

The Hongkong and Shanghai Banking Corporation Limited

**Banking Disclosure Statement at 30 June 2024
(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 2024. The group's Interim Report 2024, 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 by the HSBC Global Internal Audit team and has been approved by the Audit Committee as delegated by the Board.

Basis of preparation

Except where indicated otherwise, the financial information contained in this Banking Disclosure Statement has been prepared on a regulatory consolidation 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 and the Loss-absorbing Capacity Disclosures for HSBC Asia Holdings Limited ('HAHO') are not audited and does not constitute statutory accounts.

Regulatory reporting processes and controls

The quality of regulatory reporting remains a key priority for management and regulators. We are progressing with a multi-year comprehensive programme to strengthen our processes, improve consistency, and enhance controls across regulatory reports, focusing on our prudential regulatory reporting and other priority regulatory reports.

The Banking Disclosure Statement

The group's Banking Disclosure Statement at 30 June 2024 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 2024. 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

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 disclosures can be found in the following table:

Location of HAHO's LAC disclosures in 2024:

- KM2 – Key metrics of the Asian resolution group
- Table 14.ii of the Group's Pillar 3 Disclosures
- TLAC1 – TLAC composition
- Table 15 of the Group's Pillar 3 Disclosures
- TLAC3 – HSBC Asia Holdings Limited Creditor Ranking
- Table 19 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 2024	31 Mar 2024	31 Dec 2023	30 Sep 2023	30 Jun 2023	
Regulatory capital (HK\$m)¹						
1	Common Equity Tier 1 ('CET1')	518,355	512,708	508,604	491,960	499,296
2	Tier 1	571,703	566,581	562,454	545,780	553,095
3	Total capital	636,561	635,993	631,701	610,604	619,107
Risk-weighted assets ('RWAs') (HK\$m)¹						
4	Total RWAs	3,280,191	3,276,454	3,212,387	3,165,255	3,166,612
Risk-based regulatory capital ratios (as a percentage of RWAs)¹						
5	CET1 ratio (%)	15.8	15.6	15.8	15.5	15.8
6	Tier 1 ratio (%)	17.4	17.3	17.5	17.2	17.5
7	Total capital ratio (%)	19.4	19.4	19.7	19.3	19.6
Additional CET1 buffer requirements (as a percentage of RWAs)¹						
8	Capital conservation buffer requirement (%)	2.50	2.50	2.50	2.50	2.50
9	Countercyclical capital buffer ('CCyB') requirement (%) ²	0.58	0.56	0.56	0.57	0.57
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 (%)	5.58	5.56	5.56	5.57	5.57
12	CET1 available after meeting the AI's minimum capital requirements (%)	11.3	11.1	11.3	11.0	11.3
Basel III leverage ratio³						
13	Total leverage ratio ('LR') exposure measure (HK\$m)	9,820,509	9,840,623	9,672,960	9,582,574	9,499,334
14	LR (%)	5.8	5.8	5.8	5.7	5.8
Liquidity Coverage Ratio ('LCR')⁴						
15	Total high quality liquid assets ('HQLA') (HK\$m)	1,906,757	1,945,667	1,938,900	1,968,975	1,951,506
16	Total net cash outflows (HK\$m)	1,211,691	1,205,406	1,149,294	1,217,708	1,236,386
17	LCR (%)	157.5	161.6	168.9	161.7	158.0
Net Stable Funding Ratio ('NSFR')⁵						
18	Total available stable funding (HK\$m)	5,746,864	5,629,126	5,747,599	5,533,607	5,579,672
19	Total required stable funding (HK\$m)	3,832,433	3,747,073	3,685,357	3,609,806	3,708,853
20	NSFR (%)	150.0	150.2	156.0	153.3	150.4

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 has been 1.0% since 31 March 2020. The jurisdictional CCyB of other countries used in the calculation of the CCyB requirement ranged from 0% to 2.5% at 30 June 2024.

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 on the financial statements in the group's Annual Report and Accounts 2023.

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 primarily securities and insurance companies. Special purpose entities ('SPEs') for securitisation purposes are excluded where significant credit risk has been transferred to third parties. Exposures to these SPEs are risk weighted as securitisation exposures for regulatory purposes. For further details see Securitisation section on page 41 of the group's Banking Disclosure Statement at 31 December 2023.

Securities and insurance companies 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 AIs 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.

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 2024.

For all subsidiaries included in both the accounting and regulatory scope of consolidation, the same consolidation methodology is applied at 30 June 2024.

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 2024, the effect of this regulatory reserve requirement is to reduce the amount of reserves which can be distributed to shareholders by HK\$16,826m.

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

	At 30 Jun 2024		
	Total assets	Total equity	
Principal activities	HK\$m	HK\$m	
HSBC Broking Futures (Hong Kong) Ltd	Futures broking	293	102
HSBC Broking Services (Asia) Ltd and its subsidiaries	Broking services	7,919	3,448
HSBC Corporate Advisory (Malaysia) Sdn Bhd	Financial services	4	3
HSBC Corporate Finance (Hong Kong) Ltd	Financial services	13	12
HSBC Global Asset Management Holdings (Bahamas) Ltd	Asset management	141	139
HSBC Global Asset Management (Hong Kong) Ltd	Asset management	1,082	564
HSBC Asset Management (Japan) Ltd	Asset management	233	116
HSBC Global Asset Management (Singapore) Ltd	Asset management	1,292	874
HSBC Insurance (Asia-Pacific) Holdings Ltd and its subsidiaries	Insurance	678,678	42,283
HSBC InvestDirect (India) Private Ltd and its subsidiaries	Financial services	2,232	946
HSBC Investment Funds (Hong Kong) Ltd	Asset management	533	278
HSBC Qianhai Securities Ltd	Securities services	2,127	1,351
HSBC Securities (Japan) Co. Ltd	Broking services	189,781	937
HSBC Securities (Singapore) Pte Ltd	Broking services	394	87
HSBC Securities Brokers (Asia) Ltd	Broking services	599	574
Hang Seng Insurance Co. Ltd and its subsidiaries	Insurance	198,277	11,137
Hang Seng Investment Management Ltd	Asset management	308	271
Hang Seng Investment Services Ltd	Investment services	9	9
Hang Seng Qianhai Fund Management Co. Ltd	Asset management	174	156
Hang Seng Securities Ltd	Broking services	2,080	853
HSBC Investment and Insurance Brokerage, Philippines Inc	Broking services	69	53
HSBC Life (Bermuda) Ltd	Reinsurance	760	59
HSBC Philanthropy Foundation Beijing ¹	Charitable foundation	101	101
The Hongkong Bank Foundation ¹	Charitable foundation	491	238
Lion Series 2020-1 Trust ¹	Securitisation	1,607	—
Lion Series 2022-1 Trust ¹	Securitisation	2,261	—
Lion Series 2023-1 Trust ¹	Securitisation	3,706	—

¹ These are structured entities consolidated for financial accounting purposes.

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 approach ('IRB') approach to calculate its credit risk for the majority of its non-securitisation exposures. For collective investment scheme ('CIS') exposures, the group uses the look-through approach to calculate the RWAs. For securitisation exposures, the group uses the securitisation internal ratings-based approach ('SEC-IRBA'), securitisation external ratings-based approach ('SEC-ERBA') or securitisation standardised approach ('SEC-SA') 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 ('FX') (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 2024		
	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	229,785	229,268	
Items in the course of collection from other banks	50,225	50,225	
Hong Kong Government certificates of indebtedness	336,004	336,004	
Trading assets	1,137,258	1,135,938	
– of which significant LAC investments eligible as Additional Tier1 ('AT1') capital issued by financial sector entities	–	129	1
– of which significant LAC investments eligible as Tier 2 capital issued by financial sector entities	–	91	2
Derivatives	419,500	419,631	
Financial assets designated and otherwise mandatorily measured at fair value through profit or loss	747,791	13,934	
Reverse repurchase agreements – non-trading	693,725	523,383	
Loans and advances to banks	501,382	497,954	
Loans and advances to customers	3,542,605	3,538,901	
– of which: impairment allowances eligible for inclusion in Tier 2 capital	–	(2,423)	3
Financial investments	2,064,549	2,022,938	
Amounts due from Group companies	182,145	334,110	
– of which: significant LAC investments eligible as Tier 2 capital issued by financial sector entities	–	3,042	4
Investments in subsidiaries	–	26,696	
Interests in associates and joint ventures	177,398	173,484	
– of which: goodwill	–	3,543	5
– of which: significant LAC investments in financial sector entities exceeding 10% threshold	–	133,186	6
Goodwill and intangible assets	39,480	35,202	
– of which: goodwill	–	4,425	7
– of which: intangible assets	–	30,777	8
Property, plant and equipment	126,372	119,054	
Deferred tax assets	9,336	2,559	
– of which: deferred tax assets net of related tax liabilities	–	2,636	9
– of which: deferred tax liabilities related to goodwill	–	(72)	10
– of which: deferred tax liabilities related to intangible assets	–	(5)	11
Prepayments, accrued income and other assets	392,534	288,132	
– of which: defined benefit pension fund net assets	–	206	12
Total assets	10,650,089	9,747,413	

