



恒生銀行
HANG SENG BANK

Banking Disclosure Statement

30 June 2020

(Unaudited)

BANKING DISCLOSURE STATEMENT *(unaudited)*

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Prefixes contained in the table names, where applicable, represent the reference codes of the standard disclosure templates and tables issued by the HKMA.

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Introduction

Purpose

The information contained in this document is for Hang Seng Bank Limited ("the Bank") and its subsidiaries (together "the Group") to comply with 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").

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

Basis of preparation

Except where indicated otherwise, the financial information contained in this Banking Disclosure Statement has been prepared on a consolidated basis. The basis of consolidation for regulatory capital 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.

For loss-absorbing capacity ("LAC") disclosures, the basis of calculating the Group's LAC and RWA is in accordance with the LAC Rules.

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

The Banking Disclosure Statement

The Group's Banking Disclosure Statement at 30 June 2020 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 Hong Kong Monetary Authority ("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 Disclosures section of our website, www.hangseng.com.

BANKING DISCLOSURE STATEMENT (unaudited) (continued)

Table 1: KMI – Key prudential ratios

		a	b	c	d	e
		At				
	Footnotes	30 Jun 2020	31 Mar 2020	31 Dec 2019	30 Sep 2019	30 Jun 2019
Regulatory capital (HK\$m)						
1	Common Equity Tier 1 ("CET1")	112,308	107,718	111,560	107,781	105,945
2	Tier 1	124,052	119,462	123,304	119,525	117,689
3	Total capital	135,376	133,084	137,249	133,610	131,747
Risk weighted asset ("RWA") (HK\$m)						
4	Total RWA	687,404	679,616	658,856	651,970	647,067
Risk-based regulatory capital ratios (as a percentage of RWA)						
5	CET1 ratio (%)	16.3	15.8	16.9	16.5	16.4
6	Tier 1 ratio (%)	18.0	17.6	18.7	18.3	18.2
7	Total capital ratio (%)	19.7	19.6	20.8	20.5	20.4
Additional CET1 buffer requirements (as a percentage of RWA)						
8	Capital conservation buffer requirement (%)	2.500	2.500	2.500	2.500	2.500
9	Countercyclical capital buffer ("CCyB") requirement (%)	0.830	0.835	1.645	2.067	2.085
10	Higher loss absorbency requirements (%) (applicable only to Global systemically important authorised institution ("G-SIBs") or Domestic systemically important authorised institution ("D- SIBs"))	1.000	1.000	1.500	1.500	1.500
11	Total AI-specific CET1 buffer requirements (%)	4.330	4.335	5.645	6.067	6.085
12	CET1 available after meeting the AI's minimum capital requirements (%)	11.7	11.3	12.4	12.0	11.9
Basel III leverage ratio						
13	Total leverage ratio ("LR") exposure measure (HK\$m)	1,632,393	1,577,686	1,572,114	1,537,718	1,559,690
14	LR (%)	7.6	7.6	7.8	7.8	7.5
Liquidity Coverage Ratio ("LCR")						
15	Total high quality liquid assets ("HQLA") (HK\$m)	333,086	314,106	324,034	331,860	318,938
16	Total net cash outflows (HK\$m)	168,382	173,303	161,484	158,122	161,027
17	LCR (%)	198.0	181.6	201.8	210.5	198.5
Net Stable Funding Ratio ("NSFR")						
18	Total available stable funding (HK\$m)	1,159,538	1,126,874	1,137,453	1,115,891	1,127,803
19	Total required stable funding (HK\$m)	768,157	771,588	762,817	751,178	739,544
20	NSFR (%)	151.0	146.0	149.1	148.6	152.5

- The regulatory capital, RWA, 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 - (MA/BS)3" return submitted to the HKMA on a consolidated basis under the requirements of section 3C(1) of the Banking (Capital) Rules ("BCR").
- The jurisdictional CCyB of Hong Kong used in the calculation of CCyB requirement was 1.0% at 2Q 2020 and 1Q 2020, 2.0% at 4Q 2019 and 2.5% for 2Q 2019 to 3Q 2019. The reductions were in accordance with the announcements made by the HKMA on 16 March 2020 and 14 October 2019 respectively.
- The Basel III leverage ratios are disclosed in accordance with the information contained in the "Leverage Ratio - (MA/BS)27" return submitted to the HKMA under the requirements specified in Part 1C of the BCR.
- 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 - (MA/BS)1E" return submitted to the HKMA under rule 11(1) of the Banking (Liquidity) Rules ("BLR").
- The NSFR disclosures are made in accordance with the information contained in the "Stable Funding Position - (MA/BS)26" return submitted to the HKMA under the requirements specified in rule 11(1) of the BLR.

BANKING DISCLOSURE STATEMENT (unaudited) (continued)

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 3 on the condensed consolidated financial statements in the 2020 Interim Report.

The basis of consolidation for regulatory purposes is different from that for accounting purposes. Subsidiaries included in the consolidation for regulatory purposes are specified in a notice from the HKMA in accordance with section 3C(1) of the BCR.

Subsidiaries not included in consolidation for regulatory purposes are securities and insurance companies that are authorised and supervised by regulators and are subject to supervisory arrangements regarding the maintenance of adequate capital to support business activities comparable to those prescribed for authorised institutions ("AI") under the BCR and the Banking Ordinance. The capital invested by the Group in these subsidiaries is deducted from the capital base subject to certain thresholds, as determined in accordance with Part 3 of the BCR.

For insurance entities, the present value of in-force long-term insurance business ("PVIF") asset of HK\$22,574m and the related deferred tax liability of HK\$3,725m are only recognised on consolidation in financial reporting and are therefore not included in the asset or equity positions for the stand-alone entities presented in the below table.

As at 30 June 2020, there are no subsidiaries which are included within both the accounting scope of consolidation and the regulatory scope of consolidation but the method of consolidation differs.

There are also no subsidiaries which are included within the regulatory scope of consolidation but not included within the accounting scope of consolidation as at 30 June 2020.

The Group operates subsidiaries in different 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 Group.

The Group maintains a regulatory reserve to satisfy the provisions of the Banking Ordinance and local regulatory requirements for prudential supervision purposes. As at 30 June 2020, the effect of this requirement is to restrict the amount of reserves which can be distributed to shareholders by HK\$1,201m.

There are no relevant capital shortfalls in any of the Group's subsidiaries which are not included in its consolidation group for regulatory purposes as at 30 June 2020.

A list of subsidiaries not included in consolidation for regulatory purposes is shown below:

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

	Principal activities	As at 30 Jun 2020	
		Total assets*	Total equity*
		HK\$m	HK\$m
Hang Seng Investment Management Ltd	Fund management	1,137	811
Hang Seng Investment Services Ltd	Provision of investment commentaries	9	9
Hang Seng Securities Ltd	Stockbroking	4,100	836
Hang Seng Insurance Co. Ltd and its subsidiaries	Retirement benefits and life assurance	157,572	11,305
Hang Seng Qianhai Fund Management Co. Ltd	Fund raising, fund sales and asset management	331	321

* Prepared in accordance with HKFRS

The approaches used in calculating the Group's regulatory capital and RWA are in accordance with the BCR. The Group uses the advanced internal ratings-based ("IRB") approach to calculate its credit risk for the majority of its non-securitisation exposures. For counterparty credit risk, the Group uses the current exposure method to calculate its default risk exposures. For market risk, the Group uses an internal models approach to calculate its general market risk for the risk categories of interest rate and foreign exchange (including gold) exposures and the standardised (market risk) ("STM") approach for calculating other market risk positions. For operational risk, the Group uses the standardised (operational risk) ("STO") approach to calculate its operational risk.

BANKING DISCLOSURE STATEMENT (unaudited) (continued)
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
	Balance sheet as in published financial statements As at 30 Jun 2020 HK\$m	Under regulatory scope of consolidation As at 30 Jun 2020 HK\$m	Cross-referenced to Definition of Capital Components
Assets			
Cash and balances at central banks	8,801	8,801	
Trading assets	35,990	35,973	
Derivative financial instruments	10,656	10,738	
Financial assets designated and otherwise mandatorily measured at fair value through profit or loss	14,786	194	
Reverse repurchase agreements – non-trading	8,020	11,049	
Placings with and advances to banks	63,961	58,789	
Loans and advances to customers	953,451	954,808	
<i>of which: Impairment allowances eligible for inclusion in Tier 2 capital</i>		865	(1)
Financial investments	517,854	399,683	
Investment in subsidiaries	-	7,344	
Subordinated loans to subsidiaries	-	1,045	(2)
Interest in associates	2,390	-	
Investment properties	9,645	6,848	
Premises, plant and equipment	30,887	30,550	
Intangible assets	24,244	1,335	(3)
Other assets	51,336	35,313	
<i>of which: Deferred tax assets ("DTAs")</i>		128	(4)
<i>Defined benefit pension fund net assets</i>		4	(5)
Total assets	1,732,021	1,562,470	
Liabilities			
Deposits from banks	3,957	3,957	
Current, savings and other deposit accounts	1,241,156	1,244,766	
Repurchase agreements – non-trading	3,137	1,495	
Trading liabilities	28,374	28,374	
Derivative financial instruments	11,432	11,679	
<i>of which: Gains and losses due to changes in own credit risk on fair valued liabilities</i>		18	(6)
Financial liabilities designated at fair value	30,677	30,253	
<i>of which: Gains and losses due to changes in own credit risk on fair valued liabilities</i>		(1)	(7)
Certificates of deposit and other debt securities in issue	30,629	30,629	
Other liabilities	41,955	35,355	
Liabilities under insurance contracts	136,509	-	
Current tax liabilities	1,361	1,322	
Deferred tax liabilities	7,239	3,499	
<i>of which: Deferred tax liabilities related to intangible assets</i>		202	(8)
<i>Deferred tax liabilities related to defined benefit pension fund</i>		1	(9)
Subordinated liabilities	19,480	19,480	
Total liabilities	1,555,906	1,410,809	
Equity			
Share capital	9,658	9,658	(10)
Retained profits	132,817	108,476	(11)
<i>of which: Revaluation gains of investment properties</i>		6,348	(12)
<i>Regulatory reserve for general banking risks</i>		1,201	(13)
<i>Regulatory reserve eligible for inclusion in Tier 2 capital</i>		264	(14)
<i>Valuation adjustments</i>		90	(15)
Other equity instruments	11,744	11,744	(16)
Other reserves	21,800	21,783	(17)
<i>of which: Cash flow hedge reserve</i>		58	(18)
<i>Valuation adjustments</i>		1	(19)
<i>Revaluation reserve of properties</i>		18,630	(20)
Total shareholders' equity	176,019	151,661	
Non-controlling interests	96	-	
Total equity	176,115	151,661	
Total equity and liabilities	1,732,021	1,562,470	

BANKING DISCLOSURE STATEMENT (unaudited) (continued)

Capital and RWA

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
	Component of regulatory capital HK\$m	Cross-referenced to Table 3 Source based on reference numbers/ letters of the balance sheet under the regulatory scope of consolidation
As at 30 June 2020		
CET1 capital: instruments and reserves		
1	9,658	(10)
2	108,476	(11)
3	21,783	(17)
4	Not applicable	Not applicable
5	-	
6	139,917	
CET1 capital: regulatory deductions		
7	91	(15) + (19)
8	-	
9	1,133	(3) - (8)
10	128	(4)
11	58	(18)
12	-	
13	-	
14	17	(6) + (7)
15	3	(5) - (9)
16	-	
17	-	
18	-	
19	-	
20	Not applicable	Not applicable
21	Not applicable	Not applicable
22	Not applicable	Not applicable
23	Not applicable	Not applicable
24	Not applicable	Not applicable
25	Not applicable	Not applicable
26	26,179	
26a	24,978	(12) + (20)
26b	1,201	(13)
26c	-	
26d	-	
26e	-	
26f	-	
27	-	
28	27,609	
29	112,308	

BANKING DISCLOSURE STATEMENT (unaudited) (continued)

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

	a	b
	Component of regulatory capital HK\$m	Cross-referenced to Table 3 Source based on reference numbers/ letters of the balance sheet under the regulatory scope of consolidation
AT1 capital: instruments		
30	11,744	
31	11,744	(16)
32	-	
33	-	
34	-	
35	-	
36	11,744	
AT1 capital: regulatory deductions		
37	-	
38	-	
39	-	
40	-	
41	-	
42	-	
43	-	
44	11,744	
45	124,052	
Tier 2 capital: instruments and provisions		
46	-	
47	-	
48	-	
49	-	
50	1,129	(1) + (14)
51	1,129	
Tier 2 capital: regulatory deductions		
52	-	
53	-	
54	-	
54a	-	
55	1,045	(2)
55a	-	
56	(11,240)	
56a	(11,240)	((12) + (20))*45%
56b	-	
57	(10,195)	
58	11,324	
59	135,376	
60	687,404	

BANKING DISCLOSURE STATEMENT (unaudited) (continued)

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

	a	b
	Component of regulatory capital HK\$m	Cross-referenced to Table 3 Source based on reference numbers/ letters of the balance sheet under the regulatory scope of consolidation
Capital ratios (as a percentage of RWA)		
61	16.3%	
62	18.0%	
63	19.7%	
64	4.330%	
65	2.500%	
66	0.830%	
67	1.000%	
68	11.7%	
National minima (if different from Basel 3 minimum)		
69	Not applicable	Not applicable
70	Not applicable	Not applicable
71	Not applicable	Not applicable
Amounts below the thresholds for deduction (before risk weighting)		
72	4,675	
73	7,607	
74	Not applicable	Not applicable
75	Not applicable	Not applicable
Applicable caps on the inclusion of provisions in Tier 2 capital		
76	458	
77	858	
78	671	
79	3,299	
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2018 and 1 Jan 2022)		
80	Not applicable	Not applicable
81	Not applicable	Not applicable
82	-	
83	-	
84	-	
85	-	

BANKING DISCLOSURE STATEMENT *(unaudited) (continued)*Table 4: CC1 – Composition of regulatory capital *(continued)*

Notes to the template:

Elements where a more conservative definition has been applied in the BCR relative to that set out in Basel III capital standards:

As at 30 Jun 2020	Hong Kong basis	Basel III basis
	HK\$m	HK\$m
10 Deferred tax assets (net of associated deferred tax liabilities)	128	11

Explanation

As set out in paragraphs 69 and 87 of the Basel III text issued by the Basel Committee (December 2010), DTAs of the bank to be 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 and other credit exposures to connected companies) under Basel III.

