



**恒生銀行**  
**HANG SENG BANK**

# **Banking Disclosure Statement**

**30 June 2022**

**(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. Where applicable, RWA in tables 1, 4, 5, 11 and 12 are applied with 1.06 scaling factor, while RWA in other tables are before such application.

## **BANKING DISCLOSURE STATEMENT** *(unaudited) (continued)*

### **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 Risk weighted asset ('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 2022 comprises Pillar 3 information required under the framework of the Basel committee on Banking Supervision ('BCBS'). The disclosures are made in accordance with the latest BDR and the LAC Rules issued by the 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](http://www.hangseng.com).

# BANKING DISCLOSURE STATEMENT (unaudited) (continued)

## Key metrics

Table 1: KM1 – Key prudential ratios

		a	b	c	d	e
		At				
	Footnotes	30 Jun 2022	31 Mar 2022	31 Dec 2021	30 Sep 2021	30 Jun 2021
<b>Regulatory capital (HK\$m)</b>						
1 Common Equity Tier 1 ('CET1')	1	114,117	115,032	116,599	116,583	116,224
2 Tier 1		125,861	126,776	128,343	128,327	127,968
3 Total capital		136,307	137,299	138,758	139,061	139,010
<b>RWA (HK\$m)</b>						
4 Total RWA	1	781,467	758,058	734,128	713,496	734,532
<b>Risk-based regulatory capital ratios (as a percentage of RWA)</b>						
5 CET1 ratio (%)	1	14.6	15.2	15.9	16.3	15.8
6 Tier 1 ratio (%)		16.1	16.7	17.5	18.0	17.4
7 Total capital ratio (%)		17.4	18.1	18.9	19.5	18.9
<b>Additional CET1 buffer requirements (as a percentage of RWA)</b>						
8 Capital conservation buffer requirement (%)	1	2.500	2.500	2.500	2.500	2.500
9 Countercyclical capital buffer ('CCyB') requirement (%)	2	0.798	0.796	0.799	0.811	0.821
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	1.000	1.000	1.000
11 Total authorised institution ('AI')-specific CET1 buffer requirements (%)		4.298	4.296	4.299	4.311	4.321
12 CET1 available after meeting the AI's minimum capital requirements (%)		9.4	10.1	10.9	11.5	10.9
<b>Basel III leverage ratio</b>						
13 Total leverage ratio ('LR') exposure measure (HK\$m)	3	1,709,100	1,702,467	1,704,064	1,662,016	1,679,783
14 LR (%)		7.4	7.4	7.5	7.7	7.6
<b>Liquidity Coverage Ratio ('LCR')</b>						
15 Total high quality liquid assets ('HQLA') (HK\$m)	4	372,355	364,894	369,454	360,010	373,629
16 Total net cash outflows (HK\$m)		180,721	194,893	193,384	177,733	174,649
17 LCR (%)		206.8	188.9	191.8	203.2	214.4
<b>Net Stable Funding Ratio ('NSFR')</b>						
18 Total available stable funding (HK\$m)	5	1,201,071	1,187,908	1,169,638	1,145,297	1,151,904
19 Total required stable funding (HK\$m)		775,046	785,316	793,333	781,367	785,840
20 NSFR (%)		155.0	151.3	147.4	146.6	146.6

- 1 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').
- 2 The jurisdictional CCyB of Hong Kong used in the calculation of CCyB requirement was 1.0% since 31 March 2020. The jurisdictional CCyB of other countries used in the calculation of the CCyB requirement ranged from 0% to 1.5% at 30 June 2022.
- 3 The Basel III leverage ratios are disclosed in accordance with the information contained in the 'Leverage Ratio - (MA(BS)27)' return submitted to the HKMA under the requirements specified in Part 1C of the BCR.
- 4 The LCRs shown are the simple average values of all working days in the reporting periods and are made in accordance with the requirements specified in the 'Liquidity Position - (MA(BS)1E)' return submitted to the HKMA under rule 11(1) of the Banking (Liquidity) Rules ('BLR').
- 5 The NSFR disclosures are made in accordance with the information contained in the 'Stable Funding Position - (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 2022 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 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\$23,698m and the related deferred tax liability of HK\$3,910m 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.

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

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

The Group operates subsidiaries in 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 2022, the effect of this requirement is to restrict the amount of reserves which can be distributed to shareholders by HK\$1,130m.

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 2022.