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

	a	b	c
	At 30 Jun 2024		
	Balance sheet as 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	336,004	336,004	
Items in the course of transmission to other banks	50,984	50,984	
Repurchase agreements – non-trading	672,456	664,132	
Deposits by banks	210,365	210,300	
Customer accounts	6,240,261	6,240,034	
Trading liabilities	104,667	104,667	
Derivatives	403,121	403,490	
– of which: gains and losses due to changes in own credit risk on fair valued liabilities	–	(70)	13
Financial liabilities designated at fair value	192,063	162,590	
– of which: gains and losses due to changes in own credit risk on fair valued liabilities	–	13	14
Debt securities in issue	76,362	67,681	
Retirement benefit liabilities	984	984	
Amounts due to Group companies	404,116	404,854	
– of which: qualifying Tier 2 capital instruments	–	29,836	15
– of which: gains and losses due to changes in own credit risk on fair valued liabilities	–	4,352	16
Accruals and deferred income, other liabilities and provisions	281,160	221,608	
Insurance contract liabilities	767,700	–	
Current tax liabilities	16,885	13,216	
Deferred tax liabilities	23,067	22,684	
– of which: deferred tax liabilities related to goodwill	–	4	17
– of which: deferred tax liabilities related to intangible assets	–	4,904	18
– of which: deferred tax liabilities related to defined benefit pension fund net assets	–	1	19
Total liabilities	9,780,195	8,903,228	
Equity			
Share capital	180,181	180,181	
– of which: portion eligible for inclusion in CET1 capital	–	178,727	20
– of which: revaluation reserve capitalisation issue	–	1,454	21
Other equity instruments	52,422	52,422	
– of which: qualifying AT1 capital instruments	–	52,422	22
Other reserves	104,421	97,891	23
– of which: fair value gains arising from revaluation of land and buildings	–	62,301	24
– of which: cash flow hedging reserves	–	310	25
– of which: valuation adjustment	–	320	26
Retained earnings	474,253	457,605	27
– of which: regulatory reserve for general banking risks	–	16,826	28
– of which: regulatory reserve eligible for inclusion in Tier 2 capital	–	3,839	29
– of which: fair value gains arising from revaluation of land and buildings	–	4,040	30
– of which: valuation adjustment	–	2,153	31
Total shareholders' equity	811,277	788,099	
Non-controlling interests	58,617	56,086	
– of which: portion allowable in CET1 capital	–	35,574	32
– of which: portion allowable in AT1 capital	–	1,055	33
– of which: portion allowable in Tier 2 capital	–	1,385	34
Total equity	869,894	844,185	
Total liabilities and equity	10,650,089	9,747,413	

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 2024	
		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	Directly issued qualifying CET1 capital instruments plus any related share premium	178,727	20
2	Retained earnings	457,605	27
3	Disclosed reserves	97,891	23
5	Minority interests arising from CET1 capital instruments issued by consolidated bank subsidiaries and held by third parties (amount allowed in CET1 capital of the consolidation group)	35,574	32
6	CET1 capital before regulatory deductions	769,797	
CET1 capital: regulatory deductions			
7	Valuation adjustments	2,473	26+31
8	Goodwill (net of associated deferred tax liabilities)	7,892	5+7+10-17
9	Other intangible assets (net of associated deferred tax liabilities)	25,868	8+11-18
10	Deferred tax assets (net of associated deferred tax liabilities)	2,636	9
11	Cash flow hedge reserve	310	25
14	Gains and losses due to changes in own credit risk on fair valued liabilities	(4,295)	-(13+14+16)
15	Defined benefit pension fund net assets (net of associated deferred tax liabilities)	205	12-19
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)	133,186	6
26	National specific regulatory adjustments applied to CET1 capital	83,167	
26a	Cumulative fair value gains arising from the revaluation of land and buildings (own-use and investment properties)	66,341	24+30
26b	Regulatory reserve for general banking risks	16,826	28
28	Total regulatory deductions to CET1 capital	251,442	
29	CET1 capital	518,355	
AT1 capital: instruments			
30	Qualifying AT1 capital instruments plus any related share premium	52,422	22
31	– of which: classified as equity under applicable accounting standards	52,422	22
34	AT1 capital instruments issued by consolidated bank subsidiaries and held by third parties (amount allowed in AT1 capital of the consolidated group)	1,055	33
36	AT1 capital before regulatory deductions	53,477	
AT1 capital: regulatory deductions			
40	Significant LAC investments in AT1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	129	1
43	Total regulatory deductions to AT1 capital	129	
44	AT1 capital	53,348	
45	Tier 1 capital ('T1' = CET1 + AT1)	571,703	
Tier 2 capital: instruments and provisions			
46	Qualifying Tier 2 capital instruments plus any related share premium	29,836	15
48	Tier 2 capital instruments issued by consolidated bank subsidiaries and held by third parties (amount allowed in Tier 2 capital of the consolidation group)	1,385	34
50	Collective provisions and regulatory reserve for general banking risks eligible for inclusion in Tier 2 capital	6,262	29-3
51	Tier 2 capital before regulatory deductions	37,483	
Tier 2 capital: regulatory deductions			
55	Significant LAC investments in Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (net of eligible short positions)	3,133	2+4
56	National specific regulatory adjustments applied to Tier 2 capital	(30,508)	
56a	Add back of cumulative fair value gains arising from the revaluation of land and buildings (own-use and investment properties) eligible for inclusion in Tier 2 capital	(30,508)	(21+24+30)x45%
57	Total regulatory adjustments to Tier 2 capital	(27,375)	
58	Tier 2 capital ('T2')	64,858	
59	Total regulatory capital ('TC' = T1 + T2)	636,561	
60	Total RWAs	3,280,191	

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

		a	b
		At 30 Jun 2024	
		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 RWAs)			
61	CET1 capital ratio	15.8%	
62	Tier 1 capital ratio	17.4%	
63	Total capital ratio	19.4%	
64	Institution-specific buffer requirement (capital conservation buffer plus countercyclical capital buffer plus higher loss absorbency requirements)	5.58%	
65	– of which: capital conservation buffer requirement	2.50%	
66	– of which: bank specific countercyclical capital buffer requirement	0.58%	
67	– of which: higher loss absorbency requirement	2.50%	
68	CET1 (as a percentage of RWAs) available after meeting minimum capital requirements	11.3%	
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 securitisation fall-back approach ('SEC-FBA') (prior to application of cap)	2,571	
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	3,129	
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)	3,691	
79	Cap for inclusion of provisions in Tier 2 under the IRB approach and SEC-IRBA	14,688	

Tier 1 capital increased by HK\$9.2bn in the first half of 2024, mainly due to:

- an increase of HK\$15.4bn from regulatory profits, net of dividends;
- an increase of HK\$7.2bn in allowable non-controlling interests mainly from a regulatory rule update;
- a decrease of HK\$2.2bn in regulatory reserve deduction; and
- a decrease of HK\$1.1bn in deferred tax assets, net of deferred tax liabilities deduction; partly offset by:
 - a decrease of HK\$12.0bn from unfavourable foreign currency translation differences; and
 - an increase of HK\$6.0bn in threshold deduction for significant investments in financial sector entities.

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

Notes to the template:

		At 30 Jun 2024	
		Hong Kong basis	Basel III basis
		HK\$m	HK\$m
10	Deferred tax assets (net of associated deferred tax liabilities)	2,636	180

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 2024	
		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)	133,186	133,186

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 2024	
		Total amount	Amount recognised in regulatory capital
			HK\$m
Common Equity Tier 1 ('CET1') capital instruments			
	Ordinary shares	HK\$180,181m	178,727
Additional Tier 1 ('AT1') capital instruments			
	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 2028	US\$1,000m	7,850
	Fixed rate perpetual subordinated loans, callable from 2029	SG\$1,500m	8,574
Tier 2 ('T2') capital instruments			
	Subordinated loan due 2030, callable from 2025	US\$1,000m	7,668
	Subordinated loan due 2030, callable from 2025	US\$180m	1,384
	Subordinated loan due 2031, callable from 2026	US\$600m	4,555
	Subordinated loan due 2032, callable from 2027	SG\$900m	5,303
	Subordinated loan due 2032, callable from 2027	JPY11,900m	582
	Subordinated loan due 2033, callable from 2028	SG\$1,000m	5,922
	Subordinated loan due 2033, callable from 2029	AU\$850m	4,422

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

Geographical breakdown by Jurisdiction ('J')		a	c	d	e
		At 30 Jun 2024			
		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	1,086,545		
2	Armenia	1.50	1		
3	Australia	1.00	119,131		
4	Belgium	0.50	84		
5	Bulgaria	2.00	1		
6	Chile	0.50	1,042		
7	Cyprus	1.00	25		
8	Czech Republic	1.75	4		
9	Denmark	2.50	747		
10	France	1.00	1,638		
11	Germany	0.75	2,046		
12	Hungary	0.50	1,960		
13	Iceland	2.50	26		
14	Ireland	1.50	4,832		
15	Lithuania	1.00	2		
16	Luxembourg	0.50	3,666		
17	Netherlands	2.00	6,660		
18	Norway	2.50	37		
19	Romania	1.00	60		
20	South Korea	1.00	22,860		
21	Sweden	2.00	246		
22	United Kingdom	2.00	20,587		
Sum²			1,272,200		
Total³			2,257,779	0.58	18,877

1 The jurisdictional countercyclical capital buffer ('JCCyB') of Hong Kong used in the calculation of the CCyB buffer requirement has been 1.0% since 31 March 2020. The JCCyB of other countries used in the calculation of the CCyB requirement ranged from 0% to 2.5% at 30 June 2024.

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).

Total RWAs used in the computation of the CCyB ratio increased by HK\$17.2bn in the first half of 2024, mainly due to movements in asset size in the loan portfolios for India, which has a 0% JCCyB rate at 30 June 2024. The increase in CCyB ratio is due to the change in JCCyB rate of South Korea from 0% at 31 December 2023 to 1% at 30 June 2024.