Remarks:

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

BANKING DISCLOSURE STATEMENT (unaudited) (continued)

Countercyclical capital buffer ratio

The Countercyclical capital buffer 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 5: CCyB1 – Geographical distribution of credit exposures used in countercyclical capital buffer

As at 30 Jun 2020		a	c	d	e
Geographical breakdown by Jurisdiction ("J")	Footnotes	Applicable JCCyB ratio in effect %	RWA used in computation of CCyB ratio HK\$m	AI-specific CCyB ratio %	CCyB amount HK\$m
1 Hong Kong SAR	1	1.000	480,639		
Sum	2		480,639		
Total	3		578,846	0.830	5,705

- 1 At 2Q 2020, the jurisdictional CCyB of Hong Kong used in the calculation of CCyB requirement was 1.0%, which was reduced from 2.0% at 4Q 2019 in accordance with the announcement made by the HKMA on 16 March 2020.
- 2 This represents the sum of RWA for the private sector credit exposures in jurisdictions with a non-zero countercyclical buffer rate.
- 3 The total RWA used in the computation of the CCyB ratio in column (c) represents the total RWA for the private sector credit exposures in all jurisdictions to which the bank is exposed, including jurisdictions with no countercyclical buffer rate or with a countercyclical buffer rate set at zero. The CCyB amount in column (e) represents the Group's total RWA multiplied by the AI-specific CCyB ratio in column (d).

BANKING DISCLOSURE STATEMENT (unaudited) (continued)
Leverage ratio

Table 6: LR2 – Leverage ratio

	a	b
	30 Jun 2020	31 Mar 2020
	HK\$m	HK\$m
On-balance sheet exposures		
1 On-balance sheet exposures (excluding those arising from derivative contracts and Securities financing transaction ("SFTs"), but including collateral)	1,542,922	1,496,735
2 Less: Asset amounts deducted in determining Tier 1 capital	(27,592)	(31,028)
3 Total on-balance sheet exposures (excluding derivative contracts and SFTs)	1,515,330	1,465,707
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)	5,826	5,908
5 Add-on amounts for PFE associated with all derivative contracts	12,664	10,648
6 Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework	-	-
7 Less: Deductions of receivables assets for cash variation margin provided under derivative contracts	-	-
8 Less: Exempted Central counterparty ("CCP") leg of client-cleared trade exposures	-	-
9 Adjusted effective notional amount of written credit derivative contracts	-	-
10 Less: Adjusted effective notional offsets and add-on deductions for written credit derivative contracts	-	-
11 Total exposures arising from derivative contracts	18,490	16,556
Exposures arising from SFTs		
12 Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	13,424	12,144
13 Less: Netted amounts of cash payables and cash receivables of gross SFT assets	-	-
14 Counterparty credit risk ("CCR") exposure for SFT assets	161	453
15 Agent transaction exposures	-	-
16 Total exposures arising from SFTs	13,585	12,597
Other off-balance sheet exposures		
17 Off-balance sheet exposure at gross notional amount	535,729	521,947
18 Less: Adjustments for conversion to credit equivalent amounts	(445,906)	(435,017)
19 Off-balance sheet items	89,823	86,930
Capital and total exposures		
20 Tier 1 capital	124,052	119,462
20a Total exposures before adjustments for specific and collective provisions	1,637,228	1,581,790
20b Adjustments for specific and collective provisions	(4,835)	(4,104)
21 Total exposures after adjustments for specific and collective provisions	1,632,393	1,577,686
Leverage ratio		
22 Leverage ratio	7.6%	7.6%

Table 7: LR1 – Summary comparison of accounting assets against leverage ratio exposure measure

As at 30 Jun 2020	a
Item	Value under the LR framework HK\$m
1 Total consolidated assets as per published financial statements	1,732,021
2 Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	(161,246)
3 Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting standard but excluded from the LR exposure measure	-
4 Adjustments for derivative contracts	7,752
5 Adjustment for SFTs (i.e. repos and similar secured lending)	161
6 Adjustment for off-balance sheet ("OBS") items (i.e. conversion to credit equivalent amounts of OBS exposures)	89,823
6a Adjustment for specific and collective provisions that are allowed to be excluded from exposure measure	(4,835)
7 Other adjustments	(31,283)
8 Leverage ratio exposure measure	1,632,393

Other adjustments mainly represent the regulatory deductions of property revaluation reserves and regulatory reserve to Tier 1 capital.

BANKING DISCLOSURE STATEMENT (unaudited) (continued)
Overview of RWA and the minimum capital requirements

Table 8: OV1 – Overview of RWA

	a	b	c
	RWA ¹		Minimum ² capital requirements
	30 Jun 2020	31 Mar 2020	30 Jun 2020
	HK\$m	HK\$m	HK\$m
1 Credit risk for non-securitisation exposures	545,996	541,820	45,970
2 <i>Of which: STC approach</i>	68,537	68,149	5,483
2a <i>Of which: Basic ("BSC") approach</i>	-	-	-
3 <i>Of which: Foundation IRB approach</i>	-	-	-
4 <i>Of which: Supervisory slotting criteria approach</i>	14,660	14,714	1,243
5 <i>Of which: Advanced IRB approach</i>	462,799	458,957	39,244
6 Counterparty default risk and default fund contributions	3,633	3,557	307
7 <i>Of which: Standardised approach for counterparty credit risk ("SA-CCR")*</i>	<i>Not applicable</i>	<i>Not applicable</i>	<i>Not applicable</i>
7a <i>Of which: Current exposure method ("CEM")</i>	3,460	3,378	293
8 <i>Of which: Internal models (counterparty credit risk) ("IMM(CCR)") approach</i>	-	-	-
9 <i>Of which: Others</i>	173	179	14
10 Credit valuation adjustment ("CVA") risk	3,675	3,644	294
11 Equity positions in banking book under the simple risk-weight method and internal models method	18,749	18,049	1,590
12 Collective investment scheme ("CIS") exposures – Look-through ("LTA") approach*	<i>Not applicable</i>	<i>Not applicable</i>	<i>Not applicable</i>
13 CIS exposures – Mandate-based ("MBA") approach*	<i>Not applicable</i>	<i>Not applicable</i>	<i>Not applicable</i>
14 CIS exposures – Fall-back ("FBA") approach*	<i>Not applicable</i>	<i>Not applicable</i>	<i>Not applicable</i>
14a CIS exposures – combination of approaches*	<i>Not applicable</i>	<i>Not applicable</i>	<i>Not applicable</i>
15 Settlement risk	-	-	-
16 Securitisation exposures in banking book	-	-	-
17 <i>Of which: Securitisation internal ratings-based ("SEC-IRBA") approach</i>	-	-	-
18 <i>Of which: Securitisation external ratings-based ("SEC-ERBA") approach (including internal assessment approach ("IAA"))</i>	-	-	-
19 <i>Of which: Securitisation standardised ("SEC-SA") approach</i>	-	-	-
19a <i>Of which: Securitisation fall-back ("SEC-FBA") approach</i>	-	-	-
20 Market risk	11,652	10,262	933
21 <i>Of which: STM approach</i>	157	164	13
22 <i>Of which: Internal models ("IMM") approach</i>	11,495	10,098	920
23 Capital charge for switch between exposures in trading book and banking book (not applicable before the revised market risk framework takes effect)*	<i>Not applicable</i>	<i>Not applicable</i>	<i>Not applicable</i>
24 Operational risk	67,299	66,823	5,384
24a Sovereign concentration risk	-	-	-
25 Amounts below the thresholds for deduction (subject to 250% Risk-weight ("RW"))	19,017	19,069	1,613
26 Capital floor adjustment	-	-	-
26a Deduction to RWA	(13,738)	(14,459)	(1,099)
26b <i>Of which: Portion of regulatory reserve for general banking risks and collective provisions which is not included in Tier 2 Capital</i>	-	-	-
26c <i>Of which: Portion of cumulative fair value gains arising from the revaluation of land and buildings which is not included in Tier 2 Capital</i>	(13,738)	(14,459)	(1,099)
27 Total	656,283	648,765	54,992

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

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

3 Items marked with an asterisk (*) will be applicable only after their respective policy frameworks take effect. Until then, "Not applicable" is reported in the rows.

Total RWA (before any applicable scaling factor) increased by HK\$7.5bn since last quarter. An increase of RWA HK\$6.5bn was resulted from model updates related to corporate exposures that was reflected in credit risk RWA for non-securitisation exposures. Meanwhile, market risk RWA was up by HK\$1.4bn mainly driven by changes in HKD interest rate trading positions.

BANKING DISCLOSURE STATEMENT (unaudited) (continued)

RWA flow statements

RWA flow statement for credit risk

Table 9: CR8 – RWA flow statement of credit risk¹ exposures under IRB approach

	a
	Amount
	HK\$m
1 RWA as at end of previous reporting period (31 Mar 2020)	473,671
2 Asset size	1,011
3 Asset quality	(2,029)
4 Model updates	6,593
5 Methodology and policy	-
6 Acquisitions and disposals	-
7 Foreign exchange movements	693
8 Other	(2,480)
9 RWA as at end of reporting period (30 Jun 2020)	477,459

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

RWA increased by HK\$3.8bn in the second quarter of 2020, of which an increase of HK\$6.5bn was resulted from model updates related to corporate exposures. The movement was partly offset by a reduction of HK\$2.5bn in other as a result of RWA initiatives.

RWA flow statement for market risk

Table 10: MR2 – RWA flow statement of market risk exposures under IMM approach

	a	b	c	d	e	f
	Value at risk ("VaR") HK\$m	Stressed VaR HK\$m	Incremental risk charge ("IRC") HK\$m	Comprehensive risk charge ("CRC") HK\$m	Other HK\$m	Total RWA HK\$m
1 RWA as at end of previous reporting period (31 Mar 2020)	4,654	5,444	-	-	-	10,098
2 Movement in risk levels	1,056	344	-	-	-	1,400
3 Model updates/changes	-	-	-	-	-	-
4 Methodology and policy	-	-	-	-	-	-
5 Acquisitions and disposals	-	-	-	-	-	-
6 Foreign exchange movements	(1)	(2)	-	-	-	(3)
7 Other	-	-	-	-	-	-
8 RWA as at end of reporting period (30 Jun 2020)	5,709	5,786	-	-	-	11,495

The increase in market risk RWA was mainly driven by changes in HKD interest rate trading positions.

BANKING DISCLOSURE STATEMENT (unaudited) (continued)

Loss-absorbing Capacity

Table 11: KM2(A) – Key metrics – LAC requirements

	a	b	c	d	e
	At ¹				
	30 Jun 2020	31 Mar 2020	31 Dec 2019	30 Sep 2019	30 Jun 2019
Of the material entity at LAC consolidation group level					
1 Internal loss-absorbing capacity available (HK\$m)	154,856	152,566	156,743	153,126	N/A
2 Risk-weighted amount under the LAC Rules (HK\$m)	687,404	679,616	658,856	651,970	N/A
3 Internal LAC risk-weighted ratio (%)	22.5	22.4	23.8	23.5	N/A
4 Exposure measure under the LAC Rules (HK\$m)	1,631,348	1,576,641	1,571,199	1,536,803	N/A
5 Internal LAC leverage ratio (%)	9.5	9.7	10.0	10.0	N/A
6a Does the subordination exemption in the antepenultimate paragraph of Section 11 of the FSB TLAC Term Sheet apply?	2 Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
6b Does the subordination exemption in the penultimate paragraph of Section 11 of the FSB TLAC Term Sheet apply?	2 Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
6c If the capped subordination exemption applies, the amount of funding issued that ranks pari passu with excluded liabilities and that is recognised as external loss-absorbing capacity, divided by funding issued that ranks pari passu with excluded liabilities and that would be recognised as external loss-absorbing capacity if no cap was applied	2 Not applicable	Not applicable	Not applicable	Not applicable	Not applicable

- 1 The LAC disclosures for the Group commences on 30 September 2019 in accordance with the LAC Rules, accordingly the prior periods' ratios are not available.
- 2 The subordination exemptions under Section 11 of the Financial Stability Board ("FSB") Total Loss-absorbing Capacity Term Sheet ("TLAC Term Sheet") do not apply in Hong Kong under the LAC Rules.