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 2022	
		Total assets*	Total equity*
		HK\$m	HK\$m
Hang Seng Investment Management Ltd	Fund management	301	259
Hang Seng Investment Services Ltd	Provision of investment commentaries	9	9
Hang Seng Securities Ltd	Stockbroking	3,068	809
Hang Seng Insurance Co. Ltd and its subsidiaries	Retirement benefits and life assurance	192,103	14,762
Hang Seng Qianhai Fund Management Co. Ltd	Fund raising, fund sales and asset management	266	246

\* 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 ('CCR'), the Group uses the standardised (counterparty credit risk) ('SA-CCR') approach to calculate its default risk exposures for derivatives. For market risk, the Group uses an internal models ('IMM') 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 2022 HK\$m	Under regulatory scope of consolidation As at 30 Jun 2022 HK\$m	Cross-referenced to Definition of Capital Components
<b>Assets</b>			
Cash and balances at central banks	10,878	10,878	
Trading assets	45,880	45,860	
Derivative financial instruments	19,697	19,917	
Financial assets designated and otherwise mandatorily measured at fair value through profit or loss	28,009	133	
Reverse repurchase agreements – non-trading	21,906	29,042	
Placings with and advances to banks	69,983	60,523	
Loans and advances to customers	983,218	984,136	
<i>of which: Impairment allowances eligible for inclusion in Tier 2 capital</i>		343	(1)
Financial investments	551,478	413,916	
Investment in subsidiaries	-	7,344	
Subordinated loans to subsidiaries	-	1,045	(2)
Interest in associates	2,263	-	
Investment properties	10,046	6,977	
Premises, plant and equipment	30,002	29,991	
Intangible assets	27,198	3,169	(3)
Other assets	46,356	26,185	
<i>of which: Deferred tax assets ('DTAs')</i>		260	(4)
<b>Total assets</b>	<b>1,846,914</b>	<b>1,639,116</b>	
<b>Liabilities</b>			
Deposits from banks	4,395	4,395	
Current, savings and other deposit accounts	1,228,848	1,230,870	
Repurchase agreements – non-trading	8,758	6,227	
Trading liabilities	40,094	40,094	
Derivative financial instruments	15,889	16,026	
<i>of which: Gains and losses due to changes in own credit risk on fair valued liabilities</i>		16	(5)
Financial liabilities designated at fair value	33,731	33,381	
Certificates of deposit and other debt securities in issue	95,788	95,788	
Other liabilities	38,079	26,745	
Liabilities under insurance contracts	163,311	-	
Current tax liabilities	744	304	
Deferred tax liabilities	7,211	3,421	
<i>of which: Deferred tax liabilities related to intangible assets</i>		491	(6)
Subordinated liabilities	27,496	27,496	
<b>Total liabilities</b>	<b>1,664,344</b>	<b>1,484,747</b>	
<b>Equity</b>			
Share capital	9,658	9,658	(7)
Retained profits	139,936	111,844	(8)
<i>of which: Revaluation gains of investment properties</i>		6,163	(9)
<i>Regulatory reserve for general banking risks</i>		1,130	(10)
<i>Regulatory reserve eligible for inclusion in Tier 2 capital</i>		131	(11)
<i>Valuation adjustments</i>		155	(12)
Other equity instruments	11,744	11,744	(13)
Other reserves	21,158	21,123	(14)
<i>of which: Cash flow hedge reserve</i>		(214)	(15)
<i>Revaluation reserve of properties</i>		18,320	(16)
<b>Total shareholders' equity</b>	<b>182,496</b>	<b>154,369</b>	
Non-controlling interests	74	-	
<b>Total equity</b>	<b>182,570</b>	<b>154,369</b>	
<b>Total equity and liabilities</b>	<b>1,846,914</b>	<b>1,639,116</b>	