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 2024 HK\$m	31 Mar 2024 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)	8,251,586	8,253,916
2	Less: Asset amounts deducted in determining Tier 1 capital	(257,321)	(254,284)
3	Total on-balance sheet exposures (excluding derivative contracts and SFTs)	7,994,265	7,999,632
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)	120,184	114,136
5	Add-on amounts for potential future exposure ('PFE') associated with all derivative contracts	354,438	341,678
7	Less: Deductions of receivables assets for cash variation margin provided under derivative contracts	(109,104)	(102,454)
8	Less: Exempted central counterparty ('CCP') leg of client-cleared trade exposures	(33,211)	(35,235)
9	Adjusted effective notional amount of written credit-related derivative contracts	184,113	202,538
10	Less: Adjusted effective notional offsets and add-on deductions for written credit-related derivative contracts	(164,198)	(182,558)
11	Total exposures arising from derivative contracts	352,222	338,105
Exposures arising from SFTs			
12	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	808,243	818,627
13	Less: Netted amounts of cash payables and cash receivables of gross SFT assets	(35,050)	(32,333)
14	CCR exposure for SFT assets	34,987	48,829
16	Total exposures arising from SFTs	808,180	835,123
Other off-balance sheet exposures			
17	Off-balance sheet exposure at gross notional amount	3,791,457	3,818,174
18	Less: Adjustments for conversion to credit equivalent amounts	(3,084,004)	(3,109,320)
19	Off-balance sheet items	707,453	708,854
Capital and total exposures			
20	Tier 1 capital	571,703	566,581
20a	Total exposures before adjustments for specific and collective provisions	9,862,120	9,881,714
20b	Adjustments for specific and collective provisions	(41,611)	(41,091)
21	Total exposures after adjustments for specific and collective provisions	9,820,509	9,840,623
Leverage ratio			
22	Leverage ratio (%) ¹	5.8	5.8

1 Leverage ratio is the ratio of Tier 1 capital to the total exposures after adjustments for specific and collective provisions.

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

Item	a	
	Value under the LR framework	
	30 Jun 2024 HK\$m	
1	Total consolidated assets as per published financial statements	10,650,089
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	(854,006)
2a	Adjustment for securitised exposures that meet the operational requirements for the recognition of risk transference	(7,458)
4	Adjustments for derivative contracts	(67,409)
5	Adjustment for SFTs (i.e. repos and similar secured lending)	34,987
6	Adjustment for off-balance sheet ('OBS') items (i.e. conversion to credit equivalent amounts of OBS exposures)	707,453
6a	Adjustments for prudent valuation adjustments ('PVA') and specific and collective provisions that are allowed to be excluded from exposure measure	(3,598)
7	Other adjustments	(639,549)
8	Leverage ratio exposure measure	9,820,509

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 LR 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 2024 HK\$m	31 Mar 2024 HK\$m	30 Jun 2024 HK\$m
1 Credit risk for non-securitisation exposures	2,272,520	2,298,817	191,626
2 – of which: STC approach	225,698	226,734	18,056
4 – of which: supervisory slotting criteria approach	119,661	135,529	10,147
5 – of which: advanced IRB approach	1,927,161	1,936,554	163,423
6 Counterparty default risk and default fund contributions	87,399	90,783	7,342
7 – of which: SA-CCR approach	40,225	41,200	3,383
8 – of which: IMM (CCR) approach	28,090	29,155	2,377
9 – of which: Others	19,084	20,428	1,582
10 Credit valuation adjustment ('CVA') Risk	42,103	39,323	3,368
11 Equity positions in banking book under the simple risk weight method and the internal models method	24,994	24,237	2,119
12 Collective investment scheme ('CIS') exposures – look-through approach ('LTA')	1,609	1,596	136
15 Settlement risk	21	36	2
16 Securitisation exposures in banking book	12,438	11,082	995
17 – of which: SEC-IRBA	24	35	2
18 – of which: SEC-ERBA including internal assessment approach ('IAA')	3,283	2,337	263
19 – of which: SEC-SA	9,131	8,710	730
20 Market risk	165,012	154,962	13,203
21 – of which: STM approach	1,469	1,312	120
22 – of which: IMM approach	163,543	153,650	13,083
24 Operational risk	409,903	392,524	32,792
25 Amounts below the thresholds for deduction (subject to 250% risk weight ('RW'))	162,885	160,646	13,813
26a Deduction to RWAs	37,287	37,352	2,983
26c – of which: portion of cumulative fair value gains arising from the revaluation of land and buildings which is not included in Tier 2 Capital	37,287	37,352	2,983
27 Total	3,141,597	3,136,654	262,413

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 decreased by HK\$26.3bn in the second quarter of 2024. Excluding the reduction from foreign currency translation of HK\$6.8bn, the decrease of HK\$19.5bn was mostly driven by portfolio mix changes and customer risk rating migrations.

Operational risk

RWAs increased by HK\$17.4bn in the second quarter of 2024, mainly contributed by the increase in net interest income in Hong Kong. Operational risk RWAs are calculated by applying capital charge factors to the average gross income of individual business lines in the last 3 years.

RWA flow statements

RWA flow statement for credit risk

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

		a
		HK\$m
1	RWAs as at 31 Mar 2024	2,072,083
2	Asset size	(3,113)
3	Asset quality	(15,267)
5	Methodology and policy	(1,733)
6	Acquisitions and disposals	889
7	Foreign exchange movements	(6,037)
9	RWAs as at 30 Jun 2024	2,046,822

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

RWAs for credit risk exposures under the IRB approach decreased by HK\$25.3bn in the second quarter of 2024. Excluding the reduction from foreign currency translation of HK\$6.0bn, the decrease of HK\$19.3bn was mostly driven by portfolio mix changes and customer risk rating migrations.

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 2024	29,155
2	Asset size	(922)
3	Credit quality of counterparties	(82)
7	Foreign exchange movements	(61)
9	RWAs as at 30 Jun 2024	28,090

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’)	Stressed VaR	Incremental Risk Charge (‘IRC’)	Other	Total RWAs
		HK\$m	HK\$m	HK\$m	HK\$m	HK\$m
1	RWAs as at 31 Mar 2024	32,125	48,797	39,161	33,567	153,650
2	Movement in risk levels	(6,391)	6,194	5,526	4,885	10,214
6	Foreign exchange movements	(67)	(102)	(82)	(70)	(321)
8	RWAs as at 30 Jun 2024	25,667	54,889	44,605	38,382	163,543

Loss-absorbing Capacity

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

	a	b	c	d	e	
	At					
	30 Jun 2024	31 Mar 2024	31 Dec 2023	30 Sep 2023	30 Jun 2023	
At LAC consolidation group level						
1	Internal loss-absorbing capacity available (HK\$m)	866,205	867,205	864,931	847,264	864,323
2	Risk-weighted amount under the LAC Rules (HK\$m)	3,280,191	3,276,454	3,212,387	3,165,255	3,166,612
3	Internal LAC risk-weighted ratio (%)	26.4	26.5	26.9	26.8	27.3
4	Exposure measure under the LAC Rules (HK\$m)	9,817,376	9,837,444	9,669,807	9,576,735	9,493,579
5	Internal LAC leverage ratio (%)	8.8	8.8	8.9	8.8	9.1
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.

Table 14: TLAC1(A) – TLAC composition

	a	
	At 30 Jun 2024	
Regulatory capital elements of internal loss-absorbing capacity and adjustments (HK\$m)		
1	Common Equity Tier 1 ('CET1') capital	518,355
2	Additional tier 1 ('AT1') capital before LAC adjustments	53,348
5	AT1 capital eligible under the LAC Rules	53,348
6	Tier 2 ('T2') capital before LAC adjustments	64,858
10	T2 capital eligible under the LAC Rules	64,858
11	Internal loss-absorbing capacity arising from regulatory capital	636,561
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	229,644
17	Internal loss-absorbing capacity arising from non-capital LAC debt instruments before adjustments	229,644
Non-regulatory capital elements of internal loss-absorbing capacity: adjustments (HK\$m)		
18	Internal loss-absorbing capacity before deductions	866,205
22	Internal loss-absorbing capacity after deductions	866,205
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	3,280,191
24	Exposure measure under the LAC Rules	9,817,376
Internal LAC ratios and buffers		
25	Internal LAC risk-weighted ratio	26.4%
26	Internal LAC leverage ratio	8.8%
27	CET1 capital (as a percentage of RWAs under the BCR) available after meeting the LAC consolidation group's minimum capital and LAC requirements	8.4%
28	Institution-specific buffer requirement (capital conservation buffer plus countercyclical capital buffer requirements plus higher loss absorbency requirement, expressed as a percentage of RWAs under the BCR)	5.58%
29	– of which: capital conservation buffer requirement	2.50%
30	– of which: institution-specific countercyclical capital buffer requirement	0.58%
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 4
		1	2	3	4	
		(most junior)			(most senior)	
1	Is the resolution entity or a non-HK resolution entity the creditor/investor? (yes or no)	Yes	Yes	Yes	Yes	
2	Description of creditor ranking	Ordinary shares ¹	AT1 instruments	T2 instruments	LAC loans	
3	Total capital and liabilities net of credit risk mitigation ('CRM')	180,181	52,374	29,856	237,660	500,071
5	Total capital and liabilities less excluded liabilities	180,181	52,374	29,856	237,660	500,071
6	– of row 5 that are eligible as internal loss-absorbing capacity	180,181	52,374	29,856	237,660	500,071
7	– of row 6 with 1 year ≤ residual maturity < 2 years	–	–	–	39,046	39,046
8	– of row 6 with 2 years ≤ residual maturity < 5 years	–	–	–	116,604	116,604
9	– of row 6 with 5 years ≤ residual maturity < 10 years	–	–	29,856	41,675	71,531
10	– of row 6 with residual maturity ≥ 10 years, but excluding perpetual securities	–	–	–	40,335	40,335
11	– of row 6 that are perpetual securities	180,181	52,374	–	–	232,555

¹ Excludes the value of share premium and reserves attributable to ordinary shareholders.

