratio
AT1	Additional tier 1	LGD ¹	Loss given default
B		LR	Leverage ratio
BCBS	Basel Committee on Banking Supervision	M	
BCR	Banking (Capital) Rules	MSRs	Mortgage servicing rights
BDR	Banking (Disclosure) Rules	N	
BLR	Banking (Liquidity) Rules	NSFR ¹	Net stable funding ratio
BSC	Basic approach	O	
C		OBS	Off-balance sheet
CCF	Credit conversion factor	OTC ¹	Over-the-counter
CCP ¹	Central counterparty	P	
CCR ¹	Counterparty credit risk	PD ¹	Probability of default
CCyB ¹	Countercyclical capital buffer	PF	Project finance
CEM	Current exposure method	PFE	Potential future exposure
CET1 ¹	Common equity tier 1	PRC	People's Republic of China
CRM ¹	Credit risk mitigation/mitigant	PSE	Public sector entities
CSA	Credit Support Annex	PVA	Prudent valuation adjustments
CVA ¹	Credit valuation adjustment	Q	
D		QRRE	Qualifying revolving retail exposures
D-SIB	Domestic systemically important authorised institution	R	
DTAs	Deferred tax assets	RC	Replacement cost
E		RNIV	Risks not in VaR
EAD ¹	Exposure at default	RSF	Required stable funding
ECL ¹	Expected credit loss	RW	Risk weight
EL	Expected loss	RWA ¹	Risk-weighted asset/risk-weighted amount
EPE	Effective expected positive exposures	S	
F		SA-CCR	Standardised (counterparty credit risk) approach
FIRO	Financial Institutions (Resolution) Ordinance	SEC-ERBA	Securitisation external ratings-based approach
FSB	Financial Stability Board	SEC-FBA	Securitisation fall-back approach
G		SEC-IRBA	Securitisation internal ratings-based approach
Group	HSBC Holdings together with its subsidiary undertakings	SEC-SA	Securitisation standardised approach
group	The Hongkong and Shanghai Banking Corporation Limited together with its subsidiary undertakings	SFT	Securities Financing Transactions
G-SIB ¹	Global systemically important authorised institution	SRW	Supervisory risk weight
H		STC	Standardised (credit risk) approach
HAHO	HSBC Asia Holdings Limited	STM	Standardised (market risk) approach
HKFRS	Hong Kong Financial Reporting Standards	STO	Standardised (operational risk) approach
HKMA	Hong Kong Monetary Authority	T	
Hong Kong	The Hong Kong Special Administrative Region of the People's Republic of China	T1	Tier 1
HQLA	High-quality liquid assets	T2	Tier 2
HSBC	HSBC Holdings together with its subsidiary undertakings	TC	Total regulatory capital
HVCRE	High volatility commercial real estate	TLAC ¹	Total Loss-absorbing Capacity
I		V	
IAA	Internal assessment approach	VaR ¹	Value at risk
IMM ¹	Internal Models Method	1	
IMM(CCR)	Internal models (counterparty credit risk)	Full definition included in the Glossary published on HSBC website www.hsbc.com	
IPRE	Income producing real estate		
IRB ¹	Internal ratings-based approach		
IRC	Incremental risk charge		

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