BANKING DISCLOSURE STATEMENT (unaudited) (continued)

Table 12: TLAC1(A) – TLAC composition

As at 30 Jun 2020		a
		Amount
Regulatory capital elements of internal loss-absorbing capacity and adjustments (HK\$m)		
1	Common Equity Tier 1 ("CET1") capital	112,308
2	Additional Tier 1 ("AT1") capital before LAC adjustments	11,744
3	AT1 capital instruments ineligible as internal loss-absorbing capacity as not issued directly or indirectly to, and held directly or indirectly by, the resolution entity or non-HK resolution entity in the material subsidiary's resolution group	-
4	Other adjustments	-
5	AT1 capital eligible under the LAC Rules	11,744
6	Tier 2 ("T2") capital before LAC adjustments	11,324
7	Amortised portion of T2 capital instruments that are internal LAC debt instruments issued directly or indirectly to, and held directly or indirectly by, the resolution entity or non-HK resolution entity in the material subsidiary's resolution group	-
8	T2 capital instruments ineligible as internal loss-absorbing capacity as not issued directly or indirectly to, and held directly or indirectly by, the resolution entity or non-HK resolution entity in the material subsidiary's resolution group	-
9	Other adjustments	-
10	T2 capital eligible under the LAC Rules	11,324
11	Internal loss-absorbing capacity arising from regulatory capital	135,376
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	19,480
17	Internal loss-absorbing capacity arising from non-capital LAC debt instruments before adjustments	19,480
Non-regulatory capital elements of internal loss-absorbing capacity: adjustments (HK\$m)		
18	Internal loss-absorbing capacity before deductions	154,856
19	Deductions of exposures between the material subsidiary's LAC consolidation group and group companies outside that group that correspond to non-capital items eligible for internal loss-absorbing capacity	-
20	Deduction of holdings of its own non-capital LAC liabilities	-
21	Other adjustments to internal loss-absorbing capacity	-
22	Internal loss-absorbing capacity after deductions	154,856
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	687,404
24	Exposure measure under the LAC Rules	1,631,348
Internal LAC ratios and buffers (%)		
25	Internal LAC risk-weighted ratio	22.5
26	Internal LAC leverage ratio	9.5
27	CET1 capital (as a percentage of RWA under the BCR) available after meeting the LAC consolidation group's minimum capital and LAC requirements	10.5
28	Institution-specific buffer requirement (capital conservation buffer plus countercyclical capital buffer requirements plus higher loss absorbency requirement, expressed as a percentage of RWA under the BCR)	4.330
29	<i>Of which: capital conservation buffer requirement</i>	2.500
30	<i>Of which: institution-specific countercyclical capital buffer requirement</i>	0.830
31	<i>Of which: higher loss absorbency requirement</i>	1.000

BANKING DISCLOSURE STATEMENT (unaudited) (continued)

Table 13: TLAC2 – Hang Seng Bank Limited creditor ranking

	Creditor ranking (HK\$m)				Sum of values in columns 1 to 3
	1 (most junior)	1 (most junior)	2 (most senior)	3 (most senior)	
1 Is the resolution entity or a non-HK resolution entity the creditor/investor? (yes or no) ¹	No	Yes	Yes	Yes	
2 Description of creditor ranking	Ordinary shares ²	Ordinary shares ²	AT1 instruments	LAC loans	
3 Total capital and liabilities net of credit risk mitigation	3,657	6,001	11,744	19,480	40,882
4 Subset of row 3 that is excluded liabilities	-	-	-	-	-
5 Total capital and liabilities less excluded liabilities	3,657	6,001	11,744	19,480	40,882
6 Subset of row 5 that are eligible as internal loss-absorbing capacity	3,657	6,001	11,744	19,480	40,882
7 Subset of row 6 with 1 year ≤ residual maturity < 2 years	-	-	-	-	-
8 Subset of row 6 with 2 years ≤ residual maturity < 5 years	-	-	-	-	-
9 Subset of row 6 with 5 years ≤ residual maturity < 10 years	-	-	-	19,480	19,480
10 Subset of row 6 with residual maturity ≥ 10 years, but excluding perpetual securities	-	-	-	-	-
11 Subset of row 6 that is perpetual securities	3,657	6,001	11,744	-	21,402

1 Any direct/indirect holdings by the resolution entity is reported as "yes".

2 Excludes the value of reserves attributable to ordinary shareholders.

BANKING DISCLOSURE STATEMENT (unaudited) (continued)

Main features of regulatory capital instruments and non-capital LAC debt instruments

The following is a summary of CET1 capital, AT1 capital and non-capital LAC debt instruments that meet both regulatory capital and LAC requirements, or only LAC (but not regulatory capital) requirements.

Table 14: CCA(A) – Main features of regulatory capital instruments and non-capital LAC debt instruments

(i) Instruments that meet both regulatory capital and LAC requirements		a
As at 30 Jun 2020		Quantitative / qualitative information
		Ordinary shares
1	Issuer	Hang Seng Bank Limited
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	HK0011000095
3	Governing law(s) of the instrument	Laws of Hong Kong
3a	Means by which enforceability requirement of Section 13 of the TLAC Term Sheet is achieved (for non-capital LAC debt instruments governed by non-Hong Kong law)	N/A
<i>Regulatory treatment</i>		
4	Transitional Basel III rules ¹	N/A
5	Post-transitional Basel III rules ²	CET1
6	Eligible at solo / group / solo and group (for regulatory capital purposes)	Solo and Group
6a	Eligible at solo / LAC consolidation group / solo and LAC consolidation group (for LAC purposes)	Solo and LAC consolidation group
7	Instrument type (types to be specified by each jurisdiction)	Ordinary shares
8	Amount recognised in regulatory capital (currency in millions, as of most recent reporting date)	HK\$ 9,658 million
8a	Amount recognised in loss-absorbing capacity (currency in millions, as of most recent reporting date)	HK\$ 9,658 million
9	Par value of instrument	No par value (Total amount HK\$ 9,658 million)
10	Accounting classification	Shareholders' equity
11	Original date of issuance	Various
12	Perpetual or dated	Perpetual
13	Original maturity date	No maturity
14	Issuer call subject to prior supervisory approval	N/A
15	Optional call date, contingent call dates and redemption price	N/A
16	Subsequent call dates, if applicable	N/A
<i>Coupons / dividends</i>		
17	Fixed or floating dividend/coupon	N/A
18	Coupon rate and any related index	N/A
19	Existence of a dividend stopper	N/A
20	Fully discretionary, partially discretionary or mandatory	Fully discretionary
21	Existence of step up or other incentive to redeem	N/A
22	Non-cumulative or cumulative	Non-cumulative
23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, specify instrument type convertible into	N/A
29	If convertible, specify issuer of instrument it converts into	N/A
30	Write-down feature	No
31	If write-down, write-down trigger(s)	N/A
32	If write-down, full or partial	N/A
33	If write-down, permanent or temporary	N/A
34	If temporary write-down, description of write-up mechanism	N/A
34a	Type of subordination	Contractual
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument in the insolvency creditor hierarchy of the legal entity concerned)	Immediately subordinate to AT1 instruments (columns b and c)
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	N/A
Terms and conditions		Terms and conditions - Ordinary shares

Footnotes:

¹ Regulatory treatment of capital instruments subject to transitional arrangements provided for in Schedule 4H to the BCR.

² Regulatory treatment of capital instruments not subject to transitional arrangements provided for in Schedule 4H to the BCR.

³ Subject to FIRO

⁴ Terms and conditions to be read in conjunction with the Master terms and conditions (the "Master terms and conditions")

[Master terms and conditions](#)

BANKING DISCLOSURE STATEMENT (unaudited) (continued)

Table 14: CCA(A) – Main features of regulatory capital instruments and non-capital LAC debt instruments (continued)

		b	c
As at 30 Jun 2020		Quantitative / qualitative information	
		Perpetual subordinated loan (US\$ 900 million)	Perpetual subordinated loan (US\$ 600 million)
1	Issuer	Hang Seng Bank Limited	Hang Seng Bank Limited
2	Unique identifier	N/A	N/A
3	Governing law(s) of the instrument	Laws of Hong Kong	Laws of Hong Kong
3a	Means by which enforceability requirement of Section 13 of the TLAC Term Sheet is achieved	N/A	N/A
	<i>Regulatory treatment</i>		
4	Transitional Basel III rules ¹	N/A	N/A
5	Post-transitional Basel III rules ²	AT1	AT1
6	Eligible at solo / group / solo and group	Solo and Group	Solo and Group
6a	Eligible at solo / LAC consolidation group / solo and LAC consolidation group	Solo and LAC consolidation group	Solo and LAC consolidation group
7	Instrument type (types to be specified by each jurisdiction)	Perpetual debt instrument	Perpetual debt instrument
8	Amount recognised in regulatory capital	HK\$ 7,044 million	HK\$ 4,700 million
8a	Amount recognised in loss-absorbing capacity	HK\$ 7,044 million	HK\$ 4,700 million
9	Par value of instrument	US\$ 900 million	US\$ 600 million
10	Accounting classification	Shareholders' equity	Shareholders' equity
11	Original date of issuance	14 June 2019	18 June 2019
12	Perpetual or dated	Perpetual	Perpetual
13	Original maturity date	No maturity	No maturity
14	Issuer call subject to prior supervisory approval	Yes	Yes
15	Optional call date, contingent call dates and redemption price	17 September 2024 at par value	18 June 2024 at par value
16	Subsequent call dates, if applicable	Callable on any interest payment date after first call date	Callable on any interest payment date after first call date
	<i>Coupons / dividends</i>		
17	Fixed or floating dividend/coupon	Fixed until 17 September 2024 and thereafter floating	Fixed until 18 June 2024 and thereafter floating
18	Coupon rate and any related index	6.030% until 17 September 2024, and thereafter 3-month US\$ LIBOR + 4.020%	6.000% until 18 June 2024, and thereafter 3-month US\$ LIBOR + 4.060%
19	Existence of a dividend stopper	No	No
20	Fully discretionary, partially discretionary or mandatory	Fully discretionary	Fully discretionary
21	Existence of step up or other incentive to redeem	No	No
22	Non-cumulative or cumulative	Non-cumulative	Non-cumulative
23	Convertible or non-convertible	Non-convertible ³	Non-convertible ³
24	If convertible, conversion trigger(s)	N/A	N/A
25	If convertible, fully or partially	N/A	N/A
26	If convertible, conversion rate	N/A	N/A
27	If convertible, mandatory or optional conversion	N/A	N/A
28	If convertible, specify instrument type convertible into	N/A	N/A
29	If convertible, specify issuer of instrument it converts into	N/A	N/A
30	Write-down feature	Yes	Yes
31	If write-down, write-down trigger(s)	Contractual write-down at point of non-viability of borrower. Contractual recognition of HKMA statutory powers under FIRO	Contractual write-down at point of non-viability of borrower. Contractual recognition of HKMA statutory powers under FIRO
32	If write-down, full or partial	May be written down partially	May be written down partially
33	If write-down, permanent or temporary	Permanent	Permanent
34	If temporary write-down, description of write-up mechanism	N/A	N/A
34a	Type of subordination	Contractual	Contractual
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument in the insolvency creditor hierarchy of the legal entity concerned)	Immediately subordinate to non-capital LAC debt instruments (columns a to d under ii)	Immediately subordinate to non-capital LAC debt instruments (columns a to d under ii)
36	Non-compliant transitioned features	No	No
37	If yes, specify non-compliant features	N/A	N/A
	Terms and conditions	Individual loan agreement⁴	Individual loan agreement⁴

BANKING DISCLOSURE STATEMENT (unaudited) (continued)

Table 14: CCA(A) – Main features of regulatory capital instruments and non-capital LAC debt instruments (continued)