Credit risk

Credit quality of assets

Credit quality of exposures

Tables 16 to 17 present information on the credit quality of exposures by exposure category and 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	
1	Loans	94,320	4,325,966	40,387	1,792	864		37,731						4,379,899	
2	Debt securities	45	2,012,729	123	—	11		112						2,012,651	
3	Off-balance sheet exposures	3,826	3,831,737	1,051	3	70		978						3,834,512	
4	Total at 30 Jun 2024	98,191	10,170,432	41,561	1,795	945		38,821						10,227,062	

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 ECL 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 2023	63,692
2	Loans and debt securities that have defaulted since 31 Dec 2023	40,649
3	Returned to non-defaulted status	(463)
4	Amounts written off	(4,409)
5	Other changes ¹	(5,104)
6	Defaulted loans and debt securities at 30 Jun 2024	94,365

1 Other changes include repayment and FX 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 2024				
Residential mortgages	1,211,041	5,398	(208)	(115)
Real estate and construction	516,643	53,068	(16,278)	(2,761)
Wholesale and retail trade	361,739	13,135	(6,653)	(542)
Manufacturing	358,086	4,386	(2,802)	(567)
Others ²	1,131,478	17,591	(4,599)	(5,561)
Total	3,578,987	93,578	(30,540)	(9,546)

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 2024					
Hong Kong	2,174,326	74,778	11,393	(23,411)	(6,639)
Mainland China	352,393	3,054	2,537	(1,176)	(1,230)
Others ²	1,052,268	15,746	15,830	(5,953)	(1,677)
Total	3,578,987	93,578	29,760	(30,540)	(9,546)

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 locations

	Hong Kong HK\$m	Rest of Asia-Pacific HK\$m	Other HK\$m	Total HK\$m
At 30 Jun 2024				
Gross loans and advances to customers	1,934,050	1,456,514	192,137	3,582,701
Gross credit-impaired loans and advances to customers	71,718	21,131	729	93,578

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 2024 HK\$m	Collateral and other security at 30 Jun 2024 HK\$m
Industrial, commercial and financial	784,092	440,432
– property development	106,882	47,283
– property investment	244,720	217,293
– financial concerns	81,806	43,307
– stockbrokers	2,501	1,494
– wholesale and retail trade	71,680	31,989
– manufacturing	53,250	11,394
– transport and transport equipment	46,884	31,218
– recreational activities	816	444
– information technology	39,818	871
– others	135,735	55,139
Individuals	1,006,881	891,743
– advances for the purchase of flats under the Hong Kong Government's Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme	76,838	75,877
– advances for the purchase of other residential properties	741,324	738,042
– credit card advances	69,548	–
– others	119,171	77,824
Gross loans and advances to customers for use in Hong Kong	1,790,973	1,332,175
Trade Finance	142,458	24,734
Gross loans and advances to customers for use outside Hong Kong	1,649,270	614,338
Gross loans and advances to customers	3,582,701	1,971,247

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 on the group's Interim Report 2024.

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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.

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 2024						
Gross amounts which have been overdue with respect to either principal or interest for:						
– more than three months but not more than six months	4,633	0.2	1,509	0.1	6,142	0.2
– more than six months but not more than one year	10,447	0.5	1,396	0.1	11,843	0.3
– more than one year	22,336	1.0	5,529	0.4	27,865	0.7
Total	37,416	1.7	8,434	0.6	45,850	1.2
Specific provisions made in respect of amounts overdue ²	(16,382)		(4,992)		(21,374)	
Fair value of collateral held in respect of amounts overdue	12,352		5,204		17,556	
Rescheduled loans and advances to customers	11,619	0.5	5,655	0.4	17,274	0.5

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 RWAs 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 regulatory consolidation 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 2024 HK\$m
Contract amounts	
Direct credit substitutes	56,417
Transaction-related contingencies	332,174
Trade-related contingencies	114,508
Forward asset purchases	4,035
Commitments that are unconditionally cancellable without prior notice	2,973,206
Commitments which have an original maturity of not more than one year	58,670
Commitments which have an original maturity of more than one year	305,385
Total	3,844,395
Risk-weighted amounts	378,852

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	2,257,620	2,554	28.0	2,258,335	0.02	686	37.1	1.82	152,000	7	155	
0.15 to < 0.25	5,310	34	50.0	5,327	0.22	39	45.0	1.03	1,715	32	5	
0.25 to < 0.50	4,384	–	–	4,384	0.37	13	45.0	1.63	2,230	51	7	
0.50 to < 0.75	1,212	–	–	1,212	0.63	7	45.0	1.00	714	59	3	
0.75 to < 2.50	7,627	1,641	94.0	9,170	1.65	13	45.0	1.26	8,511	93	68	
2.50 to < 10.00	2,728	288	30.0	2,814	6.68	7	45.0	1.08	4,173	148	85	
10.00 to <100.00	1,927	–	–	1,927	19.00	5	88.0	1.00	8,298	431	323	
100.00 (Default)	1,254	–	–	1,254	100.00	8	16.0	4.17	2,502	200	–	
Sub-total at 30 Jun 2024	2,282,062	4,517	52.3	2,284,423	0.10	778	37.2	1.82	180,143	8	646	1,459
Portfolio (ii) – Bank												
0.00 to < 0.15	488,809	69,123	42.9	518,492	0.05	17,594	40.2	1.19	66,894	13	95	
0.15 to < 0.25	15,105	7,630	40.6	18,203	0.22	1,220	45.5	0.87	6,855	38	18	
0.25 to < 0.50	3,080	4,263	30.2	4,366	0.37	183	38.3	1.05	2,123	49	6	
0.50 to < 0.75	5,854	2,227	37.4	6,686	0.63	255	41.9	0.88	4,246	63	18	
0.75 to < 2.50	1,451	869	41.1	1,808	1.14	143	35.1	1.09	1,245	69	7	
2.50 to < 10.00	9	245	88.8	227	4.15	32	26.8	0.97	197	87	2	
10.00 to <100.00	107	106	2.0	109	24.52	27	41.0	2.49	244	224	10	
100.00 (Default)	112	–	–	112	100.00	1	64.7	1.00	2	2	79	
Sub-total at 30 Jun 2024	514,527	84,463	42.0	550,003	0.09	19,455	40.4	1.17	81,806	15	235	749
Portfolio (iii) – Corporate – Small-and-medium sized corporates ('SMEs')												
0.00 to < 0.15	14,387	33,987	30.6	24,596	0.09	956	46.7	1.88	5,005	20	10	
0.15 to < 0.25	4,057	14,981	27.9	8,242	0.22	841	40.4	1.51	2,395	29	7	
0.25 to < 0.50	11,142	20,233	22.7	15,742	0.37	950	35.4	1.61	5,707	36	21	
0.50 to < 0.75	19,537	12,551	22.4	22,351	0.63	891	30.0	2.13	9,630	43	42	
0.75 to < 2.50	85,673	51,808	25.3	98,793	1.40	3,640	31.0	1.82	56,790	57	430	
2.50 to < 10.00	18,736	13,920	24.7	22,170	4.06	975	37.0	1.47	19,676	89	349	
10.00 to <100.00	4,171	1,798	30.8	4,725	21.73	161	35.9	1.18	6,372	135	386	
100.00 (Default)	6,099	316	26.3	6,182	100.00	97	34.1	1.27	13,675	221	1,358	
Sub-total at 30 Jun 2024	163,802	149,594	26.2	202,801	4.80	8,511	34.4	1.76	119,250	59	2,603	2,701
Portfolio (iv) – Corporate – other												
0.00 to < 0.15	587,499	784,557	26.9	791,409	0.08	22,482	46.5	1.52	160,782	20	297	
0.15 to < 0.25	151,190	276,517	26.2	223,416	0.22	5,066	47.8	1.56	89,323	40	235	
0.25 to < 0.50	140,736	237,681	23.2	195,681	0.37	4,965	47.1	1.51	102,650	52	341	
0.50 to < 0.75	119,110	201,124	26.2	171,813	0.63	4,210	44.9	1.27	109,221	64	490	
0.75 to < 2.50	370,893	460,882	23.6	479,571	1.42	10,414	39.7	1.30	381,049	79	2,731	
2.50 to < 10.00	94,880	117,294	20.1	118,447	4.65	3,072	38.2	1.18	132,187	112	2,101	
10.00 to <100.00	21,044	5,853	21.7	22,316	25.76	405	34.3	1.50	34,350	154	1,775	
100.00 (Default)	61,166	3,212	24.6	61,955	100.00	678	38.2	1.15	97,310	157	25,989	
Sub-total at 30 Jun 2024	1,546,518	2,087,120	25.2	2,064,608	4.02	51,292	44.1	1.42	1,106,872	54	33,959	42,270