# 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
	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 2022	Component of regulatory capital HK\$m	
<b>CET1 capital: instruments and reserves</b>		
1 Directly issued qualifying CET1 capital instruments plus any related share premium	9,658	(7)
2 Retained earnings	111,844	(8)
3 Disclosed reserves	21,123	(14)
4 Directly issued capital subject to phase-out arrangements from CET1 (only applicable to non-joint stock companies)	Not applicable	Not applicable
5 Minority interests arising from CET1 capital instruments issued by consolidated bank subsidiaries and held by third parties (amount allowed in CET1 capital of the consolidation group)	Not applicable	Not applicable
<b>6 CET1 capital before regulatory deductions</b>	<b>142,625</b>	
<b>CET1 capital: regulatory deductions</b>		
7 Valuation adjustments	155	(12)
8 Goodwill (net of associated deferred tax liability)	-	
9 Other intangible assets (net of associated deferred tax liabilities)	2,678	(3) - (6)
10 Deferred tax assets (net of associated deferred tax liabilities)	260	(4)
11 Cash flow hedge reserve	(214)	(15)
12 Excess of total EL amount over total eligible provisions under the IRB approach	-	
13 Credit-enhancing interest-only strip, and any gain-on-sale and other increase in the CET1 capital arising from securitisation transactions	-	
14 Gains and losses due to changes in own credit risk on fair valued liabilities	16	(5)
15 Defined benefit pension fund net assets (net of associated deferred tax liabilities)	-	
16 Investments in own CET1 capital instruments (if not already netted off paid-in capital on reported balance sheet)	-	
17 Reciprocal cross-holdings in CET1 capital instruments	-	
18 Insignificant LAC investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-	
19 Significant LAC investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-	
20 Mortgage servicing rights (net of associated deferred tax liabilities)	Not applicable	Not applicable
21 Deferred tax assets arising from temporary differences (net of associated deferred tax liabilities)	Not applicable	Not applicable
22 Amount exceeding the 15% threshold	Not applicable	Not applicable
23 of which: significant investments in the ordinary share of financial sector entities	Not applicable	Not applicable
24 of which: mortgage servicing rights	Not applicable	Not applicable
25 of which: deferred tax assets arising from temporary differences	Not applicable	Not applicable
26 National specific regulatory adjustments applied to CET1 capital	25,613	
26a Cumulative fair value gains arising from the revaluation of land and buildings (own-use and investment properties)	24,483	(9) + (16)
26b Regulatory reserve for general banking risks	1,130	(10)
26c Securitisation exposures specified in a notice given by the Monetary Authority	-	
26d Cumulative losses below depreciated cost arising from the institution's holdings of land and buildings	-	
26e Capital shortfall of regulated non-bank subsidiaries	-	
26f Capital investment in a connected company which is a commercial entity (amount above 15% of the reporting institution's capital base)	-	
27 Regulatory deductions applied to CET1 capital due to insufficient additional tier 1 ('AT1') capital and Tier 2 capital to cover deductions	-	
<b>28 Total regulatory deductions to CET1 capital</b>	<b>28,508</b>	
<b>29 CET1 capital</b>	<b>114,117</b>	



**BANKING DISCLOSURE STATEMENT (unaudited) (continued)**

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

	a	b
		Cross-referenced to Table 3
		Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
	Component of regulatory capital HK\$m	
<b>AT1 capital: instruments</b>		
30 Qualifying AT1 capital instruments plus any related share premium	11,744	
31 of which: classified as equity under applicable accounting standards	11,744	(13)
32 of which: classified as liabilities under applicable accounting standards	-	
33 Capital instruments subject to phase-out arrangements from AT1 capital	-	
34 AT1 capital instruments issued by consolidated bank subsidiaries and held by third parties (amount allowed in AT1 capital of the consolidation group)	-	
35 of which: AT1 capital instruments issued by subsidiaries subject to phase-out arrangements	-	
36 AT1 capital before regulatory deductions	11,744	
<b>AT1 capital: regulatory deductions</b>		
37 Investments in own AT1 capital instruments	-	
38 Reciprocal cross-holdings in AT1 capital instruments	-	
39 Insignificant LAC investments in AT1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-	
40 Significant LAC investments in AT1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	-	
41 National specific regulatory adjustments applied to AT1 capital	-	
42 Regulatory deductions applied to AT1 capital due to insufficient Tier 2 capital to cover deductions	-	
43 Total regulatory deductions to AT1 capital	-	
44 AT1 capital	11,744	
45 Tier 1 capital (T1 = CET1 + AT1)	125,861	
<b>Tier 2 capital: instruments and provisions</b>		
46 Qualifying Tier 2 capital instruments plus any related share premium	-	
47 Capital instruments subject to phase-out arrangements from Tier 2 capital	-	
48 Tier 2 capital instruments issued by consolidated bank subsidiaries and held by third parties (amount allowed in Tier 2 capital of the consolidation group)	-	
49 of which: capital instruments issued by subsidiaries subject to phase-out arrangements	-	
50 Collective provisions and regulatory reserve for general banking risks eligible for inclusion in Tier 2 capital	474	(1) + (11)
51 Tier 2 capital before regulatory deductions	474	
<b>Tier 2 capital: regulatory deductions</b>		
52 Investments in own Tier 2 capital instruments	-	
53 Reciprocal cross-holdings in Tier 2 capital instruments and non-capital LAC liabilities	-	
54 Insignificant LAC investments in Tier 2 capital instruments issued by, and non-capital LAC liabilities of, financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold and, where applicable, 5% threshold)	-	
54a Insignificant LAC investments in non-capital LAC liabilities of financial sector entities that are outside the scope of regulatory consolidation (amount formerly designated for the 5% threshold but no longer meets the conditions) (for institutions defined as “section 2 institution” under §2(1) of Schedule 4F to BCR only)	-	
55 Significant LAC investments in Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (net of eligible short positions)	1,045	(2)
55a Significant LAC investments in non-capital LAC liabilities of financial sector entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-	
56 National specific regulatory adjustments applied to Tier 2 capital	(11,017)	
56a Add back of cumulative fair value gains arising from the revaluation of land and buildings (own-use and investment properties) eligible for inclusion in Tier 2 capital	(11,017)	((9) + (16)) * 45%
56b Regulatory deductions applied to Tier 2 capital to cover the required deductions falling within §48(1)(g) of BCR	-	
57 Total regulatory adjustments to Tier 2 capital	(9,972)	
58 Tier 2 capital (T2)	10,446	
59 Total regulatory capital (TC = T1 + T2)	136,307	
60 Total RWA	781,467	