(ii) Instruments that meet only LAC (but not regulatory capital) requirements		a	b
As at 30 Jun 2020			
Quantitative / qualitative information			
		Subordinated loan (HK\$ 5,460 million)	Subordinated loan (HK\$ 4,680 million)
1	Issuer	Hang Seng Bank Limited	Hang Seng Bank Limited
2	Unique identifier	N/A	N/A
3	Governing law(s) of the instrument	Laws of Hong Kong	Laws of Hong Kong
3a	Means by which enforceability requirement of Section 13 of the TLAC Term Sheet is achieved	N/A	N/A
	<i>Regulatory treatment</i>		
4	Transitional Basel III rules ¹	N/A	N/A
5	Post-transitional Basel III rules ²	Ineligible	Ineligible
6	Eligible at solo / group / solo and group	Ineligible	Ineligible
6a	Eligible at solo / LAC consolidation group / solo and LAC consolidation group	Solo and LAC consolidation group	Solo and LAC consolidation group
7	Instrument type (types to be specified by each jurisdiction)	Non-capital LAC debt instrument	Non-capital LAC debt instrument
8	Amount recognised in regulatory capital	N/A	N/A
8a	Amount recognised in loss-absorbing capacity	HK\$ 5,460 million	HK\$ 4,680 million
9	Par value of instrument	HK\$ 5,460 million	HK\$ 4,680 million
10	Accounting classification	Liability – amortised cost	Liability – amortised cost
11	Original date of issuance	30 May 2019	10 June 2019
12	Perpetual or dated	Dated	Dated
13	Original maturity date	Interest payment date falling in May 2028	Interest payment date falling in June 2029
14	Issuer call subject to prior supervisory approval	Yes	Yes
15	Optional call date, contingent call dates and redemption price	Interest payment date falling in May 2027 at par value	Interest payment date falling in June 2028 at par value
16	Subsequent call dates, if applicable	Callable on any interest payment date after first call date	Callable on any interest payment date after first call date
	<i>Coupons / dividends</i>		
17	Fixed or floating dividend/coupon	Floating	Floating
18	Coupon rate and any related index	3-month HK\$ HIBOR + 1.425%	3-month HK\$ HIBOR + 1.564%
19	Existence of a dividend stopper	No	No
20	Fully discretionary, partially discretionary or mandatory	Mandatory	Mandatory
21	Existence of step up or other incentive to redeem	No	No
22	Non-cumulative or cumulative	Non-cumulative	Non-cumulative
23	Convertible or non-convertible	Non-convertible ³	Non-convertible ³
24	If convertible, conversion trigger(s)	N/A	N/A
25	If convertible, fully or partially	N/A	N/A
26	If convertible, conversion rate	N/A	N/A
27	If convertible, mandatory or optional conversion	N/A	N/A
28	If convertible, specify instrument type convertible into	N/A	N/A
29	If convertible, specify issuer of instrument it converts into	N/A	N/A
30	Write-down feature	Yes	Yes
31	If write-down, write-down trigger(s)	Contractual write-down at point of non-viability of borrower. Contractual recognition of HKMA statutory powers under FIRO	Contractual write-down at point of non-viability of borrower. Contractual recognition of HKMA statutory powers under FIRO
32	If write-down, full or partial	May be written down partially	May be written down partially
33	If write-down, permanent or temporary	Permanent	Permanent
34	If temporary write-down, description of write-up mechanism	N/A	N/A
34a	Type of subordination	Contractual	Contractual
35	Position in subordination hierarchy in liquidation	Immediately subordinate to the claims of all unsubordinated creditors	Immediately subordinate to the claims of all unsubordinated creditors
36	Non-compliant transitioned features	No	No
37	If yes, specify non-compliant features	N/A	N/A
	Terms and conditions	Individual loan agreement ⁴	Individual loan agreement ⁴

BANKING DISCLOSURE STATEMENT (unaudited) (continued)

Table 14: CCA(A) – Main features of regulatory capital instruments and non-capital LAC debt instruments (continued)

		c	d
As at 30 Jun 2020		Quantitative / qualitative information	
		Subordinated loan (US\$ 400 million)	Subordinated loan (HK\$ 6,240 million)
1	Issuer	Hang Seng Bank Limited	Hang Seng Bank Limited
2	Unique identifier	N/A	N/A
3	Governing law(s) of the instrument	Laws of Hong Kong	Laws of Hong Kong
3a	Means by which enforceability requirement of Section 13 of the TLAC Term Sheet is achieved	N/A	N/A
	<i>Regulatory treatment</i>		
4	Transitional Basel III rules ¹	N/A	N/A
5	Post-transitional Basel III rules ²	Ineligible	Ineligible
6	Eligible at solo / group / solo and group	Ineligible	Ineligible
6a	Eligible at solo / LAC consolidation group / solo and LAC consolidation group	Solo and LAC consolidation group	Solo and LAC consolidation group
7	Instrument type (types to be specified by each jurisdiction)	Non-capital LAC debt instrument	Non-capital LAC debt instrument
8	Amount recognised in regulatory capital	N/A	N/A
8a	Amount recognised in loss-absorbing capacity	HK\$ 3,100 million	HK\$ 6,240 million
9	Par value of instrument	US\$ 400 million	HK\$ 6,240 million
10	Accounting classification	Liability – amortised cost	Liability – amortised cost
11	Original date of issuance	10 June 2019	13 June 2019
12	Perpetual or dated	Dated	Dated
13	Original maturity date	Interest payment date falling in June 2030	Interest payment date falling in June 2026
14	Issuer call subject to prior supervisory approval	Yes	Yes
15	Optional call date, contingent call dates and redemption price	Interest payment date falling in June 2029 at par value	Interest payment date falling in June 2025 at par value
16	Subsequent call dates, if applicable	Callable on any interest payment date after first call date	Callable on any interest payment date after first call date
	<i>Coupons / dividends</i>		
17	Fixed or floating dividend/coupon	Floating	Floating
18	Coupon rate and any related index	3-month US\$ LIBOR + 1.789%	3-month HK\$ HIBOR + 1.342%
19	Existence of a dividend stopper	No	No
20	Fully discretionary, partially discretionary or mandatory	Mandatory	Mandatory
21	Existence of step up or other incentive to redeem	No	No
22	Non-cumulative or cumulative	Non-cumulative	Non-cumulative
23	Convertible or non-convertible	Non-convertible ³	Non-convertible ³
24	If convertible, conversion trigger(s)	N/A	N/A
25	If convertible, fully or partially	N/A	N/A
26	If convertible, conversion rate	N/A	N/A
27	If convertible, mandatory or optional conversion	N/A	N/A
28	If convertible, specify instrument type convertible into	N/A	N/A
29	If convertible, specify issuer of instrument it converts into	N/A	N/A
30	Write-down feature	Yes	Yes
31	If write-down, write-down trigger(s)	Contractual write-down at point of non-viability of borrower. Contractual recognition of HKMA statutory powers under FIRO	Contractual write-down at point of non-viability of borrower. Contractual recognition of HKMA statutory powers under FIRO
32	If write-down, full or partial	May be written down partially	May be written down partially
33	If write-down, permanent or temporary	Permanent	Permanent
34	If temporary write-down, description of write-up mechanism	N/A	N/A
34a	Type of subordination	Contractual	Contractual
35	Position in subordination hierarchy in liquidation	Immediately subordinate to the claims of all unsubordinated creditors	Immediately subordinate to the claims of all unsubordinated creditors
36	Non-compliant transitioned features	No	No
37	If yes, specify non-compliant features	N/A	N/A
	Terms and conditions	Individual loan agreement⁴	Individual loan agreement⁴

BANKING DISCLOSURE STATEMENT (unaudited) (continued)

Credit Risk

Credit quality of assets

Tables 15 and 16 analyse credit exposures between defaulted and non-defaulted, changes in defaulted loans and debt securities on a regulatory consolidation basis. The loans covered in these two 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 15: CR1 – Credit quality of exposures

	a	b	c	d	e	f	g
	<u>Gross carrying amounts of</u>			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	
	Defaulted exposures	Non-defaulted exposures	Allowances/ impairments	Allocated in regulatory category of specific provisions	Allocated in regulatory category of collective provisions		Net values (a + b - c)
As at 30 Jun 2020	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m
1 Loans	3,031	1,024,115	4,553	128	313	4,112	1,022,593
2 Debt securities	-	396,011	60	-	-	60	395,951
3 Off-balance sheet exposures	-	535,729	222	-	11	211	535,507
4 Total	3,031	1,955,855	4,835	128	324	4,383	1,954,051

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

Table 16: CR2 – Changes in defaulted loans and debt securities

	a
	Amount
	Footnote
	HK\$m
1 Defaulted loans and debt securities at end of the previous reporting period (31 Dec 2019)	2,073
2 Loans and debt securities that have defaulted since the last reporting period	1,460
3 Returned to non-defaulted status	(11)
4 Amounts written off	(445)
5 Other changes	¹ (46)
6 Defaulted loans and debt securities at end of the current reporting period (30 Jun 2020)	3,031

¹ Other changes included repayment and foreign exchange movements.

The increase in defaulted loans and debts securities in the first half of 2020 was mainly due to downgrades of certain loans.

BANKING DISCLOSURE STATEMENT (unaudited) (continued)

Impaired loans and advances to customers are those loans and advances where objective evidence exists that full repayment of principal or interest is considered unlikely. Specific provisions are made after taking into account the value of collateral, in respect of such loans and advances. 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 internal categories and definitions used by the Group is as follows:

Table 17: Impaired exposures and related allowances by industry

As at 30 Jun 2020	Footnotes	Gross	Gross	Specific provisions ²	Collective provisions ²	Overdue loans and advances ³
		loans and advances to customers ¹	impaired loans and advances			
		HK\$m	HK\$m	HK\$m	HK\$m	HK\$m
Residential mortgages		275,548	432	(23)	(3)	213
Real estate		270,760	109	(9)	(413)	108
Others	4	413,051	2,490	(1,228)	(2,875)	1,365
Total		959,359	3,031	(1,260)	(3,291)	1,686

- 1 The amounts shown in column "Gross loans and advances to customers" represent loans and advances to customers gross of provisions in the financial statements under the regulatory consolidation scope and therefore is different from the "Gross loans and advances to customers" shown in table 19 which is prepared on accounting consolidation basis. The difference of total gross loans of HK\$1,357m represents the Bank's loans and advances to the Group's subsidiaries which are outside the regulatory scope of consolidation.
- 2 The classification of specific and collective provisions follows the treatment specified in the completion instruction of the HKMA "Capital Adequacy Ratio – (MA(BS)3)" return. Details can be found in footnote 1 under table 15 of this document.
- 3 The amounts shown in column "Overdue loans and advances" represent gross loans and advances to customers that were overdue for more than 3 months as at 30 June 2020.
- 4 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 18: Impaired exposures and related allowances by geographical location

As at 30 Jun 2020	Footnotes	Gross	Gross	Specific provisions ²	Collective provisions ²	Overdue loans and advances ³
		loans and advances to customers ¹	impaired loans and advances			
		HK\$m	HK\$m	HK\$m	HK\$m	HK\$m
Hong Kong SAR		869,728	2,605	(959)	(2,790)	1,303
China		71,612	360	(241)	(492)	317
Others	4	18,019	66	(60)	(9)	66
Total		959,359	3,031	(1,260)	(3,291)	1,686

- 1 The amounts shown in column "Gross loans and advances to customers" represent loans and advances to customers gross of provisions in the financial statements under the regulatory consolidation scope and therefore is different from the "Gross loans and advances to customers" shown in table 19 which is prepared on accounting consolidation basis. The difference of total gross loans of HK\$1,357m represents the Bank's loans and advances to the Group's subsidiaries which are outside the regulatory scope of consolidation.
- 2 The classification of specific and collective provisions follows the treatment specified in the completion instruction of the HKMA "Capital Adequacy Ratio – (MA(BS)3)" return. Details can be found in footnote 1 under table 15 of this document.
- 3 The amounts shown in column "Overdue loans and advances" represent gross loans and advances to customers that were overdue for more than 3 months as at 30 June 2020.
- 4 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".

BANKING DISCLOSURE STATEMENT (unaudited) (continued)

Loans and advances to customers

Tables 19 to 21 analyse the 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 19: Loans and advances to customers by geographical location

As at 30 Jun 2020	Footnote	Hong Kong	China	Others	Total
		SAR HK\$m	HK\$m	HK\$m	HK\$m
Gross loans and advances to customers	1	830,179	101,820	26,003	958,002

1 The amounts "Gross loans and advances to customers" represent loans and advances to customers gross of provisions in the financial statements on the accounting consolidation basis and therefore is different from the "Gross loans and advances to customers" shown in tables 17 and 18 which are prepared under the regulatory consolidation scope. The difference of total gross loans of HK\$1,357m represents the Bank's loans and advances to the Group's subsidiaries which are outside the regulatory scope of consolidation.

The analysis of gross loans and advances to customers by industry sector based on categories and definitions contained in the "Quarterly Analysis of Loans and Advances and Provisions - (MA(BS)2A)" return submitted to the HKMA is as follows:

Table 20: Gross loans and advances to customers by industry sector

As at 30 Jun 2020	Gross loans and advances HK\$m	% of gross advances covered by collateral %
Industrial, commercial and financial sectors		
- property development	73,411	44.5%
- property investment	159,119	88.9%
- financial concerns	7,607	48.6%
- stockbrokers	34	44.8%
- wholesale and retail trade	31,478	57.7%
- manufacturing	24,713	37.9%
- transport and transport equipment	14,911	57.4%
- recreational activities	960	44.0%
- information technology	9,936	6.1%
- other	94,146	75.1%
Individuals		
- loans and advances for the purchase of flats under the Government Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme	31,378	100.0%
- loans and advances for the purchase of other residential properties	220,234	100.0%
- credit card loans and advances	26,644	0.0%
- other	32,479	54.3%
Gross loans and advances for use in Hong Kong	727,050	76.3%
Trade finance	30,613	33.6%
Gross loans and advances for use outside Hong Kong	200,339	33.7%
Gross loans and advances to customers	958,002	66.0%

Collateral includes any tangible security that carries a 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 loans and advances to customers, only the amount of collateral up to the gross loans and advances is included.