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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
	Original on-balance sheet gross exposure	Off-balance sheet exposures pre-CCF	Average CCF	EAD post-CRM and post-CCF	Average PD	Number of obligors	Average LGD	Average maturity ¹	RWAs	RWA density	EL	Provisions
PD scale	HK\$m	HK\$m	%	HK\$m	%		%	years	HK\$m	%	HK\$m	HK\$m
Portfolio (v) – Retail – Qualifying revolving retail exposures ('QRRE')												
0.00 to < 0.15	30,716	478,352	33.2	189,610	0.06	4,319,448	100.6	–	7,252	4	113	
0.15 to < 0.25	3,498	18,896	47.4	12,449	0.23	251,573	100.3	–	1,470	12	28	
0.25 to < 0.50	9,298	33,630	39.2	22,465	0.40	376,298	96.8	–	4,117	18	87	
0.50 to < 0.75	6,641	7,904	51.5	10,714	0.59	92,206	97.3	–	2,719	25	61	
0.75 to < 2.50	19,012	34,709	39.3	32,653	1.39	357,881	96.0	–	15,467	47	435	
2.50 to < 10.00	10,959	6,125	61.5	14,726	4.51	124,344	90.6	–	15,110	103	607	
10.00 to < 100.00	4,278	1,285	82.6	5,340	24.09	44,571	88.0	–	10,097	189	1,155	
100.00 (Default)	249	68	1.1	250	100.00	2,924	97.8	–	428	171	211	
Sub-total at 30 Jun 2024	84,651	580,969	35.0	288,207	1.02	5,569,245	98.9	–	56,660	20	2,697	2,947
Portfolio (vi) – Retail – Residential mortgage exposures												
0.00 to < 0.15	648,940	34,017	53.4	667,098	0.07	224,455	21.0	–	85,603	13	100	
0.15 to < 0.25	193,297	11,453	88.3	203,414	0.21	113,284	20.2	–	25,651	13	85	
0.25 to < 0.50	123,826	2,232	56.7	125,092	0.43	44,011	14.7	–	17,189	14	80	
0.50 to < 0.75	38,489	741	114.9	39,340	0.55	18,773	22.2	–	7,515	19	47	
0.75 to < 2.50	80,484	880	99.5	81,359	1.22	37,941	19.0	–	23,743	29	192	
2.50 to < 10.00	23,324	263	103.8	23,597	5.17	12,513	18.7	–	16,816	71	242	
10.00 to < 100.00	6,533	68	105.0	6,604	23.53	4,487	21.2	–	8,015	121	330	
100.00 (Default)	5,328	49	–	5,328	100.00	4,583	14.2	–	8,280	155	212	
Sub-total at 30 Jun 2024	1,120,221	49,703	63.6	1,151,832	0.93	460,047	20.0	–	192,812	17	1,288	1,033
Portfolio (vii) – Retail – small business retail exposures												
0.00 to < 0.15	2,505	10	100.0	2,515	0.07	1,225	12.1	–	62	2	–	
0.15 to < 0.25	470	2	100.0	472	0.19	123	20.1	–	37	8	–	
0.25 to < 0.50	823	1	100.0	824	0.40	187	40.6	–	208	25	1	
0.50 to < 0.75	237	–	–	237	0.54	118	0.9	–	2	1	–	
0.75 to < 2.50	439	1	100.0	441	1.10	105	37.1	–	170	38	2	
2.50 to < 10.00	379	–	–	379	5.72	152	11.4	–	66	17	3	
10.00 to < 100.00	53	–	100.0	53	37.95	26	14.3	–	20	38	3	
100.00 (Default)	24	–	–	24	100.00	4	11.0	–	31	134	–	
Sub-total at 30 Jun 2024	4,930	14	100.0	4,945	1.57	1,940	19.3	–	596	12	9	5
Portfolio (viii) – Other retail exposures to individuals												
0.00 to < 0.15	4,022	27,727	29.0	12,057	0.08	68,210	16.4	–	348	3	1	
0.15 to < 0.25	2,857	20,668	29.6	8,981	0.20	52,026	6.9	–	257	3	1	
0.25 to < 0.50	11,444	13,039	35.0	16,005	0.35	79,447	60.1	–	5,531	35	33	
0.50 to < 0.75	4,398	4,786	39.6	6,295	0.65	20,527	38.9	–	1,977	31	15	
0.75 to < 2.50	10,773	2,323	31.3	11,500	1.41	37,557	70.9	–	9,453	82	122	
2.50 to < 10.00	4,584	2,401	41.1	5,571	3.80	22,448	50.1	–	4,090	73	129	
10.00 to < 100.00	820	42	59.3	845	19.70	6,137	86.2	–	1,527	181	151	
100.00 (Default)	138	22	15.1	142	100.00	1,208	67.3	–	253	178	79	
Sub-total at 30 Jun 2024	39,036	71,008	31.5	61,396	1.32	287,560	43.0	–	23,436	38	531	512

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 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 ¹ maturity years	RWAs HK\$m	RWA density %	EL HK\$m	Provisions ² HK\$m
Total (sum of all portfolios) at 30 Jun 2024	5,755,747	3,027,388	28.4	6,608,215	1.67	6,398,828	39.3	1.59	1,761,575	27	41,968	51,676

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.

RWAs increased by HK\$46.3bn in the first half of 2024, mainly due to a deterioration in asset quality of HK\$35.1bn and an increase of HK\$25.6bn in asset size, partly offset by the reduction from foreign currency translation of HK\$19.0bn. The increase in weighted average PD from 1.42% at 31 December 2023 to 1.67% at 30 June 2024 was mainly driven by an increase in the proportion of default corporate exposures.

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	On-balance sheet exposure amount HK\$m	Off-balance sheet exposure amount HK\$m	Supervisory risk weight ('SRW') %	EAD amount HK\$m	RWAs HK\$m	EL amount HK\$m
Strong [^] Less than 2.5 years	495	–	70	495	347	2
Strong Equal to or more than 2.5 years	26	–	95	26	25	–
Total at 30 Jun 2024	521	–		521	372	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	On-balance sheet exposure amount HK\$m	Off-balance sheet exposure amount HK\$m	SRW %	EAD amount			RWAs HK\$m	EL amount HK\$m
				Project Finance ('PF') HK\$m	Income Producing Real Estate ('IPRE') HK\$m	Total HK\$m		
Strong [^] Less than 2.5 years	37,232	8,500	50	1,393	38,352	39,745	19,872	–
Strong Less than 2.5 years	8,580	2,231	70	4,280	5,088	9,368	6,558	37
Strong [^] Equal to or more than 2.5 years	2,403	1,875	50	3,155	–	3,155	1,577	–
Strong Equal to or more than 2.5 years	25,967	531	70	11,182	14,983	26,165	18,315	105
Good [^] Less than 2.5 years	27,721	4,373	70	1,926	27,174	29,100	20,370	116
Good Less than 2.5 years	5,868	1,817	90	–	6,484	6,484	5,835	52
Good [^] Equal to or more than 2.5 years	3,532	3,034	70	5,335	–	5,335	3,735	21
Good Equal to or more than 2.5 years	14,177	743	90	–	14,430	14,430	12,987	115
Satisfactory	13,667	1,105	115	2,227	11,696	13,923	16,011	390
Weak	5,531	231	250	14	5,597	5,611	14,029	449
Default	15,176	23	–	673	14,509	15,182	–	7,591
Total at 30 Jun 2024	159,854	24,463		30,185	138,313	168,498	119,289	8,876

[^] Use of preferential risk weights.

RWAs decreased by HK\$19.8bn in the first half of 2024 mainly due to customer risk rating migrations and a decrease in asset size in Hong Kong.

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

	a	c	d	e
Categories	On-balance sheet exposure amount HK\$m	SRW %	EAD amount HK\$m	RWAs HK\$m
Publicly traded equity exposures	148	300	148	445
All other equity exposures	6,137	400	6,137	24,549
Total at 30 Jun 2024	6,285		6,285	24,994

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
	0%	20%	35%	50%	75%	100%	150%	Total credit risk exposures amount (post-CCF and post-CRM)
Risk Weight	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m
Exposure class								
1 Sovereign exposures	30,536	727	–	50	–	–	–	31,313
2 Public sector entities ('PSE') exposures	100,591	35,788	–	517	–	8,547	27	145,470
2a – of which: domestic PSEs	–	19,721	–	–	–	–	–	19,721
2b – of which: foreign PSEs	100,591	16,067	–	517	–	8,547	27	125,749
4 Bank exposures	–	5,222	–	1,243	–	1	–	6,466
5 Securities firm exposures	–	–	–	3	–	–	–	3
6 Corporate exposures	–	14,737	–	5,816	–	101,366	648	122,567
10 Regulatory retail exposures	–	–	–	–	56,602	–	–	56,602
11 Residential mortgage loans	–	–	79,510	–	10,841	5,999	–	96,350
12 Other exposures which are not past due exposures	–	–	–	–	–	10,378	–	10,378
13 Past due exposures	53	1	–	–	–	1,441	2,289	3,784
15 Total at 30 Jun 2024	131,180	56,475	79,510	7,629	67,443	127,732	2,964	472,933

Credit risk mitigation

Table 29: CR3 – Overview of recognised credit risk mitigation

	a	b1	b	d
	Exposures unsecured: carrying amount	Exposures to be secured	Exposures secured by recognised collateral	Exposures secured by recognised guarantees
	HK\$m	HK\$m	HK\$m	HK\$m
1 Loans	2,126,663	2,253,236	1,885,770	367,466
2 Debt securities	1,984,422	28,229	–	28,229
3 Total at 30 Jun 2024	4,111,085	2,281,465	1,885,770	395,695
4 – of which: defaulted	23,932	40,487	38,021	2,466

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	Actual RWAs
	HK\$m	HK\$m
1 Corporate – Specialised lending under supervisory slotting criteria approach (project finance)	20,776	20,776
4 Corporate – Specialised lending under supervisory slotting criteria approach (income-producing real estate)	98,513	98,513
5 Corporate – Specialised lending (high-volatility commercial real estate)	372	372
6 Corporate – Small-and-medium sized corporates ('SMEs')	119,250	119,250
7 Corporate – Other corporates	1,106,872	1,106,872
8 Sovereigns	173,796	173,796
10 Multilateral development banks	6,347	6,347
11 Bank exposures – Banks	65,012	65,012
12 Bank exposures – Securities firms	16,794	16,794
14 Retail – Small business retail exposures	596	596
15 Retail – Residential mortgages to individuals	189,386	189,386
16 Retail – Residential mortgages to property-holding shell companies	3,426	3,426
17 Retail – Qualifying revolving retail exposures ('QRRE')	56,660	56,660
18 Retail – Other retail exposures to individuals	23,436	23,436
19 Equity – Equity exposures under market-based approach (simple risk weight method)	24,994	24,994
25 Equity – Equity exposures associated with equity investments in funds (CIS exposures)	1,609	1,609
26 Other – Cash items	3,447	3,447
27 Other – Other items	162,160	162,160
28 Total (under the IRB calculation approaches) at 30 Jun 2024	2,073,446	2,073,446

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	3	—	30,288	1,025	171	1
2 PSE exposures	177,950	12,431	141,664	3,806	16,004	11
2a – of which: domestic PSEs	17,943	3,912	17,945	1,776	3,944	20
2b – of which: foreign PSEs	160,007	8,519	123,719	2,030	12,060	10
4 Bank exposures	4,789	1,268	6,278	188	1,667	26
5 Securities firm exposures	3	39	3	—	1	47
6 Corporate exposures	133,177	227,162	111,539	11,028	108,193	88
10 Regulatory retail exposures	58,301	512,050	56,360	242	42,452	75
11 Residential mortgage loans	95,495	8,206	95,371	979	41,958	44
12 Other exposures which are not past due exposures	20,885	20,035	9,975	403	10,377	100
13 Past due exposures	3,731	135	3,731	53	4,875	129
15 Total at 30 Jun 2024	494,334	781,326	455,209	17,724	225,698	48