# BANKING DISCLOSURE STATEMENT (unaudited) (continued)

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

	a	b
		Cross-referenced to Table 3
		Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
	Component of regulatory capital HK\$m	
<b>Capital ratios (as a percentage of RWA)</b>		
61 CET1 capital ratio	14.6%	
62 Tier 1 capital ratio	16.1%	
63 Total capital ratio	17.4%	
64 Institution-specific buffer requirement (capital conservation buffer plus countercyclical capital buffer plus higher loss absorbency requirements)	4.298%	
65 of which: capital conservation buffer requirement	2.500%	
66 of which: bank specific countercyclical capital buffer requirement	0.798%	
67 of which: higher loss absorbency requirement	1.000%	
68 CET1 (as a percentage of RWA) available after meeting minimum capital requirements	9.4%	
<b>National minima (if different from Basel 3 minimum)</b>		
69 National CET1 minimum ratio	Not applicable	Not applicable
70 National Tier 1 minimum ratio	Not applicable	Not applicable
71 National Total capital minimum ratio	Not applicable	Not applicable
<b>Amounts below the thresholds for deduction (before risk weighting)</b>		
72 Insignificant LAC investments in CET1, AT1 and Tier 2 capital instruments issued by, and non-capital LAC liabilities of, financial sector entities that are outside the scope of regulatory consolidation	5,617	
73 Significant LAC investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	7,344	
74 Mortgage servicing rights (net of associated deferred tax liabilities)	Not applicable	Not applicable
75 Deferred tax assets arising from temporary differences (net of associated deferred tax liabilities)	Not applicable	Not applicable
<b>Applicable caps on the inclusion of provisions in Tier 2 capital</b>		
76 Provisions eligible for inclusion in Tier 2 in respect of exposures subject to the Basic ('BSC') approach, or the Standardised (credit risk) ('STC') approach and SEC-ERBA, SEC-SA and SEC-FBA (prior to application of cap)	457	
77 Cap on inclusion of provisions in Tier 2 under the BSC approach, or the STC approach, and SEC-ERBA, SEC-SA and SEC-FBA	1,010	
78 Provisions eligible for inclusion in Tier 2 in respect of exposures subject to the IRB approach and SEC-IRBA (prior to application of cap)	17	
79 Cap for inclusion of provisions in Tier 2 under the IRB approach and SEC-IRBA	3,761	
<b>Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2018 and 1 Jan 2022)</b>		
80 Current cap on CET1 capital instruments subject to phase-out arrangements	Not applicable	Not applicable
81 Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	Not applicable	Not applicable
82 Current cap on AT1 capital instruments subject to phase-out arrangements	-	
83 Amount excluded from AT1 capital due to cap (excess over cap after redemptions and maturities)	-	
84 Current cap on Tier 2 capital instruments subject to phase-out arrangements	-	
85 Amount excluded from Tier 2 capital due to cap (excess over cap after redemptions and maturities)	-	

## 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 2022		Hong Kong basis HK\$m	Basel III basis HK\$m
10	Deferred tax assets (net of associated deferred tax liabilities)	260	-

### 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 2022		a	c	d	e
Geographical breakdown by Jurisdiction ('J')		Applicable JCCyB ratio in effect	RWA used in computation of CCyB ratio	AI-specific CCyB ratio	CCyB amount
	Footnotes	%	HK\$m	%	HK\$m
1 Hong Kong SAR	1	1.000	527,538		
2 Norway		1.500	1		
<b>Sum</b>	2		527,539		
<b>Total</b>	3		661,396	0.798	6,236