BANKING DISCLOSURE STATEMENT (unaudited) (continued)

Loans and advances to customers that are more than three months overdue and their expression as a percentage of gross loans and advances to customers are as follows:

Table 21: Overdue loans and advances to customers

As at 30 Jun 2020	HK\$m	%
Gross loans and advances which have been overdue with respect to either principal or interest for periods of:		
- more than three months but not more than six months	294	0.03%
- more than six months but not more than one year	523	0.05%
- more than one year	869	0.09%
Total	1,686	0.17%
of which:		
- specific provision	(828)	-
- covered portion of overdue loans and advances	725	-
- uncovered portion of overdue loans and advances	961	-
- current market value of collateral held against the covered portion of overdue loans and advances	1,313	-
Rescheduled loans and advances to customers	121	0.01%

Collateral held with respect to overdue loans and advances is mainly residential properties and commercial properties. The current market value of residential properties and commercial properties were HK\$912m and HK\$270m respectively.

Loans and advances with a specific repayment date are classified as overdue when the principal or interest is overdue and remains unpaid at period-end. Loans and advances repayable by regular instalments are treated as overdue when an instalment payment is overdue and remains unpaid at period-end. Loans and advances repayable on demand are classified as overdue either when a demand for repayment has been served on the borrower but repayment has not been made in accordance with the demand notice, or when the loans and advances have remained continuously outside the approved limit advised to the borrower for more than the overdue period in question.

Rescheduled loans and advances to customers are those loans and advances that have been rescheduled or renegotiated for reasons related to the borrower's financial difficulties. This will normally involve the granting of concessionary terms and resetting the overdue account to non-overdue status. Rescheduled loans and advances to customers are stated net of any advances which have subsequently become overdue for more than three months and which are included in "Overdue loans and advances to customers".

The amount of repossessed assets as at 30 June 2020 was HK\$30m.

Overdue and rescheduled amounts relating to placings with and advances to banks and other assets

There were no impaired, overdue or rescheduled placings with and advances to banks, nor overdue or rescheduled other assets as at 30 June 2020.

BANKING DISCLOSURE STATEMENT *(unaudited) (continued)*

Off-balance sheet exposures other than derivative transactions

The following table gives the nominal contract amounts and RWA of contingent liabilities and commitments. The information is consistent with that in the "Capital Adequacy Ratio – (MA(BS)3)" return required to be submitted to the HKMA by the Group. The return is prepared on a consolidated basis as specified by the HKMA under the requirement 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 22: Off-balance sheet exposures other than derivative transactions

	30 Jun 2020 HK\$m
Contract amounts	
Direct credit substitutes	3,540
Transaction-related contingencies	9,295
Trade-related contingencies	17,209
Forward asset purchases	-
Commitments that are unconditionally cancellable without prior notice	435,579
Commitments which have an original maturity of not more than one year	1,390
Commitments which have an original maturity of more than one year	68,716
Total	535,729
RWA	54,542

BANKING DISCLOSURE STATEMENT (unaudited) (continued)

Credit risk under internal ratings-based approach

Table 23.1: CR6 – Credit risk exposures by portfolio and probability of default ("PD") ranges – for IRB approach (Wholesale)

	a	b	c	d	e	f	g	h	i	j	k	l
As at 30 Jun 2020	Original on-balance sheet gross exposure	Off-balance sheet pre-credit exposures	Average CCF	Exposure at default ("EAD") post-credit risk mitigation ("CRM") and post-CCF	Average PD	Number of obligors	Average loss given default ("LGD")	Average maturity	RWA	RWA density	Expected loss ("EL")	Provisions [^]
PD scale	HK\$m	HK\$m	%	HK\$m	%		%	years	HK\$m	%	HK\$m	HK\$m
Sovereign												
0.00 to < 0.15	352,890	-	-	352,890	0.01	40	26.2	1.36	12,497	4	12	
0.15 to < 0.25	-	-	-	-	-	-	-	-	-	-	-	
0.25 to < 0.50	-	-	-	-	-	-	-	-	-	-	-	
0.50 to < 0.75	-	-	-	-	-	-	-	-	-	-	-	
0.75 to < 2.50	-	-	-	-	-	-	-	-	-	-	-	
2.50 to < 10.00	-	-	-	-	-	-	-	-	-	-	-	
10.00 to < 100.00	-	-	-	-	-	-	-	-	-	-	-	
100.00 (Default)	-	-	-	-	-	-	-	-	-	-	-	
Sub-total	352,890	-	-	352,890	0.01	40	26.2	1.36	12,497	4	12	40
Bank												
0.00 to < 0.15	79,575	36	54.2	79,595	0.04	825	39.0	1.32	9,707	12	12	
0.15 to < 0.25	1,968	913	56.7	2,486	0.22	90	44.8	1.40	903	36	2	
0.25 to < 0.50	347	-	-	347	0.37	47	45.2	0.76	189	54	1	
0.50 to < 0.75	74	1	5.0	74	0.63	21	44.6	0.07	42	57	-	
0.75 to < 2.50	5	500	45.0	230	0.87	16	47.9	0.99	216	94	1	
2.50 to < 10.00	-	-	-	-	-	-	-	-	-	-	-	
10.00 to < 100.00	-	-	-	-	-	-	-	-	-	-	-	
100.00 (Default)	-	-	-	-	-	-	-	-	-	-	-	
Sub-total	81,969	1,450	52.6	82,732	0.05	999	39.3	1.32	11,057	13	16	16
Corporate – small-and-medium sized corporates												
0.00 to < 0.15	5,271	3,747	34.2	6,552	0.12	102	23.1	2.28	844	13	2	
0.15 to < 0.25	2,811	3,034	30.2	3,727	0.22	173	29.6	2.05	855	23	2	
0.25 to < 0.50	18,207	5,401	34.1	20,050	0.37	310	24.7	2.12	5,227	26	18	
0.50 to < 0.75	29,930	8,034	33.4	32,617	0.63	458	29.9	2.45	13,708	42	61	
0.75 to < 2.50	44,045	21,209	30.2	50,453	1.46	1,283	27.6	2.20	24,982	50	204	
2.50 to < 10.00	8,538	2,892	29.1	9,378	3.67	248	25.0	1.99	5,379	57	86	
10.00 to < 100.00	455	17	37.8	461	12.74	13	20.8	1.45	348	75	12	
100.00 (Default)	216	-	-	216	100.00	11	44.6	2.80	106	49	122	
Sub-total	109,473	44,334	31.5	123,454	1.34	2,598	27.4	2.23	51,449	42	507	785
Corporate – others												
0.00 to < 0.15	134,385	71,731	35.9	160,136	0.09	445	43.6	2.37	40,322	25	62	
0.15 to < 0.25	42,389	22,810	35.8	50,553	0.22	313	43.1	2.03	20,504	41	48	
0.25 to < 0.50	54,280	24,780	25.5	60,601	0.37	456	33.8	2.04	24,940	41	76	
0.50 to < 0.75	58,593	24,881	27.5	65,436	0.63	434	36.3	1.90	35,948	55	150	
0.75 to < 2.50	124,683	64,999	24.1	140,365	1.40	1,349	35.9	1.91	108,834	78	700	
2.50 to < 10.00	13,986	11,644	18.7	16,165	4.00	275	41.2	1.47	18,280	113	263	
10.00 to < 100.00	1,269	226	23.1	1,321	10.03	14	27.2	2.43	1,524	115	36	
100.00 (Default)	1,916	-	-	1,916	100.00	72	46.9	0.98	2,007	105	901	
Sub-total	431,501	221,071	29.4	496,493	1.12	3,358	39.1	2.07	252,359	51	2,236	2,753

BANKING DISCLOSURE STATEMENT (unaudited) (continued)

Table 23.2: CR6 – Credit risk exposures by portfolio and PD ranges – for IRB approach (Retail)

	a	b	c	d	e	f	g	h	i	j	k	l
As at 30 Jun 2020	Original on-balance sheet gross exposure	Off-balance sheet exposures pre-CCF	Average CCF	EAD post CRM and post-CCF	Average PD	Number of obligors	Average LGD	Average maturity	RWA	RWA density	EL	Provisions [^]
PD scale	HK\$m	HK\$m	%	HK\$m	%		%	years	HK\$m	%	HK\$m	HK\$m
Retail – qualifying revolving retail exposures ("QRRE")												
0.00 to < 0.15	9,832	159,138	39.4	72,551	0.07	1,764,990	105.3		3,301	5	52	
0.15 to < 0.25	1,799	11,558	46.5	7,168	0.22	169,942	104.9		878	12	17	
0.25 to < 0.50	3,338	17,462	34.3	9,322	0.40	182,854	103.0		1,800	19	38	
0.50 to < 0.75	1,992	3,756	52.7	3,970	0.60	54,476	101.9		1,042	26	24	
0.75 to < 2.50	5,371	10,467	36.6	9,196	1.44	91,466	101.2		4,617	50	134	
2.50 to < 10.00	3,621	2,854	69.1	5,594	4.81	52,501	100.8		6,563	117	271	
10.00 to < 100.00	1,550	412	161.6	2,215	31.72	19,139	99.3		4,264	193	676	
100.00 (Default)	87	-	-	87	100.00	967	93.5		132	152	71	
Sub-total	27,590	205,647	40.1	110,103	1.20	2,336,335	104.3		22,597	21	1,283	1,429
Retail – residential mortgage exposures												
0.00 to < 0.15	175,312	1,401	100.0	176,713	0.08	54,227	18.1		37,952	21	27	
0.15 to < 0.25	31,597	252	100.0	31,849	0.18	26,627	17.0		6,255	20	10	
0.25 to < 0.50	483	4	100.0	487	0.34	131	14.3		82	17	-	
0.50 to < 0.75	20,742	165	100.0	20,907	0.53	9,170	17.0		4,085	20	19	
0.75 to < 2.50	14,271	113	100.0	14,384	0.93	14,113	16.2		3,052	21	22	
2.50 to < 10.00	4,739	37	100.0	4,776	4.72	3,376	15.6		2,387	50	35	
10.00 to < 100.00	4,209	32	100.0	4,241	17.62	2,862	15.3		3,544	84	114	
100.00 (Default)	285	-	-	285	100.00	131	15.8		530	186	3	
Sub-total	251,638	2,004	100.0	253,642	0.67	110,637	17.6		57,887	23	230	-
Retail – small business retail exposures												
0.00 to < 0.15	2,210	7	100.0	2,217	0.08	919	8.1		41	2	-	
0.15 to < 0.25	428	2	100.0	430	0.19	124	16.9		28	7	-	
0.25 to < 0.50	221	2	100.0	223	0.45	58	16.5		25	11	-	
0.50 to < 0.75	359	-	-	359	0.56	145	0.8		2	1	-	
0.75 to < 2.50	384	2	100.0	386	1.18	79	25.5		105	27	1	
2.50 to < 10.00	420	-	-	420	5.28	156	6.8		44	10	2	
10.00 to < 100.00	72	1	100.0	73	15.18	27	13.6		20	28	2	
100.00 (Default)	-	-	-	-	-	-	-		-	-	-	
Sub-total	4,094	14	100.0	4,108	1.05	1,508	10.4		265	6	5	-
Other retail exposures to individuals												
0.00 to < 0.15	2,857	2,603	11.5	3,155	0.08	26,207	15.3		125	4	-	
0.15 to < 0.25	1,677	2,926	17.0	2,173	0.21	23,384	16.5		151	7	1	
0.25 to < 0.50	4,602	1,369	18.3	4,852	0.33	48,055	93.4		2,521	52	15	
0.50 to < 0.75	1,627	16	117.6	1,646	0.60	9,041	79.2		1,041	63	8	
0.75 to < 2.50	7,096	1,460	30.5	7,541	1.36	33,671	63.6		5,438	72	69	
2.50 to < 10.00	3,148	232	41.3	3,243	4.62	17,821	78.9		3,743	115	120	
10.00 to < 100.00	814	31	63.6	834	19.30	6,507	91.1		1,594	191	149	
100.00 (Default)	68	-	-	68	100.00	496	42.9		105	154	25	
Sub-total	21,889	8,637	18.8	23,512	2.19	165,182	63.0		14,718	63	387	344

Table 23.3: CR6 – Credit risk exposures by portfolio and PD ranges – for IRB approach (Total)

	a	b	c	d	e	f	g	h	i	j	k	l
As at 30 Jun 2020	Original on-balance sheet gross exposure	Off-balance sheet exposures pre-CCF	Average CCF	EAD post CRM and post-CCF	Average PD	Number of obligors	Average LGD	Average maturity*	RWA	RWA density	EL	Provisions [^]
	HK\$m	HK\$m	%	HK\$m	%		%	years	HK\$m	%	HK\$m	HK\$m
Total (all portfolios)	1,281,044	483,157	34.3	1,446,934	0.75	2,620,657	36.5	1.79	422,829	29	4,676	5,367

*The average maturity is relevant to wholesale portfolios only.