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')	PFE	Effective expected positive exposures ('EEPE')	Alpha (α) used for computing default risk exposure	Default risk exposure after CRM	RWAs
	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m
1 SA-CCR approach (for derivative contracts)	22,968	91,811		1.4	160,690	40,225
2 IMM (CCR) approach			60,531	1.45	87,770	28,090
4 Comprehensive approach (for SFTs)					141,523	16,927
6 Total at 30 Jun 2024						85,242

Table 33: CCR2 – CVA capital charge

	a	b
	EAD post CRM	RWAs
	HK\$m	HK\$m
Netting sets for which CVA capital charge is calculated by the advanced CVA method	87,770	9,479
1 (i) VaR (after application of multiplication factor if applicable)		1,881
2 (ii) Stressed VaR (after application of multiplication factor if applicable)		7,598
3 Netting sets for which CVA capital charge is calculated by the standardised CVA method	169,296	32,624
4 Total at 30 Jun 2024	257,066	42,103

Table 34: CCR6 – Credit-related derivatives contracts

	a	b
	Protection bought	Protection sold
	HK\$m	HK\$m
At 30 Jun 2024		
Notional amounts		
Single-name credit default swaps	105,121	94,874
Index credit default swaps	87,910	84,496
Total return swaps	75,592	6,528
Total notional amounts	268,623	185,898
Fair values		
Positive fair value (asset)	1,303	1,840
Negative fair value (liability)	(2,046)	(106)

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

	a	b	c	d	e	f
	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	–	14,039	–	12,823	46,843	33,445
Cash – other currencies	–	154,962	–	179,674	710,000	877,161
Domestic sovereign debt	–	–	–	–	20,341	54,338
Other sovereign debt	364	30,497	15,437	39,418	732,982	774,277
Government agency debt	–	171	–	386	–	–
Corporate bonds	150	17,995	260	1,024	283,786	101,159
Equity securities	–	5,074	–	–	119,820	147,965
Other collateral	–	19,257	–	3,338	–	–
Total at 30 Jun 2024	514	241,995	15,697	236,663	1,913,772	1,988,345

Table 36: CCR8 – Exposures to CCPs

	a	b
	Exposure after CRM HK\$m	RWAs HK\$m
At 30 Jun 2024		
1 Exposures of the AI as clearing member or clearing client to qualifying CCPs (total)		1,765
2 Default risk exposures to qualifying CCPs (excluding items disclosed in rows 7 to 10)	29,682	783
3 – of which: (i) OTC derivative transactions	14,182	473
4 – of which: (ii) exchange-traded derivative contracts	15,500	310
7 Segregated initial margin	21,611	
8 Unsegregated initial margin	14,570	295
9 Funded default fund contributions	2,626	687
10 Unfunded default fund contributions ¹	7,383	–
11 Exposures of the AI as clearing member or clearing client to non-qualifying CCPs (total)		392
12 Default risk exposures to non-qualifying CCPs (excluding items disclosed in rows 17 to 20)	–	–
14 – of which: (ii) exchange-traded derivative contracts	–	–
18 Unsegregated initial margin	339	339
19 Funded default fund contributions	1	18
20 Unfunded default fund contributions ¹	3	35

¹ Disclosures have been enhanced to reflect the exposure value and RWAs for unfunded default fund contributions.

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
PD scale	EAD post- CRM HK\$m	Average PD %	Number of obligors	Average LGD %	Average maturity years	RWAs HK\$m	RWA density %
Portfolio (i) – Sovereign							
0.00 to < 0.15	26,491	0.02	51	45.2	0.23	1,124	4
0.15 to < 0.25	58	0.22	1	45.0	1.00	25	43
0.25 to < 0.50	–	–	–	–	–	–	–
0.50 to < 0.75	–	–	–	–	–	–	–
0.75 to < 2.50	–	0.87	1	48.0	5.00	–	127
2.50 to < 10.00	–	–	–	–	–	–	–
10.00 to < 100.00	–	–	–	–	–	–	–
100.00 (Default)	–	–	–	–	–	–	–
Sub-total at 30 Jun 2024	26,549	0.02	53	45.2	0.23	1,149	4
Portfolio (ii) – Bank							
0.00 to < 0.15	251,097	0.05	2,107	37.1	1.03	30,687	12
0.15 to < 0.25	9,627	0.22	280	46.0	0.75	3,797	39
0.25 to < 0.50	2,210	0.37	48	45.7	1.01	1,272	58
0.50 to < 0.75	1,740	0.63	36	45.6	1.01	1,334	77
0.75 to < 2.50	1,245	1.26	37	46.6	1.02	1,288	103
2.50 to < 10.00	139	3.65	6	45.7	0.54	176	127
10.00 to < 100.00	–	19.00	1	76.2	1.00	1	373
100.00 (Default)	–	–	–	–	–	–	–
Sub-total at 30 Jun 2024	266,058	0.07	2,515	37.6	1.02	38,555	14
Portfolio (iii) – Corporate							
0.00 to < 0.15	38,993	0.08	2,660	46.0	1.76	9,371	24
0.15 to < 0.25	10,886	0.22	647	51.4	1.62	5,406	50
0.25 to < 0.50	5,829	0.37	446	51.4	1.32	3,649	63
0.50 to < 0.75	3,427	0.63	369	54.9	1.07	2,723	79
0.75 to < 2.50	10,316	1.27	920	43.7	1.15	8,349	81
2.50 to < 10.00	2,394	4.61	199	50.3	1.59	3,612	151
10.00 to < 100.00	91	21.95	10	35.4	1.00	152	168
100.00 (Default)	–	100.00	2	50.1	2.36	–	–
Sub-total at 30 Jun 2024	71,936	0.49	5,253	47.5	1.58	33,262	46
Total (sum of all portfolios) at 30 Jun 2024	364,543	0.15	7,821	40.1	1.07	72,966	20

RWA density decreased from 23% at 31 December 2023 to 20% at 30 June 2024, mainly due to a decrease in average PD for CCR exposures within the corporate portfolio.

Average PD% decreased from 0.37% at 31 December 2023 to 0.15% at 30 June 2024, mainly due to a decrease in the PD scale of 2.50 to < 10.00 from CCR exposures within the corporate portfolio.

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At 30 June 2024, the percentage of total RWAs covered by IRB models is 62% for sovereign exposures, 95% for bank exposures and 80% for corporate exposures. The decrease in IRB coverage for sovereign exposures compared to 31 December 2023 was mainly due to reductions in SFT exposures with internal ratings. 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

Risk Weight	Exposure class	a	c	d	e	f	g	i
		0% HK\$m	20% HK\$m	50% HK\$m	75% HK\$m	100% HK\$m	150% HK\$m	Total default risk exposure after CRM HK\$m
1	Sovereign exposures	—	3,568	—	—	—	—	3,568
2	PSE exposures	1,083	1,371	919	—	2	—	3,375
2a	– of which: domestic PSEs	—	1,196	—	—	—	—	1,196
2b	– of which: foreign PSEs	1,083	175	919	—	2	—	2,179
4	Bank exposures	—	8,304	781	—	16	—	9,101
5	Securities firm exposures	—	—	127	—	—	—	127
6	Corporate exposures	—	520	—	—	8,216	1	8,737
8	Regulatory retail exposures	—	—	—	403	—	—	403
12	Total at 30 Jun 2024	1,083	13,763	1,827	403	8,234	1	25,311

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 HK\$m	Synthetic HK\$m	Sub-total HK\$m	Traditional HK\$m	Synthetic HK\$m	Sub-total HK\$m
At 30 Jun 2024						
1 Retail (total) – of which:	37,984	–	37,984	54,009	–	54,009
2 <i>residential mortgage</i>	37,984	–	37,984	14,857	–	14,857
3 <i>credit card</i>	–	–	–	3,388	–	3,388
4 <i>other retail exposures</i>	–	–	–	35,764	–	35,764

Table 40: SEC2 – Securitisation exposures in trading book

	g		i
	Acting as investor		
	Traditional HK\$m	Sub-total HK\$m	
At 30 Jun 2024			
1 Retail (total) – of which:	7,985	7,985	
2 <i>residential mortgage</i>	5,972	5,972	
3 <i>credit card</i>	114	114	
4 <i>other retail exposures</i>	1,899	1,899	

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 2024										
1 Total exposures	40,358	9,809	3,774	68	18,877	35,131	3,283	9,131	263	730
2 Traditional securitisation	40,358	9,809	3,774	68	18,877	35,131	3,283	9,131	263	730
3 – of which: securitisation	40,358	9,809	3,774	68	18,877	35,131	3,283	9,131	263	730
4 – of which: retail	40,358	9,809	3,774	68	18,877	35,131	3,283	9,131	263	730

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)	808
4	Commodity exposures	89
8	Securitisation exposures	572
9	Total at 30 Jun 2024	1,469

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 2024		
VaR (10 day – one-tailed 99% confidence interval)¹		
1	Maximum Value	1,139
2	Average Value	744
3	Minimum Value	489
4	Period End	787
Stressed VaR (10 day – one-tailed 99% confidence interval)¹		
5	Maximum Value	1,710
6	Average Value	1,337
7	Minimum Value	1,024
8	Period End	1,489
IRC (99.9% confidence interval)		
9	Maximum Value	3,640
10	Average Value	3,101
11	Minimum Value	2,610
12	Period End	3,568