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

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

Table 6: LR2 – Leverage ratio

	a	b
	30 Jun 2022 HK\$m	31 Mar 2022 HK\$m
<b>On-balance sheet exposures</b>		
1 On-balance sheet exposures (excluding those arising from derivative contracts and Securities financing transactions ('SFTs'), but including collateral)	1,593,120	1,575,212
2 Less: Asset amounts deducted in determining Tier 1 capital	(28,492)	(28,355)
3 <b>Total on-balance sheet exposures (excluding derivative contracts and SFTs)</b>	<b>1,564,628</b>	<b>1,546,857</b>
<b>Exposures arising from derivative contracts</b>		
4 Replacement cost associated with all derivative contracts (where applicable net of eligible cash variation margin and/or with bilateral netting)	12,721	8,770
5 Add-on amounts for Potential future exposure ('PFE') associated with all derivative contracts	23,241	25,196
6 Gross-up for collateral provided in respect of derivative contracts where deducted from the balance sheet assets pursuant to the applicable accounting framework	-	-
7 Less: Deductions of receivables assets for cash variation margin provided under derivative contracts	-	-
8 Less: Exempted Central counterparty ('CCP') leg of client-cleared trade exposures	-	-
9 Adjusted effective notional amount of written credit-related derivative contracts	-	-
10 Less: Adjusted effective notional offsets and add-on deductions for written credit-related derivative contracts	-	-
11 <b>Total exposures arising from derivative contracts</b>	<b>35,962</b>	<b>33,966</b>
<b>Exposures arising from SFTs</b>		
12 Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	34,772	42,086
13 Less: Netted amounts of cash payables and cash receivables of gross SFT assets	-	-
14 CCR exposure for SFT assets	683	1,246
15 Agent transaction exposures	-	-
16 <b>Total exposures arising from SFTs</b>	<b>35,455</b>	<b>43,332</b>
<b>Other off-balance sheet exposures</b>		
17 Off-balance sheet exposure at gross notional amount	535,279	548,930
18 Less: Adjustments for conversion to credit equivalent amounts	(453,408)	(462,766)
19 <b>Off-balance sheet items</b>	<b>81,871</b>	<b>86,164</b>
<b>Capital and total exposures</b>		
20 <b>Tier 1 capital</b>	<b>125,861</b>	<b>126,776</b>
20a <b>Total exposures before adjustments for specific and collective provisions</b>	<b>1,717,916</b>	<b>1,710,319</b>
20b <b>Adjustments for specific and collective provisions</b>	<b>(8,816)</b>	<b>(7,852)</b>
21 <b>Total exposures after adjustments for specific and collective provisions</b>	<b>1,709,100</b>	<b>1,702,467</b>
<b>Leverage ratio</b>		
22 <b>Leverage ratio</b>	<b>7.4%</b>	<b>7.4%</b>

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

As at 30 Jun 2022		a
		Value under the LR framework HK\$m
<b>Item</b>		
1 Total consolidated assets as per published financial statements		1,846,914
2 Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation		(194,968)
2a Adjustment for securitised exposures that meet the operational requirements for the recognition of risk transference		-
3 Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting standard but excluded from the LR exposure measure		-
3a Adjustments for eligible cash pooling transactions		-
4 Adjustments for derivative contracts		16,044
5 Adjustment for SFTs (i.e. repos and similar secured lending)		683
6 Adjustment for off-balance sheet ('OBS') items (i.e. conversion to credit equivalent amounts of OBS exposures)		81,871
6a Adjustments for prudent valuation adjustments and specific and collective provisions that are allowed to be excluded from exposure measure		(8,971)
7 Other adjustments		(32,473)
8 <b>Leverage ratio exposure measure</b>		<b>1,709,100</b>

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

# BANKING DISCLOSURE STATEMENT (unaudited) (continued)

## Overview of RWA and the minimum capital requirements

Table 8: OV1 – Overview of RWA

	a	b	c
	RWA <sup>1</sup>		Minimum <sup>2</sup> capital requirements
	30 Jun 2022 HK\$m	31 Mar 2022 HK\$m	30 Jun 2022 HK\$m
1 Credit risk for non-securitisation exposures	623,142	606,422	52,456
2 Of which: STC approach	80,392	82,114	6,431
2a Of which: BSC approach	-	-	-
3 Of which: Foundation IRB approach	-	-	-
4 Of which: Supervisory slotting criteria approach	39,505	31,622	3,350
5 Of which: Advanced IRB approach	503,245	492,686	42,675
6 Counterparty default risk and default fund contributions	8,054	7,593	681
7 Of which: SA-CCR approach	7,676	7,348	649
7a Of which: Current exposure method ('CEM')	-	-	-
8 Of which: Internal models (counterparty credit risk) ('IMM(CCR)') approach	-	-	-
9 Of which: Others	378	245	32
10 Credit valuation adjustment ('CVA') risk	9,804	8,545	784
11 Equity positions in banking book under the simple risk-weight method and internal models method	22,615	21,334	1,918
12 Collective investment scheme ('CIS') exposures – Look-through ('LTA') approach*	Not applicable	Not applicable	Not applicable
13 CIS exposures – Mandate-based ('MBA') approach*	Not applicable	Not applicable	Not applicable
14 CIS exposures – Fall-back ('FBA') approach*	Not applicable	Not applicable	Not applicable
14a CIS exposures – combination of approaches*	Not applicable	Not applicable	Not applicable
15 Settlement risk	-	-	-
16 Securitisation exposures in banking book	-	-	-
17 Of which: Securitisation internal ratings-based ('SEC-IRBA') approach	-	-	-
18 Of which: Securitisation external ratings-based ('SEC-ERBA') approach (including internal assessment approach ('IAA'))	-	-	-
19 Of which: Securitisation standardised ('SEC-SA') approach	-	-	-
19a Of which: Securitisation fall-back ('SEC-FBA') approach	-	-	-
20 Market risk	20,303	14,620	1,624
21 Of which: STM approach	502	688	40
22 Of which: IMM approach	19,801	13,932	1,584
23 Capital charge for switch between exposures in trading book and banking book (not applicable before the revised market risk framework takes effect)*	Not applicable	Not applicable	Not applicable
24 Operational risk	57,171	59,580	4,574
24a Sovereign concentration risk	-	-	-
25 Amounts below the thresholds for deduction (subject to 250% Risk-weight ('RW'))	18,360	19,082	1,557
26 Capital floor adjustment	-	-	-
26a Deduction to RWA	(13,466)	(13,413)	(1,077)
26b Of which: Portion of regulatory reserve for general banking risks and collective provisions which is not included in Tier 2 Capital	-	-	-
26c Of which: Portion of cumulative fair value gains arising from the revaluation of land and buildings which is not included in Tier 2 Capital	(13,466)	(13,413)	(1,077)
27 Total	745,983	723,763	62,517