[^] 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.

BANKING DISCLOSURE STATEMENT (unaudited) (continued)

Table 24: CR10 – Specialised lending under supervisory slotting criteria approach – Other than high-volatility commercial real estate ("HVCRE")

As at 30 Jun 2020		a	b	c	d(i)	d(ii)	d(iii)	d(iv)	d(v)	e	f	
Supervisory Rating	Grade	Remaining Maturity	On-balance sheet exposure amount	Off-balance sheet exposure amount	Supervisory risk-weight ("SRW")	EAD amount				Total	RWA	Expected loss amount
						Project finance ("PF")	Object finance ("OF")	Commodities finance ("CF")	Income-producing real estate ("IPRE")			
			HK\$m	HK\$m	%	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m
Strong [^]		Less than 2.5 years	3,866	642	50%	-	-	-	4,138	4,138	2,069	-
Strong		Less than 2.5 years	2,789	939	70%	-	-	-	3,261	3,261	2,283	13
Strong		Equal to or more than 2.5 years	5,664	82	70%	-	-	-	5,712	5,712	3,999	23
Good [^]		Less than 2.5 years	1,328	39	70%	-	-	-	1,348	1,348	943	5
Good		Less than 2.5 years	3,012	1,374	90%	-	-	-	3,588	3,588	3,229	29
Good		Equal to or more than 2.5 years	1,793	934	90%	-	-	-	2,118	2,118	1,906	17
Satisfactory			149	147	115%	-	-	-	201	201	231	6
Weak			-	-	250%	-	-	-	-	-	-	-
Default			-	-	0%	-	-	-	-	-	-	-
Total			18,601	4,157		-	-	-	20,366	20,366	14,660	93

[^] Use of preferential risk-weights.

Table 25: CR10 – Equity exposures under the simple risk-weight method

As at 30 Jun 2020	a	b	c	d	e
Categories	On-balance sheet exposure amount	Off-balance sheet exposure amount	SRW	EAD amount	RWA
	HK\$m	HK\$m	%	HK\$m	HK\$m
Publicly traded equity exposures	17	-	300%	17	50
All other equity exposures	4,675	-	400%	4,675	18,699
Total	4,692	-		4,692	18,749

BANKING DISCLOSURE STATEMENT (unaudited) (continued)
Credit risk under standardised approach

Table 26: CR5 – Credit risk exposures by asset classes and by risk weights – for STC approach

	a	b	c	d	e	f	g	h	ha	i	j
As at 30 Jun 2020											Total credit risk exposures amount (post CCF and post CRM)
Risk weight	0%	10%	20%	35%	50%	75%	100%	150%	250%	Others	
Exposure class	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m
1 Sovereign exposures	164	-	-	-	-	-	-	-	-	-	164
2 Public sector entity ("PSE") exposures	23,201	-	4,890	-	5	-	-	-	-	-	28,096
2a Of which: Domestic PSEs	-	-	693	-	-	-	-	-	-	-	693
2b Of which: Foreign PSEs	23,201	-	4,197	-	5	-	-	-	-	-	27,403
3 Multilateral development bank exposures	-	-	-	-	-	-	-	-	-	-	-
4 Bank exposures	-	-	49	-	-	-	-	1	-	-	50
5 Securities firm exposures	-	-	-	-	-	-	-	-	-	-	-
6 Corporate exposures	-	-	11	-	802	-	46,701	-	-	-	47,514
7 CIS exposures	-	-	-	-	-	-	-	-	-	-	-
8 Cash items	-	-	-	-	-	-	-	-	-	-	-
9 Exposures in respect of failed delivery on transactions entered into on a basis other than a delivery-versus-payment basis	-	-	-	-	-	-	-	-	-	-	-
10 Regulatory retail exposures	-	-	-	-	-	4,184	-	-	-	-	4,184
11 Residential mortgage loans	-	-	-	25,067	-	717	2,116	-	-	-	27,900
12 Other exposures which are not past due exposures	-	-	-	-	-	-	5,407	-	-	-	5,407
13 Past due exposures	1	-	-	-	-	-	54	276	-	-	331
14 Significant exposures to commercial entities	-	-	-	-	-	-	-	-	-	-	-
15 Total	23,366	-	4,950	25,067	807	4,901	54,278	277	-	-	113,646

BANKING DISCLOSURE STATEMENT (unaudited) (continued)
Credit risk mitigation

Table 27: CR3 – Overview of recognised credit risk mitigation

	a	b1	b	d	f
	Exposures unsecured: carrying amount	Exposures to be secured	Exposures secured by recognised collateral	Exposures secured by recognised guarantees	Exposures secured by recognised credit derivative contracts
As at 30 Jun 2020	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m
1 Loans	307,398	715,195	584,108	131,087	-
2 Debt securities	394,547	1,404	-	1,404	-
3 Total	701,945	716,599	584,108	132,491	-
4 <i>of which: Defaulted</i>	<i>1,032</i>	<i>739</i>	<i>631</i>	<i>108</i>	-

Table 28: CR7 – Effects on RWA of recognised credit derivative contracts used as recognised credit risk mitigation – for IRB approach

	a	b
	Pre-credit derivatives RWA	Actual RWA
As at 30 Jun 2020	HK\$m	HK\$m
1 Corporate – Specialised lending under supervisory slotting criteria approach (project finance)	-	-
2 Corporate – Specialised lending under supervisory slotting criteria approach (object finance)	-	-
3 Corporate – Specialised lending under supervisory slotting criteria approach (commodities finance)	-	-
4 Corporate – Specialised lending under supervisory slotting criteria approach (income-producing real estate)	14,660	14,660
5 Corporate – Specialised lending (high-volatility commercial real estate)	-	-
6 Corporate – Small-and-medium sized corporates	51,449	51,449
7 Corporate – Other corporates	252,359	252,359
8 Sovereigns	9,597	9,597
9 Sovereign foreign public sector entities	-	-
10 Multilateral development banks	2,900	2,900
11 Bank exposures – Banks	9,973	9,973
12 Bank exposures – Securities firms	1,084	1,084
13 Bank exposures – Public sector entities (excluding sovereign foreign public sector entities)	-	-
14 Retail – Small business retail exposures	265	265
15 Retail – Residential mortgages to individuals	56,645	56,645
16 Retail – Residential mortgages to property-holding shell companies	1,242	1,242
17 Retail – Qualifying revolving retail exposures	22,597	22,597
18 Retail – Other retail exposures to individuals	14,718	14,718
19 Equity – Equity exposures under market-based approach (simple risk-weight method)	18,749	18,749
20 Equity – Equity exposures under market-based approach (internal models method)	-	-
21 Equity – Equity exposures under PD/LGD approach (publicly traded equity exposures held for long-term investment)	-	-
22 Equity – Equity exposures under PD/LGD approach (privately owned equity exposures held for long-term investment)	-	-
23 Equity – Equity exposures under PD/LGD approach (other publicly traded equity exposures)	-	-
24 Equity – Equity exposures under PD/LGD approach (other equity exposures)	-	-
25 Equity – Equity exposures associated with equity investments in funds (CIS exposures)	-	-
26 Other – Cash items	42	42
27 Other – Other items	39,928	39,928
28 Total (under the IRB calculation approaches)	496,208	496,208

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

BANKING DISCLOSURE STATEMENT (unaudited) (continued)

Table 29: 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		RWA and RWA density	
As at 30 Jun 2020	On-balance sheet amount HK\$m	Off-balance sheet amount HK\$m	On-balance sheet amount HK\$m	Off-balance sheet amount HK\$m	RWA HK\$m	RWA density %
Exposure classes						
1 Sovereign exposures	-	-	163	1	-	-
2 PSE exposures	27,902	439	27,902	194	981	3
2a <i>Of which: Domestic PSEs</i>	499	439	499	194	139	20
2b <i>Of which: Foreign PSEs</i>	27,403	-	27,403	-	842	3
3 Multilateral development bank exposures	-	-	-	-	-	-
4 Bank exposures	50	-	50	-	12	24
5 Securities firm exposures	-	-	-	-	-	-
6 Corporate exposures	47,950	26,339	45,130	2,384	47,105	99
7 CIS exposures	-	-	-	-	-	-
8 Cash items	-	-	-	-	-	-
9 Exposures in respect of failed delivery on transactions entered into on a basis other than a delivery-versus-payment basis	-	-	-	-	-	-
10 Regulatory retail exposures	4,933	9,950	4,176	8	3,138	75
11 Residential mortgage loans	27,971	3,178	27,898	2	11,427	41
12 Other exposures which are not past due exposures	11,947	8,509	5,279	128	5,407	100
13 Past due exposures	331	-	331	-	467	141
14 Significant exposures to commercial entities	-	-	-	-	-	-
15 Total	121,084	48,415	110,929	2,717	68,537	60

Remark:

Exposure pre-CCF and pre-CRM is reported under obligor's corresponding exposure class. Where the exposure is covered by a guarantee, the credit protection covered portion of the exposure is reported under the exposure class of credit protection provider in columns (c) & (d).

BANKING DISCLOSURE STATEMENT (unaudited) (continued)

Counterparty credit risk exposures

Counterparty default risk exposures

Counterparty credit risk ("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 30: CCR1 – Analysis of counterparty default risk exposures (other than those to CCPs) by approaches

	a	b	c	d	e	f
	Replacement cost ("RC")	Potential future exposure ("PFE")	Effective expected positive exposure ("EPE")	Alpha (α) used for computing default risk exposure	Default risk exposure after CRM	RWA
As at 30 Jun 2020	HK\$m	HK\$m	HK\$m		HK\$m	HK\$m
1 SA-CCR (for derivative contracts)	-	-		1.4	-	-
1a CEM	5,119	10,226		N/A	15,345	3,460
2 IMM (CCR) approach			-	-	-	-
3 Simple Approach (for SFTs)					-	-
4 Comprehensive Approach (for SFTs)					1,039	109
5 VaR for SFTs					-	-
6 Total						3,569

RWA was up by HK\$1bn compared with 2019 year-end. It mainly came from the increase in fair value on HKD interest rate swaps and trade volume growth on foreign exchange contracts.

Table 31: CCR2 – CVA capital charge

	a	b
	EAD post-CRM	RWA
As at 30 Jun 2020	HK\$m	HK\$m
Netting sets for which CVA capital charge is calculated by the advanced CVA method	-	-
1 (i) VaR (after application of multiplication factor if applicable)		-
2 (ii) Stressed VaR (after application of multiplication factor if applicable)		-
3 Netting sets for which CVA capital charge is calculated by the standardised CVA method	14,572	3,675
4 Total	14,572	3,675

BANKING DISCLOSURE STATEMENT (unaudited) (continued)

Table 32: 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 HK\$m	Unsegregated HK\$m	Segregated HK\$m	Unsegregated HK\$m	HK\$m	HK\$m
As at 30 Jun 2020						
1 Cash – domestic currency	-	-	-	158	-	-
2 Cash – other currencies	-	765	-	186	1,495	12,735
3 Domestic sovereign debt	-	-	-	-	-	-
4 Other sovereign debt	-	-	-	-	4,223	1,671
5 Government agency debt	-	-	-	-	-	-
6 Corporate bonds	-	-	-	-	5,063	-
7 Equity securities	-	-	-	-	-	-
8 Other collateral	-	-	-	-	2,587	-
9 Total	-	765	-	344	13,368	14,406

Table 33: CCR8 – Exposures to CCPs

	a	b
	Exposure after CRM HK\$m	RWA HK\$m
As at 30 Jun 2020		
1 Exposures of the AI as clearing member or client to qualifying CCPs (total)		64
2 Default risk exposures to qualifying CCPs (excluding items disclosed in rows 7 to 10), of which:	1,025	20
3 (i) <i>Over-the-counter ("OTC") derivative transactions</i>	1,025	20
4 (ii) <i>Exchange-traded derivative contracts</i>	-	-
5 (iii) <i>Securities financing transactions</i>	-	-
6 (iv) <i>Netting sets subject to valid cross-product netting agreements</i>	-	-
7 Segregated initial margin	-	-
8 Unsegregated initial margin	344	34
9 Funded default fund contributions	177	10
10 Unfunded default fund contributions	-	-
11 Exposures of the AI as clearing member or client to non-qualifying CCPs (total)		-
12 Default risk exposures to non-qualifying CCPs (excluding items disclosed in rows 17 to 20), of which:	-	-
13 (i) <i>OTC derivative transactions</i>	-	-
14 (ii) <i>Exchange-traded derivative contracts</i>	-	-
15 (iii) <i>Securities financing transactions</i>	-	-
16 (iv) <i>Netting sets subject to valid cross-product netting agreements</i>	-	-
17 Segregated initial margin	-	-
18 Unsegregated initial margin	-	-
19 Funded default fund contributions	-	-
20 Unfunded default fund contributions	-	-

BANKING DISCLOSURE STATEMENT (unaudited) (continued)