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

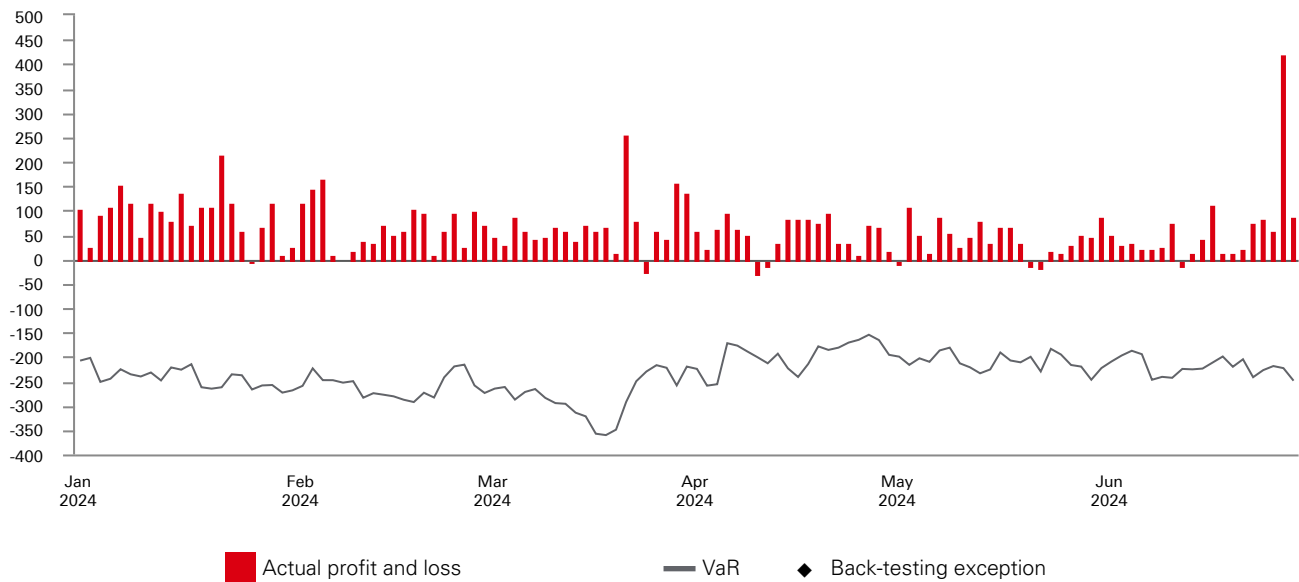
The group's trading VaR at 30 June 2024 was higher than 31 December 2023 mainly due to an increase in overall outright interest rate risk exposures.

The reduction of trading Stressed VaR at 30 June 2024 compared to 31 December 2023 was mainly driven by the reduction in interest rate basis risk exposures from cross currency and FX products.

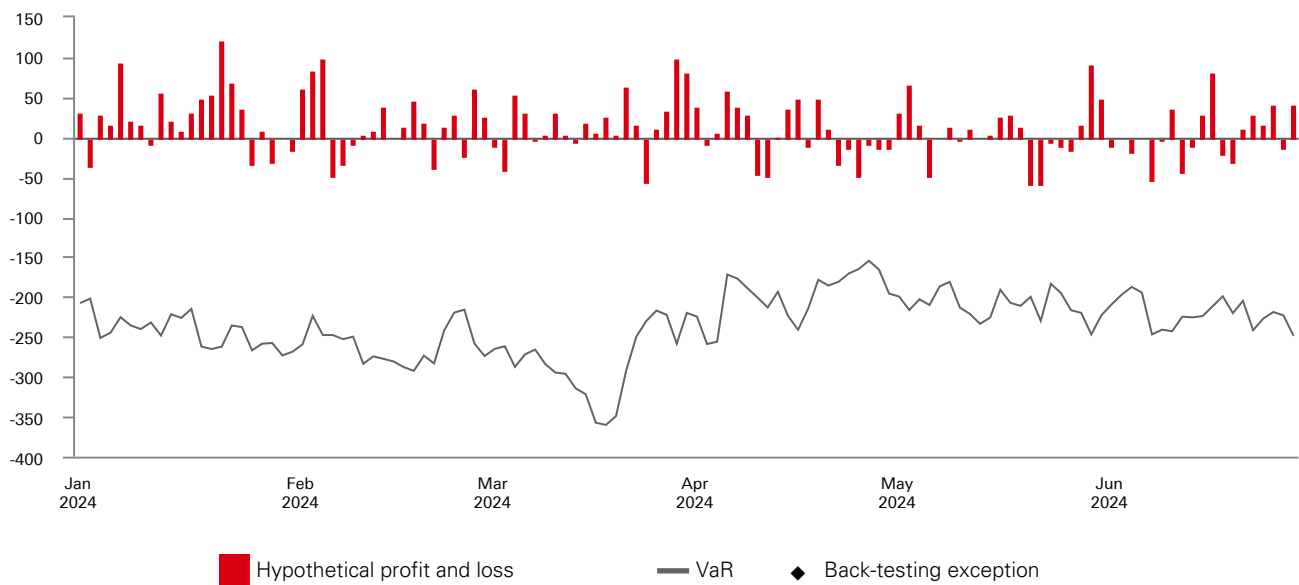
Trading IRC at 30 June 2024 was higher than 31 December 2023 due to an increase in bond trading exposures.

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)



There was no VaR back-testing loss exception in the first half of year 2024.

Liquidity information

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

The group is required to calculate its LCR and NSFR on a consolidated basis in accordance with rule 11(1) of the BLR, and is required to maintain both LCR and NSFR of not less than 100%.

The group's primary sources of funding are customer current accounts, customer savings deposits payable on demand or at short notice and term deposits. The group issues wholesale securities (secured and unsecured) to supplement customer deposits and change the currency mix, maturity profile or location of our liabilities.

All operating entities are required to monitor their material currency liquidity position. Limits are set to ensure that outflows can be met, given assumptions on stressed capacity in the foreign exchange swap markets.

Under the terms of our current collateral obligations of derivative contracts (which are International Swaps and Derivatives Association compliant Credit Support Annex contracts), the additional collateral we would be required to post in the event of a one-notch and two-notch downgrade in our credit ratings is immaterial.

The average LCR of the group for the period is as follows:

Table 45: Average liquidity coverage ratio

	Quarter ended
	30 Jun
	2024
	%
Average LCR	157.5

The majority of HQLA included in the LCR are Level 1 assets as defined in the BLR, which consist mainly of government debt securities.

The total weighted amount of HQLA of the group for the period are as follows:

Table 46: Total weighted amount of high-quality liquid assets

	Weighted amount (average value at quarter ended)
	30 Jun
	2024
	HK\$m
Level 1 assets	1,743,939
Level 2A assets	92,094
Level 2B assets	70,724
Total	1,906,757

The NSFR of the group for the period is as follows:

Table 47: Net stable funding ratio

	Quarter ended
	30 Jun
	2024
	%
Net stable funding ratio	150.0

Interdependent assets and liabilities included in the group's NSFR are certificates of indebtedness held and legal tender notes issued.

Information relating to the Bank's approach to liquidity risk management can be found in the Risk Report of the group's Annual Report and Accounts 2023.

Table 48: LIQ1 – Liquidity coverage ratio – for category 1 institution

Number of data points used in calculating the average value of the LCR and related components set out in this table for the quarters ended on 30 June 2024 was 73.		a	b
		Quarter ended 30 Jun 2024	
Basis of disclosure: consolidated		Unweighted value (average)	Weighted value (average)
		HK\$m	HK\$m
A	HQLA		
1	Total HQLA		1,906,757
B	Cash outflows		
2	Retail deposits and small business funding, of which:	3,713,606	353,409
3	Stable retail deposits and stable small business funding	256,965	7,745
4	Less stable retail deposits and less stable small business funding	3,456,641	345,664
5	Unsecured wholesale funding (other than small business funding) and debt securities and prescribed instruments issued by the AI, of which:	2,410,415	1,113,311
6	Operational deposits	721,706	175,825
7	Unsecured wholesale funding (other than small business funding) not covered in row 6	1,669,225	918,002
8	Debt securities and prescribed instruments issued by the AI and redeemable within the LCR period	19,484	19,484
9	Secured funding transactions (including securities swap transactions)		57,549
10	Additional requirements, of which:	1,294,178	315,526
11	Cash outflows arising from derivative contracts and other transactions, and additional liquidity needs arising from related collateral requirements	178,567	178,468
12	Cash outflows arising from obligations under structured financing transactions and repayment of funding obtained from such transactions	2,287	2,287
13	Potential drawdown of undrawn committed facilities (including committed credit facilities and committed liquidity facilities)	1,113,324	134,771
14	Contractual lending obligations (not otherwise covered in Section B) and other contractual cash outflows	206,635	206,635
15	Other contingent funding obligations (whether contractual or non-contractual)	2,635,868	23,651
16	Total cash outflows		2,070,081
C	Cash inflows		
17	Secured lending transactions (including securities swap transactions)	642,951	126,858
18	Secured and unsecured loans (other than secured lending transactions covered in row 17) and operational deposits placed at other financial institutions	832,371	475,044
19	Other cash inflows	258,000	256,488
20	Total cash inflows	1,733,322	858,390
D	Liquidity coverage ratio (adjusted value)		
21	Total HQLA		1,906,757
22	Total net cash outflows		1,211,691
23	LCR (%)		157.5