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\$22.2bn since last quarter. Credit risk RWA for non-securitisation exposures increased by HK\$16.7bn mainly driven by unfavorable credit rating movement and model updates relating to corporate exposures. Meanwhile, market risk RWA increased by HK\$5.7bn mainly driven by an increase in Hong Kong dollar 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 risk<sup>1</sup> exposures under IRB approach

	a
	Amount
	HK\$m
1 RWA as at end of previous reporting period (31 Mar 2022)	524,308
2 Asset size	6
3 Asset quality	10,840
4 Model updates	6,377
5 Methodology and policy	-
6 Acquisitions and disposals	-
7 Foreign exchange movements	(1,246)
8 Other	2,465
9 RWA as at end of reporting period (30 Jun 2022)	542,750

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

RWA increased by HK\$18.4bn in the second quarter of 2022. Unfavorable credit rating movement was the key driver which made the RWA increase by HK\$10.8bn. Also, model updates relating to corporate exposures contributed additional RWA of HK\$6.4bn.

### 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')	Stressed VaR ('SVaR')	Incremental risk charge ('IRC')	Comprehensive risk charge ('CRC')	Other	Total RWA
	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m
1 RWA as at end of previous reporting period (31 Mar 2022)	3,690	10,242	-	-	-	13,932
2 Movement in risk levels	506	5,333	-	-	-	5,839
3 Model updates/changes	-	-	-	-	-	-
4 Methodology and policy	-	-	-	-	-	-
5 Acquisitions and disposals	-	-	-	-	-	-
6 Foreign exchange movements	8	22	-	-	-	30
7 Other	-	-	-	-	-	-
8 RWA as at end of reporting period (30 Jun 2022)	4,204	15,597	-	-	-	19,801

The increase in market risk RWA was mainly driven by an increase in Hong Kong dollar interest rate trading positions.

# BANKING DISCLOSURE STATEMENT (unaudited) (continued)

## Loss-absorbing Capacity

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

	a	b	c	d	e
	At				
	30 Jun	31 Mar	31 Dec	30 Sep	30 Jun
Footnotes	2022	2022	2021	2021	2021
<b>Of the material entity at LAC consolidation group level</b>					
1 Internal loss-absorbing capacity available (HK\$m)	<b>163,803</b>	161,797	163,242	158,556	158,496
2 Risk-weighted amount under the LAC Rules (HK\$m)	<b>781,467</b>	758,058	734,128	713,496	734,532
3 Internal LAC risk-weighted ratio (%)	<b>21.0</b>	21.3	22.2	22.2	21.6
4 Exposure measure under the LAC Rules (HK\$m)	<b>1,708,055</b>	1,701,422	1,703,019	1,660,971	1,678,738
5 Internal LAC leverage ratio (%)	<b>9.6</b>	9.5	9.6	9.5	9.4
6a Does the subordination exemption in the antepenultimate paragraph of Section 11 of the FSB TLAC Term Sheet apply?	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
6b Does the subordination exemption in the penultimate paragraph of Section 11 of the FSB TLAC Term Sheet apply?	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
6c If the capped subordination exemption applies, the amount of funding issued that ranks pari passu with excluded liabilities and that is recognised as external loss-absorbing capacity, divided by funding issued that ranks pari passu with excluded liabilities and that would be recognised as external loss-absorbing capacity if no cap was applied	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable

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



# BANKING DISCLOSURE STATEMENT (unaudited) (continued)

Table 12: TLAC1(A) – TLAC composition

		a
As at 30 Jun 2022		Amount
<b>Regulatory capital elements of internal loss-absorbing capacity and adjustments (HK\$m)</b>		
1	Common Equity Tier 1 ('CET1') capital	114,117
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	10,446
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	10,466
11	<b>Internal loss-absorbing capacity arising from regulatory capital</b>	<b>136,307</b>
<b>Non-regulatory capital elements of internal loss-absorbing capacity (HK\$m)</b>		
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	27,496
17	<b>Internal loss-absorbing capacity arising from non-capital LAC debt instruments before adjustments</b>	<b>27,496</b>
<b>Non-regulatory capital elements of internal loss-absorbing capacity: adjustments (HK\$m)</b>		
18	<b>Internal loss-absorbing capacity before deductions</b>	<b>163,803</b>
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	<b>Internal loss-absorbing capacity after deductions</b>	<b>163,803</b>
<b>Risk-weighted amount and exposure measure under the LAC Rules for internal loss-absorbing capacity purposes (HK\$m)</b>		
23	Risk-weighted amount under the LAC Rules	781,467
24	Exposure measure under the LAC Rules	1,708,055
<b>Internal LAC ratios and buffers (%)</b>		
25	Internal LAC risk-weighted ratio	21.0
26	Internal LAC leverage ratio	9.6
27	CET1 capital (as a percentage of RWA under the BCR) available after meeting the LAC consolidation group's minimum capital and LAC requirements	7.5
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)	4.298
29	<i>Of which: capital conservation buffer requirement</i>	2.500
30	<i>Of which: institution-specific countercyclical capital buffer requirement</i>	0.798
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	
1 Is the resolution entity or a non-HK resolution entity the creditor/investor? (yes or no) <sup>1</sup>	No	Yes	Yes	Yes	
2 Description of creditor ranking	Ordinary shares <sup>2</sup>	Ordinary shares <sup>2</sup>	AT1 instruments	LAC loans	
3 Total capital and liabilities net of credit risk mitigation	<b>3,657</b>	<b>6,001</b>	<b>11,744</b>	<b>27,518</b>	<b>48,920</b>
4 Subset of row 3 that is excluded liabilities	-	-	-	-	-
5 Total capital and liabilities less excluded liabilities	<b>3,657</b>	<b>6,001</b>	<b>11,744</b>	<b>27,518</b>	<b>48,920</b>
6 Subset of row 5 that are eligible as internal loss-absorbing capacity	<b>3,657</b>	<b>6,001</b>	<b>11,744</b>	<b>27,518</b>	<b>48,920</b>
7 Subset of row 6 with 1 year ≤ residual maturity < 2 years	-	-	-	-	-
8 Subset of row 6 with 2 years ≤ residual maturity < 5 years	-	-	-	<b>6,240</b>	<b>6,240</b>
9 Subset of row 6 with 5 years ≤ residual maturity < 10 years	-	-	-	<b>21,278</b>	<b>21,278</b>
10 Subset of row 6 with residual maturity ≥ 10 years, but excluding perpetual securities	-	-	-	-	-
11 Subset of row 6 that is perpetual securities	<b>3,657</b>	<b>6,001</b>	<b>11,744</b>	-	<b>21,402</b>

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 As at 30 Jun 2022		a
		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
	Regulatory treatment	
4	Transitional Basel III rules <sup>1</sup>	N/A
5	Post-transitional Basel III rules <sup>2</sup>	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
	Coupons / dividends	
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](#)

#### Footnote:

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

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

<sup>3</sup> Subject to FIRO

<sup>4</sup> Terms and conditions for loan issuance before 20 April 2022 to be read in conjunction with the Master terms and conditions (the 'Master terms and conditions')

[Master terms and conditions](#)

<sup>5</sup> On 20 April 2022, the interest rate benchmark of US\$400m non-capital LAC debt instrument was transitioned to compounded SOFR from previous 3-month US\$ LIBOR.

<sup>6</sup> Terms and conditions for loan issuance after 20 April 2022 to be read in conjunction with the Amended Master terms agreement (the 'Amended Master terms agreement')

[Amended master terms agreement](#)

**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 2022		<b>Quantitative / qualitative information</b>	
		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 <sup>1</sup>	N/A	N/A
5	Post-transitional Basel III rules <sup>2</sup>	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 <sup>3</sup>	Non-convertible <sup>3</sup>
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 f under ii)	Immediately subordinate to non-capital LAC debt instruments (columns a to f under ii)
36	Non-compliant transitioned features	No	No
37	If yes, specify non-compliant features	N/A	N/A
Terms and conditions		<a href="#">Individual loan agreement<sup>4</sup></a>	<a href="#">Individual loan agreement<sup>4</sup></a>

# 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 As at 30 Jun 2022		a	b
		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
	Regulatory treatment		
4	Transitional Basel III rules <sup>1</sup>	N/A	N/A
5	Post-transitional Basel III rules <sup>2</sup>	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
	Coupons / dividends		
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 <sup>3</sup>	Non-convertible <sup>3</sup>
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	<a href="#">Individual loan agreement<sup>4</sup></a>	<a href="#">Individual loan agreement<sup>4</sup></a>