Counterparty default risk under internal ratings-based approach

Table 34: 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
As at 30 Jun 2020	EAD post-CRM	Average PD	Number of obligors	Average LGD	Average maturity	RWA	RWA density
PD scale	HK\$m	%		%	years	HK\$m	%
Sovereign							
0.00 to < 0.15	23	0.02	1	45.0	1.00	1	6
0.15 to < 0.25	-	-	-	-	-	-	-
0.25 to < 0.50	-	-	-	-	-	-	-
0.50 to < 0.75	-	-	-	-	-	-	-
0.75 to < 2.50	-	-	-	-	-	-	-
2.50 to < 10.00	-	-	-	-	-	-	-
10.00 to < 100.00	-	-	-	-	-	-	-
100.00 (Default)	-	-	-	-	-	-	-
Sub-total	23	0.02	1	45.0	1.00	1	6
Bank							
0.00 to < 0.15	13,758	0.05	106	33.6	1.65	1,882	14
0.15 to < 0.25	564	0.22	14	40.9	0.95	213	38
0.25 to < 0.50	309	0.37	5	45.0	1.08	182	59
0.50 to < 0.75	22	0.63	2	45.0	1.00	17	77
0.75 to < 2.50	-	-	-	-	-	-	-
2.50 to < 10.00	7	4.20	1	45.0	1.00	10	149
10.00 to < 100.00	-	-	-	-	-	-	-
100.00 (Default)	-	-	-	-	-	-	-
Sub-total	14,660	0.07	128	34.1	1.61	2,304	16
Corporates							
0.00 to < 0.15	727	0.11	27	48.2	3.45	298	41
0.15 to < 0.25	132	0.22	18	51.8	2.92	77	58
0.25 to < 0.50	65	0.37	17	53.8	2.43	45	69
0.50 to < 0.75	74	0.63	15	54.4	1.29	55	74
0.75 to < 2.50	551	1.46	56	57.3	1.73	640	116
2.50 to < 10.00	16	3.79	10	49.3	1.22	21	133
10.00 to < 100.00	-	-	-	-	-	-	-
100.00 (Default)	-	-	-	-	-	-	-
Sub-total	1,565	0.67	143	52.3	2.63	1,136	73
Retail							
0.00 to < 0.15	-	-	-	-	-	-	-
0.15 to < 0.25	-	-	-	-	-	-	-
0.25 to < 0.50	-	-	-	-	-	-	-
0.50 to < 0.75	-	-	-	-	-	-	-
0.75 to < 2.50	-	-	-	-	-	-	-
2.50 to < 10.00	-	-	-	-	-	-	-
10.00 to < 100.00	-	-	-	-	-	-	-
100.00 (Default)	-	-	-	-	-	-	-
Sub-total	-	-	-	-	-	-	-
Total (sum of all portfolios)	16,248	0.13	272	35.9	1.70	3,441	21

The Group has not used IMM(CCR) approach to calculate its default risk exposure.

BANKING DISCLOSURE STATEMENT (unaudited) (continued)

Counterparty default risk under standardised approach

Table 35: CCR3 – Counterparty default risk exposures (other than those to CCPs) by asset classes and by risk weights – for STC approach

As at 30 Jun 2020		a	b	c	ca	d	e	f	g	ga	h	i
Risk weight		0%	10%	20%	35%	50%	75%	100%	150%	250%	Others	Total default risk exposure after CRM
Exposure class		HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m
1	Sovereign exposures	-	-	-	-	-	-	-	-	-	-	-
2	PSE exposures	-	-	1	-	-	-	-	-	-	-	1
2a	<i>Of which: Domestic PSEs</i>	-	-	1	-	-	-	-	-	-	-	1
2b	<i>Of which: Foreign PSEs</i>	-	-	-	-	-	-	-	-	-	-	-
3	Multilateral development bank exposures	-	-	-	-	-	-	-	-	-	-	-
4	Bank exposures	-	-	-	-	-	-	-	-	-	-	-
5	Securities firm exposures	-	-	-	-	-	-	-	-	-	-	-
6	Corporate exposures	-	-	-	-	-	-	103	-	-	-	103
7	CIS exposures	-	-	-	-	-	-	-	-	-	-	-
8	Regulatory retail exposures	-	-	-	-	-	30	-	-	-	-	30
9	Residential mortgage loans	-	-	-	-	-	-	-	-	-	-	-
10	Other exposures which are not past due exposures	-	-	-	-	-	-	-	-	-	-	-
11	Significant exposures to commercial entities	-	-	-	-	-	-	-	-	-	-	-
12	Total	-	-	1	-	-	30	103	-	-	-	134

BANKING DISCLOSURE STATEMENT *(unaudited) (continued)***Market risk****Market risk under standardised approach**

Using the standard templates as specified by the HKMA, the following tables provide detailed information relating to market risk under STM and IMM approaches.

Table 36: MR1 – Market risk under STM approach

		a
		RWA HK\$m
As at 30 Jun 2020		
Outright product exposures		
1	Interest rate exposures (general and specific risk)	157
2	Equity exposures (general and specific risk)	-
3	Foreign exchange (including gold) exposures	-
4	Commodity exposures	-
Option exposures		
5	Simplified approach	-
6	Delta-plus approach	-
7	Other approach	-
8	Securitisation exposures	-
9	Total	157

BANKING DISCLOSURE STATEMENT (unaudited) (continued)

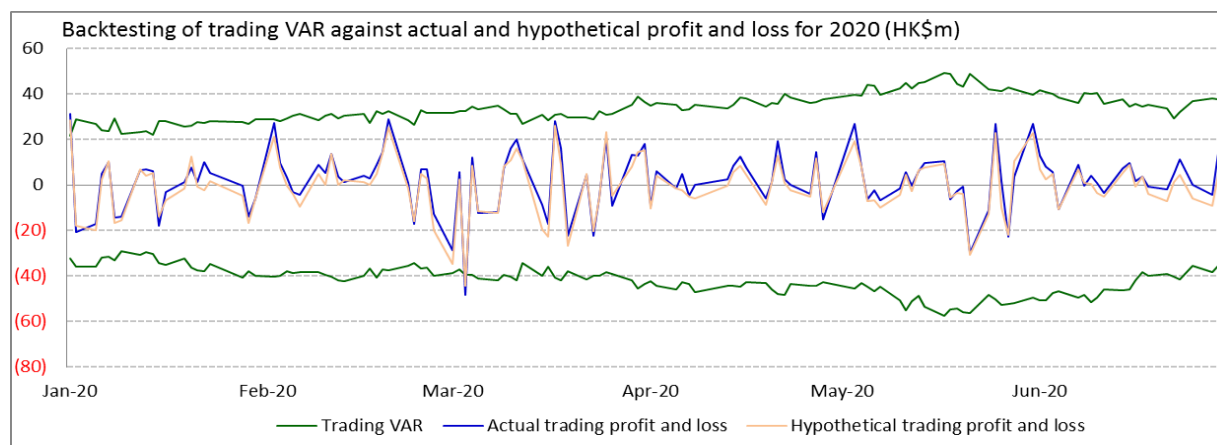
Analysis of VaR, stressed VaR and incremental risk charge measures

Table 37: MR3 – IMM approach values for market risk exposures

		a
		Value
As at 30 Jun 2020		HK\$m
VaR (10 days – one-tailed 99% confidence interval)		<i>1</i>
1	Maximum Value	182
2	Average Value	133
3	Minimum Value	92
4	Period End	120
Stressed VaR (10 days – one-tailed 99% confidence interval)		<i>1</i>
5	Maximum Value	216
6	Average Value	135
7	Minimum Value	84
8	Period End	136
Incremental risk charge ("IRC") (99.9% confidence interval)		
9	Maximum value	-
10	Average value	-
11	Minimum value	-
12	Period end	-
Comprehensive risk charge ("CRC") (99.9% confidence interval)		
13	Maximum value	-
14	Average value	-
15	Minimum value	-
16	Period end	-
17	Floor	-

1 The total VaR excludes Risk not in VaR.

Table 38: MR4 – Comparison of VaR estimates with gains or losses



While comparing the daily VaR measures to the actual and hypothetical profit and loss for the backtesting in Group, one loss side exception and one profit side exception were observed in the first half of 2020 for both of the actual and hypothetical profit and loss at the Group consolidated level, which were due to exceptional market volatility.

The backtesting process applies only to regulatory trading book positions. The actual P&L excludes reserve which are resulted from regulatory banking book positions and also fee and commission which are non-modelled items.

BANKING DISCLOSURE STATEMENT (unaudited) (continued)

Liquidity information

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

Table 39: Average liquidity coverage ratio

	Quarter ended
	30 Jun
	2020
	%
Average liquidity coverage ratio	198.0

The liquidity position of the Group remained strong for the first half of 2020. The average LCR increased from 181.6% for the quarter ended 31 March 2020 to 198.0% for the quarter ended 30 June 2020.

The composition of the Group's HQLA as defined under Schedule 2 of the BLR is shown as below. The majority of the HQLA held by the Group are Level 1 assets which comprise mainly of government debt securities.

Table 40: Total weighted amount of high quality liquid assets

	Weighted amount
	(average) for
	the quarter ended
	30 Jun
	2020
	HK\$m
Level 1 assets	315,876
Level 2A assets	15,415
Level 2B assets	1,795
Total weighted amount of HQLA	333,086

Table 41: Net stable funding ratio

	Quarter ended
	30 Jun
	2020
	%
Net stable funding ratio	151.0

The funding position of the Group remained strong for the first half of 2020. The period end NSFR were 151.0% and 146.0% for the quarters ended 30 June and 31 March 2020 respectively.

Sources of funding

Our primary sources of funding are customer deposits. We issue wholesale securities to supplement our customer deposits and change the currency mix or maturity profile of our liabilities.

Currency mismatch

In times of stress it cannot automatically be assumed that one currency can always be converted for another, even if those currencies are "hard" currencies. LCR is therefore assessed by single currency for those that are material. In some currencies, convertibility is restricted by regulators and central banks and this restriction results in local currency not being convertible offshore or even onshore. All operating entities are required to monitor material single currency LCR. Limits are approved and monitored by local Asset and Liability Management Committee ("ALCO").

Additional contractual obligations

Most of the Group's derivative transactions are exchange rate contracts and interest rate contracts. Under the terms of our current collateral obligations under derivative contracts (which are International Swaps and Derivatives Association ("ISDA") compliant Credit support annex ("CSA") contracts), the additional collateral required to post in the event of one-notch and two-notch downgrade in credit ratings is nil.

A summary of the Group's current policies and practices for the management of liquidity and funding risk is set out in "Liquidity and funding risk" section on pages 78 to 83 of the Group's 2019 Annual Report.

BANKING DISCLOSURE STATEMENT (unaudited) (continued)

The following table sets out the required disclosure items under the Liquidity Coverage Ratio Standard Disclosure Template as specified by the HKMA. The number of data points used in calculating the average value of the LCR and related components set out in this table for the quarter ended on 30 June 2020 was 71.

Table 42: LIQ1 – Liquidity coverage ratio – for category 1 institution

		Quarter ended 30 Jun 2020 (71 data points)	
		a	b
Basis of disclosure: consolidated		Unweighted value (average) HK\$m	Weighted value (average) HK\$m
A High quality liquid assets			
1	Total high quality liquid assets		333,086
B Cash outflows			
2	Retail deposits and small business funding, of which:	864,428	70,995
3	<i>Stable retail deposits and stable small business funding</i>	220,676	6,620
4	<i>Less stable retail deposits and less stable small business funding</i>	643,752	64,375
4a	<i>Retail term deposits and small business term funding</i>	-	-
5	Unsecured wholesale funding (other than small business funding) and debt securities and prescribed instruments issued by the institution, of which:	290,113	133,519
6	<i>Operational deposits</i>	31,777	7,292
7	<i>Unsecured wholesale funding (other than small business funding) not covered in Row 6</i>	254,364	122,255
8	<i>Debt securities and prescribed instruments issued by the institution and redeemable within the LCR period</i>	3,972	3,972
9	Secured funding transactions (including securities swap transactions)		-
10	Additional requirements, of which:	82,802	11,939
11	<i>Cash outflows arising from derivative contracts and other transactions, and additional liquidity needs arising from related collateral requirements</i>	3,921	3,920
12	<i>Cash outflows arising from obligations under structured financing transactions and repayment of funding obtained from such transactions</i>	271	271
13	<i>Potential drawdown of undrawn committed facilities (including committed credit facilities and committed liquidity facilities)</i>	78,610	7,748
14	Contractual lending obligations (not otherwise covered in Section B) and other contractual cash outflows	23,771	23,771
15	Other contingent funding obligations (whether contractual or non-contractual)	445,918	1,892
16	Total cash outflows		242,116
C Cash inflows			
17	Secured lending transactions (including securities swap transactions)	3,866	2,253
18	Secured and unsecured loans (other than secured lending transactions covered in Row 17) and operational deposits placed at other financial institutions	101,864	54,666
19	Other cash inflows	24,800	16,815
20	Total cash inflows	130,530	73,734
D Liquidity coverage ratio (adjusted value)			
21	Total HQLA		333,086
22	Total net cash outflows		168,382
23	LCR (%)		198.0%