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Table 49: LIQ2 – Net stable funding ratio – for category 1 institution

		a	b	c	d	e
		Quarter ended 30 Jun 2024				
		Unweighted value by residual maturity				Weighted amount HK\$m
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	
A	Available stable funding ('ASF') item					
1	Capital:	833,013	–	–	38,818	871,831
2	Regulatory capital	833,013	–	–	31,221	864,234
3	Other capital instruments	–	–	–	7,597	7,597
4	Retail deposits and small business funding:		3,765,607	–	–	3,401,674
5	Stable deposits		252,561	–	–	239,933
6	Less stable deposits		3,513,046	–	–	3,161,741
7	Wholesale funding:	–	3,659,459	42,354	26,681	1,179,603
8	Operational deposits		738,418	–	–	369,209
9	Other wholesale funding	–	2,921,041	42,354	26,681	810,394
10	Liabilities with matching interdependent assets	336,004	–	–	–	–
11	Other liabilities:	312,110	272,258	45,229	271,142	293,756
13	All other funding and liabilities not included in the above categories	312,110	272,258	45,229	271,142	293,756
14	Total ASF					5,746,864
B	Required stable funding ('RSF') item					
15	Total HQLA for NSFR purposes ¹		2,284,940			126,129
17	Performing loans and securities:	574,161	2,713,329	436,235	2,286,083	3,067,974
18	Performing loans to financial institutions secured by Level 1 HQLA	–	670,848	16,868	10,018	86,245
19	Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	6,435	466,244	107,936	142,066	272,405
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:	132,829	1,084,042	278,882	966,662	1,501,327
21	With a risk-weight of less than or equal to 35% under the STC approach	143	3,065	2,007	38,189	33,382
22	Performing residential mortgages, of which:	–	11,311	10,987	1,070,152	722,234
23	With a risk-weight of less than or equal to 35% under the STC approach	–	10,656	10,277	993,071	656,033
24	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	434,897	480,884	21,562	97,185	485,763
25	Assets with matching interdependent liabilities	336,004	–	–	–	–
26	Other assets:	975,093	207,771	21	1,731	581,901
27	Physical traded commodities, including gold	22,354				19,001
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs	70,023				59,520
29	Net derivative assets	28,695				28,695
30	Total derivative liabilities before adjustments for deduction of variation margin posted	316,798				15,840
31	All other assets not included in the above categories	537,223	207,771	21	1,731	458,845
32	Off-balance sheet items ¹			3,780,801		56,429
33	Total RSF					3,832,433
34	Net Stable Funding Ratio (%)					150.0

Table 49: LIQ2 – Net stable funding ratio – for category 1 institution (continued)

Basis of disclosure: consolidated	a	b	c	d	e
	Quarter ended 31 Mar 2024				
	Unweighted value by residual maturity				Weighted amount HK\$m
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		
A Available stable funding ('ASF') item					
1 Capital:	826,169	—	—	38,494	864,664
2 <i>Regulatory capital</i>	826,169	—	—	31,013	857,183
3 <i>Other capital instruments</i>	—	—	—	7,481	7,481
4 Retail deposits and small business funding:		3,731,812	—	—	3,371,571
5 <i>Stable deposits</i>		258,815	—	—	245,874
6 <i>Less stable deposits</i>		3,472,997	—	—	3,125,697
7 Wholesale funding:	—	3,619,896	55,567	11,006	1,112,304
8 <i>Operational deposits</i>		716,953	—	—	358,476
9 <i>Other wholesale funding</i>	—	2,902,943	55,567	11,006	753,828
10 Liabilities with matching interdependent assets	334,604	—	—	—	—
11 Other liabilities:	305,395	260,217	46,869	257,153	280,587
13 <i>All other funding and liabilities not included in the above categories</i>	305,395	260,217	46,869	257,153	280,587
14 Total ASF					5,629,126
B Required stable funding ('RSF') item					
15 Total HQLA for NSFR purposes ¹		2,177,944			112,999
17 Performing loans and securities:	543,065	2,893,093	413,519	2,267,155	3,012,520
18 <i>Performing loans to financial institutions secured by Level 1 HQLA</i>	—	663,310	13,437	15,322	88,371
19 <i>Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions</i>	5,993	490,416	103,855	142,745	274,227
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>	153,599	1,146,453	266,886	915,413	1,474,854
21 <i>With a risk-weight of less than or equal to 35% under the STC approach</i>	462	1,970	1,270	31,851	26,202
22 <i>Performing residential mortgages, of which:</i>	—	11,892	10,198	1,085,656	732,334
23 <i>With a risk-weight of less than or equal to 35% under the STC approach</i>	—	10,165	9,476	1,008,990	665,944
24 <i>Securities that are not in default and do not qualify as HQLA, including exchange-traded equities</i>	383,473	581,022	19,143	108,019	442,734
25 Assets with matching interdependent liabilities	334,604	—	—	—	—
26 Other assets:	934,455	142,215	5	1,797	564,705
27 <i>Physical traded commodities, including gold</i>	16,972				14,426
28 <i>Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs</i>	60,297				51,252
29 <i>Net derivative assets</i>	28,383				28,383
30 <i>Total derivative liabilities before adjustments for deduction of variation margin posted</i>	305,598				15,280
31 <i>All other assets not included in the above categories</i>	523,205	142,215	5	1,797	455,364
32 Off-balance sheet items ¹			3,799,640		56,849
33 Total RSF					3,747,073
34 Net Stable Funding Ratio (%)					150.2

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 50: Mainland activities

	On-balance sheet exposure HK\$m	Off-balance sheet exposure HK\$m	Total exposures HK\$m
At 30 Jun 2024			
Types of counterparties			
1	280,166	38,191	318,357
2	76,504	5,175	81,679
3	410,693	73,465	484,158
4	11,557	2,988	14,545
5	7,871	2,358	10,229
6	20,025	1,627	21,652
7	34,826	4,964	39,790
Total	841,642	128,768	970,410
Total assets after provision	6,609,615		
On-balance sheet exposures as percentage of total assets	12.73%		

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 on an accounting consolidation basis. 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 51: 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 2024					
Developed countries	455,785	920,375	500,501	754,762	2,631,423
– of which: United States	46,573	610,447	176,122	264,170	1,097,312
– of which: Japan	90,133	145,624	30,046	247,879	513,682
Offshore centres	95,905	67,161	199,665	478,561	841,292
– of which: Hong Kong	47,548	3,854	125,373	313,844	490,619
Developing Asia and Pacific	581,720	169,130	93,472	406,616	1,250,938
– of which: Mainland China	432,746	102,038	60,830	225,516	821,130

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 2024:

Table 52: Net structural foreign currency exposures

	Net structural position	
	LCYm	HK\$m
At 30 Jun 2024		
Renminbi	244,406	262,741
US dollars	11,498	89,788

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 2024:

Table 53: Non-structural foreign currency positions

HK\$m equivalent	United States Dollars	Singapore Dollars
	HK\$m	HK\$m
At 30 Jun 2024		
Spot assets	2,668,462	485,021
Spot liabilities	(3,627,327)	(348,169)
Forward purchases	14,518,967	384,791
Forward sales	(13,529,341)	(513,239)
Net options positions	(16,620)	(29)
Net long (net short) position¹	14,141	8,375

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

HK\$m	Millions of Hong Kong dollars
HK\$b	Billions (thousands of millions) of Hong Kong dollars

A

α	Alpha
AI	Authorised institution
ASF	Available stable funding
AT1	Additional tier 1

B

Bank	The Hongkong and Shanghai Banking Corporation Limited
BCBS	Basel Committee on Banking Supervision
BCR	Banking (Capital) Rules
BDR	Banking (Disclosure) Rules
BLR	Banking (Liquidity) Rules
BSC	Basic indicator

C

CCF	Credit conversion factor
CCP ¹	Central counterparty
CCR ¹	Counterparty credit risk
CCyB ¹	Countercyclical capital buffer
CET1 ¹	Common equity tier 1
CIS	Collective investment scheme
CRM ¹	Credit risk mitigation/mitigant
CVA ¹	Credit valuation adjustment

D

D-SIB	Domestic systemically important authorised institution
DTAs	Deferred tax assets

E

EAD ¹	Exposure at default
ECL ¹	Expected credit loss
EEPE	Effective expected positive exposures
EL	Expected loss

F

FIRO	Financial Institutions (Resolution) Ordinance
FSB	Financial Stability Board
FX	Foreign exchange

G

Group	HSBC Holdings together with its subsidiary undertakings
group	The Hongkong and Shanghai Banking Corporation Limited together with its subsidiary undertakings
G-SIB ¹	Global systemically important authorised institution

H

HAHO	HSBC Asia Holdings Limited
HKFRS	Hong Kong Financial Reporting Standards
HKMA	Hong Kong Monetary Authority
Hong Kong/HK	The Hong Kong Special Administrative Region of the People's Republic of China
HQLA	High-quality liquid assets
HSBC	HSBC Holdings together with its subsidiary undertakings
HSBC Group	HSBC Holdings together with its subsidiary undertakings
HVCRE	High volatility commercial real estate

I

IAA	Internal assessment approach
IMM ¹	Internal Models Method
IMM(CCR)	Internal models (counterparty credit risk)
IPRE	Income producing real estate
IRB ¹	Internal ratings-based approach
IRC	Incremental risk charge

J

J	Jurisdiction
JCCyB	Jurisdictional countercyclical capital buffer
JVs	Joint ventures

L

LAC	Loss-absorbing capacity
LAC Rules	Financial Institutions (Resolution) (Loss-absorbing Capacity Requirements - Banking Sector) Rules

LCR ¹	Liquidity Coverage Ratio
LGD ¹	Loss given default
LR ¹	Leverage ratio
LTA	Look-through approach

M

MSRs	Mortgage servicing rights
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N

NSFR ¹	Net stable funding ratio
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O

OBS	Off-balance sheet
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P

PD ¹	Probability of default
PF	Project finance
PFE	Potential future exposure
PRC	People's Republic of China
PSE	Public sector entities
PVA	Prudent valuation adjustments

Q

QRRE	Qualifying revolving retail exposures
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R

RC	Replacement cost
RNIV	Risks not in VaR
RSF	Required stable funding
RW	Risk weight
RWA ¹	Risk-weighted asset/risk-weighted amount

S

SA-CCR	Standardised (counterparty credit risk) approach
SEC-ERBA	Securitisation external ratings-based approach
SEC-FBA	Securitisation fall-back approach
SEC-IRBA	Securitisation internal ratings-based approach
SEC-SA	Securitisation standardised approach
SFT	Securities Financing Transactions
SMEs	Small-and-medium sized enterprises/corporates
SPE ¹	Special purpose entities
SRW	Supervisory risk weight
STC	Standardised (credit risk) approach
STM	Standardised (market risk) approach
STO	Standardised (operational risk) approach

T

T1 ¹	Tier 1 capital
T2 ¹	Tier 2 capital
TC	Total regulatory capital
TLAC ¹	Total Loss-absorbing Capacity

V

VaR ¹	Value at risk
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¹ Full definition included in the Glossary published on HSBC website www.hsbc.com

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