BANKING DISCLOSURE STATEMENT (unaudited) (continued)

Table 43: LIQ2 – Net stable funding ratio – for category 1 institution

	Footnote	Quarter ended 30 Jun 2020				Weighted amount HK\$m
		Unweighted value by residual maturity				
		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	
Basis of disclosure: consolidated						
A. Available stable funding ("ASF") item						
1 Capital:		155,236	-	-	-	155,236
2 Regulatory capital		155,236	-	-	-	155,236
2a Minority interests not covered by row 2		-	-	-	-	-
3 Other capital instruments		-	-	-	-	-
4 Retail deposits and small business funding:		-	888,332	-	-	810,861
5 Stable deposits			227,231	-	-	215,870
6 Less stable deposits			661,101	-	-	594,991
7 Wholesale funding:		-	412,704	2,446	267	167,928
8 Operational deposits			33,657	-	-	16,828
9 Other wholesale funding		-	379,047	2,446	267	151,100
10 Liabilities with matching interdependent assets		-	-	-	-	-
11 Other liabilities:		23,140	50,207	10,664	20,181	25,513
12 Net derivative liabilities		-	-	-	-	-
13 All other funding and liabilities not included in the above categories		23,140	50,207	10,664	20,181	25,513
14 Total ASF						1,159,538
B. Required stable funding ("RSF") item						
15 Total HQLA for NSFR purposes	1		399,236			12,111
16 Deposits held at other financial institutions for operational purposes		-	-	-	-	-
17 Performing loans and securities:		36,638	258,066	119,017	649,837	685,742
18 Performing loans to financial institutions secured by Level 1 HQLA		-	3,323	-	-	332
19 Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions		6	59,987	6,455	7,877	20,109
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:		33,718	164,769	95,921	351,755	457,410
21 With a risk-weight of less than or equal to 35% under the STC approach		39	3,275	1,955	2,841	4,477
22 Performing residential mortgages, of which:		-	8,062	7,237	282,701	199,862
23 With a risk-weight of less than or equal to 35% under the STC approach		-	6,018	6,026	240,418	162,293
24 Securities that are not in default and do not qualify as HQLA, including exchange-traded equities		2,914	21,925	9,404	7,504	8,029
25 Assets with matching interdependent liabilities		-	-	-	-	-
26 Other assets:		72,648	25,668	129	1,111	65,960
27 Physical traded commodities, including gold		6,305				5,359
28 Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs		2,090				1,777
29 Net derivative assets		507				507
30 Total derivative liabilities before deduction of variation margin posted		1,794				90
31 All other assets not included in the above categories		61,952	25,668	129	1,111	58,227
32 Off-balance sheet items	1			535,777		4,344
33 Total RSF						768,157
34 Net Stable Funding Ratio (%)						151.0%

BANKING DISCLOSURE STATEMENT (unaudited) (continued)

Table 43: LIQ2 – Net stable funding ratio – for category 1 institution (continued)

Basis of disclosure: consolidated		Quarter ended 31 Mar 2020					Weighted amount HK\$m
		Unweighted value by residual maturity					
		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		
	<i>Footnote</i>						
A. Available stable funding ("ASF") item							
1	Capital:	153,801	-	-	-	153,801	
2	Regulatory capital	153,801	-	-	-	153,801	
2a	Minority interests not covered by row 2	-	-	-	-	-	
3	Other capital instruments	-	-	-	-	-	
4	Retail deposits and small business funding:	-	863,386	-	-	788,011	
5	Stable deposits		219,275	-	-	208,311	
6	Less stable deposits		644,111	-	-	579,700	
7	Wholesale funding:	-	388,035	4,858	219	157,665	
8	Operational deposits		31,690	-	-	15,845	
9	Other wholesale funding	-	356,345	4,858	219	141,820	
10	Liabilities with matching interdependent assets	-	-	-	-	-	
11	Other liabilities:	19,896	50,693	11,344	21,725	27,397	
12	Net derivative liabilities	-					
13	All other funding and liabilities not included in the above categories	19,896	50,693	11,344	21,725	27,397	
14	Total ASF					1,126,874	
B. Required stable funding ("RSF") item							
15	Total HQLA for NSFR purposes	<i>1</i>	328,020			10,713	
16	Deposits held at other financial institutions for operational purposes	-	-	-	-	-	
17	Performing loans and securities:	36,768	295,517	101,444	658,936	691,531	
18	Performing loans to financial institutions secured by Level 1 HQLA	-	1,650	-	-	165	
19	Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	10	78,568	4,516	7,873	21,926	
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:	33,832	179,999	79,741	360,431	464,518	
21	With a risk-weight of less than or equal to 35% under the STC approach	36	4,379	90	2,299	3,744	
22	Performing residential mortgages, of which:	-	7,847	7,108	279,933	195,938	
23	With a risk-weight of less than or equal to 35% under the STC approach	-	5,981	5,977	247,413	166,798	
24	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	2,926	27,453	10,079	10,699	8,984	
25	Assets with matching interdependent liabilities	-	-	-	-	-	
26	Other assets:	76,372	17,260	75	1,196	65,516	
27	Physical traded commodities, including gold	6,232				5,297	
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs	1,827				1,553	
29	Net derivative assets	1,286				1,286	
30	Total derivative liabilities before deduction of variation margin posted	6,389				320	
31	All other assets not included in the above categories	60,638	17,260	75	1,196	57,060	
32	Off-balance sheet items	<i>1</i>	521,376			3,828	
33	Total RSF					771,588	
34	Net Stable Funding Ratio (%)					146.0%	

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

BANKING DISCLOSURE STATEMENT (unaudited) (continued)

Other disclosures

Mainland activities exposures

The analysis of mainland activities exposures is based on the categories of non-bank counterparties and the type of direct exposures defined by the HKMA "Return of Mainland Activities - (MA(BS)20)". This includes the mainland activities exposures extended by the Bank's Hong Kong offices and its wholly owned banking subsidiary in mainland China.

Table 44: Mainland activities exposures

	On-balance sheet exposure	Off-balance sheet exposure	Total exposures
As at 30 Jun 2020	HK\$m	HK\$m	HK\$m
Type of Counterparties			
1 Central government, central government-owned entities and their subsidiaries and joint ventures ("JVs")	54,361	4,494	58,855
2 Local governments, local government-owned entities and their subsidiaries and JVs	23,194	3,115	26,309
3 PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	95,918	25,214	121,132
4 Other entities of central government not reported in item 1 above	7,629	689	8,318
5 Other entities of local governments not reported in item 2 above	3,562	22	3,584
6 PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	31,734	3,845	35,579
7 Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	14,323	383	14,706
Total	230,721	37,762	268,483
Total assets after provision	1,583,317		
On-balance sheet exposures as percentage of total assets	14.57%		

On-balance sheet exposures as percentage of total assets remained stable as compared with 2019 year-end.

International claims

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

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

Table 45: International claims

	Banks	Official Sector	Non Bank Financial Institution	Non-Financial Private Sector	Others	Total
As at 30 Jun 2020	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m
Developed countries	41,447	77,642	17,925	66,176	-	203,190
Offshore centres	11,549	11,779	4,870	139,286	-	167,484
of which : Hong Kong SAR	9,875	241	4,492	118,995	-	133,603
Developing Asia and Pacific	57,701	16,043	11,941	67,994	-	153,679
of which : China	41,071	16,002	10,858	62,105	-	130,036

At 30 June 2020, only claims on Hong Kong SAR and China were the individual countries and territories or areas, which were not less than 10% of the Group's total international claims.

BANKING DISCLOSURE STATEMENT (unaudited) (continued)**Foreign exchange exposures**

The Group's structural foreign exchange exposure, monitored using sensitivity analysis, represents the Group's foreign currency investments in subsidiaries, branches and associates, and the fair value of the Group's long-term foreign currency equity investments, the functional currencies of which are currencies other than the HK dollar. An entity's functional currency is normally that of the primary economic environment in which the entity operates. The Group's structural foreign exchange exposures are managed by the Group's ALCO with the primary objective of ensuring, where practical, that the Group's and the Bank's capital ratios are largely protected from the effect of changes in exchange rates.

Exchange differences on structural exposures are recognised in "Other comprehensive income".

The Group's foreign exchange exposures in the table below are prepared in accordance with the HKMA "Return of Foreign Currency Position - (MA(BS)6)".

At 30 June 2020, the US dollars ("USD"), Chinese renminbi ("RMB") and New Zealand dollars ("NZD") were the currencies in which the Group had non-structural foreign currency positions that were not less than 10% of the total net position in all foreign currencies. The Group also had a RMB structural foreign currency position, which was not less than 10% of the total net structural position in all foreign currencies. The net options position is calculated on the basis of delta-weighted positions of all foreign exchange options contracts.

The table below summarise the net structural and non-structural foreign currency positions of the Group.

Table 46: Foreign exchange exposures

	USD	RMB	NZD	Other	Total
	HK\$m	HK\$m	HK\$m	foreign	foreign
As at 30 Jun 2020				currencies	currencies
	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m
Non-structural position					
Spot assets	245,041	132,660	4,063	141,775	523,539
Spot liabilities	(226,932)	(132,544)	(4,299)	(78,066)	(441,841)
Forward purchases	517,382	182,388	2,820	62,885	765,475
Forward sales	(532,517)	(183,449)	(2,813)	(126,174)	(844,953)
Net options position	240	(72)	(2)	(166)	-
Net long/(short) non-structural position	3,214	(1,017)	(231)	254	2,220
Structural position	-	15,698	-	1,436	17,134

BANKING DISCLOSURE STATEMENT (unaudited) (continued)
Other information
Abbreviations

A		J	
AI	Authorised institution	J	Jurisdiction
ALCO	Asset and Liability Management Committee	JVs	Joint ventures
ASF	Available stable funding	L	
AT1	Additional tier 1	LAC	Loss-absorbing capacity
B		LAC Rules	Financial Institutions (Resolution) (Loss-absorbing Capacity Requirements - Banking Sector) Rules
Bank	Hang Seng Bank Limited	LCR	Liquidity coverage ratio
BCBS	Basel Committee on Banking Supervision	LGD	Loss given default
BCR	Banking (Capital) Rules	LR	Leverage ratio
BDR	Banking (Disclosure) Rules	LTA	Look through approach
BLR	Banking (Liquidity) Rules	M	
BSC	Basic approach	MBA	Mandate-based approach
C		MSRs	Mortgage servicing rights
CCF	Credit conversion factor	N	
CCP	Central counterparty	N/A	Not applicable
CCR	Counterparty credit risk	NSFR	Net stable funding ratio
CCyB	Countercyclical capital buffer	NZD	New Zealand dollars
CEM	Current exposure method	O	
CET1	Common equity tier 1	OBS	Off-balance sheet
CF	Commodities finance	OF	Object finance
CIS	Collective investment scheme	OTC	Over-the-counter
CRC	Comprehensive risk charge	P	
CRM	Credit risk mitigation	PD	Probability of default
CSA	Credit support annex	PF	Project finance
CVA	Credit valuation adjustment	PFE	Potential future exposure
D		PRC	People's Republic of China
D-SIB	Domestic systemically important authorised institution	PSE	Public sector entity
DTAs	Deferred tax assets	PVIF	Present value of in-force long-term insurance business
E		Q	
EAD	Exposure at default	QRRE	Qualifying revolving retail exposures
ECL	Expected credit loss	R	
EL	Expected loss	RC	Replacement cost
EPE	Expected positive exposure	RMB	Renminbi
F		RSF	Required stable funding
FBA	Fall-back approach	RW	Risk-weight
FIRO	Financial Institutions (Resolution) Ordinance	RWA	Risk-weighted asset/risk-weighted amount
FSB	Financial Stability Board	S	
G		SA-CCR	Standardised approach for counterparty credit risk
G-SIB	Global systemically important authorised institution	SEC-ERBA	Securitisation external ratings-based approach
Group	Hang Seng Bank Limited together with its subsidiaries	SEC-FBA	Securitisation fall-back approach
H		SEC-IRBA	Securitisation internal ratings-based approach
HK\$bn	Billions (thousands of millions) of Hong Kong dollars	SEC-SA	Securitisation standardised approach
HK\$m	Millions of Hong Kong dollars	SFT	Securities financing transaction
HKFRS	Hong Kong Financial Reporting Standards	SRW	Supervisory risk-weight
HKMA	Hong Kong Monetary Authority	STC	Standardised (credit risk) approach
Hong Kong	The Hong Kong Special Administrative Region of the People's Republic of China	STM	Standardised (market risk) approach
HQLA	High quality liquid assets	STO	Standardised (operational risk) approach
HVCRE	High-volatility commercial real estate	T	
I		T2	Tier2
IAA	Internal assessment approach	TLAC	Total loss-absorbing capacity
IMM	Internal models approach	U	
IMM(CCR)	Internal models (counterparty credit risk) approach	USD	US dollars
IPRE	Income-producing real estate	V	
IRB	Internal ratings-based approach	VaR	Value at risk
IRC	Incremental risk charge		
ISDA	International Swaps and Derivatives Association		