**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 2022		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
	Regulatory treatment		
4	Transitional Basel III rules <sup>1</sup>	N/A	N/A
5	Post-transitional Basel III rules <sup>2</sup>	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\$ 3,138 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	Callable on any interest payment
	Coupons / dividends		
17	Fixed or floating dividend/coupon	Floating	Floating
18	Coupon rate and any related index	Compounded SOFR + 2.0478%	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 <sup>3</sup>	Non-convertible <sup>3</sup>
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	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		<a href="#">Amendment agreement<sup>5</sup></a>	<a href="#">Individual loan agreement<sup>4</sup></a>

**BANKING DISCLOSURE STATEMENT** (unaudited) (continued)

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

		e	f
As at 30 Jun 2022		Quantitative / qualitative information	
		Subordinated loan (HK\$ 5,000 million)	Subordinated loan (HK\$ 3,000 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
	Regulatory treatment		
4	Transitional Basel III rules <sup>1</sup>	N/A	N/A
5	Post-transitional Basel III rules <sup>2</sup>	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\$ 4,987 million	HK\$ 2,991 million
9	Par value of instrument	HK\$ 5,000 million	HK\$ 3,000 million
10	Accounting classification	Liability – amortised cost	Liability – amortised cost
11	Original date of issuance	30 November 2021	27 June 2022
12	Perpetual or dated	Dated	Dated
13	Original maturity date	Interest payment date falling in November 2027	Interest payment date falling in June 2028
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 November 2026 at par value	Interest payment date falling in June 2027 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
	Coupons / dividends		
17	Fixed or floating dividend/coupon	Floating	Floating
18	Coupon rate and any related index	3-month HK\$ HIBOR + 1.00%	3-month HK\$ HIBOR + 1.68%
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 <sup>3</sup>	Non-convertible <sup>3</sup>
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		<a href="#">Individual loan agreement<sup>4</sup></a>	<a href="#">Individual loan agreement<sup>6</sup></a>

## BANKING DISCLOSURE STATEMENT (unaudited) (continued)

### Credit Risk

#### Credit quality of assets

Tables 15 to 16 present information on the credit quality of exposures by exposure category, changes in defaulted loans and debt securities on a regulatory consolidation basis. For further detail on the credit quality of IRB and STC exposures, refer to Table 23 to 24 and 26 respectively.

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

Table 15: CR1 – Credit quality of exposures

	a	b	c	d	e	f	g
	Gross carrying amounts of		Allowances/ impairments	Of which Expected Credit Loss ('ECL') accounting provisions <sup>1</sup> for credit losses on STC approach exposures		Of which ECL accounting provisions for credit losses on IRB approach exposures	
				Allocated in regulatory category of specific provisions	Allocated in regulatory category of collective provisions	Net values (a + b - c)	
As at 30 Jun 2022	Defaulted exposures HK\$m	Non- defaulted exposures HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m
1 Loans	19,024	1,043,114	8,684	204	325	8,155	1,053,454
2 Debt securities	-	409,319	10	-	-	10	409,309
3 Off-balance sheet exposures	966	539,400	122	-	4	118	540,244
4 <b>Total</b>	<b>19,990</b>	<b>1,991,833</b>	<b>8,816</b>	<b>204</b>	<b>329</b>	<b>8,283</b>	<b>2,003,007</b>

<sup>1</sup> 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 HK\$m
1 Defaulted loans and debt securities at end of the previous reporting period (31 Dec 2021)	10,429
2 Loans and debt securities that have defaulted since the last reporting period	10,927
3 Returned to non-defaulted status	(23)
4 Amounts written off	(308)
5 Other changes	1 (2,001)
6 <b>Defaulted loans and debt securities at end of the current reporting period (30 Jun 2022)</b>	<b>19,024</b>

<sup>1</sup> Other changes included repayment and foreign exchange movements.

The increase in defaulted loans and debts securities in the first half of 2022 was mainly due to downgrade of corporate loans reflecting the latest developments in the mainland commercial real estate sector.



## 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

		Gross loans and advances to customers <sup>1</sup>	Gross impaired loans and advances	Specific provisions <sup>2</sup>	Collective provisions <sup>2</sup>	Overdue loans and advances <sup>3</sup>
As at 30 Jun 2022	Footnotes	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m
Residential mortgages		307,369	521	(14)	(6)	254
Real estate		260,298	12,950	(3,012)	(1,464)	1,716
Others	4	425,147	5,553	(2,160)	(2,022)	3,867
<b>Total</b>		<b>992,814</b>	<b>19,024</b>	<b>(5,186)</b>	<b>(3,492)</b>	<b>5,837</b>

- 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\$918m 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 2022.
- 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

		Gross loans and advances to customers <sup>1</sup>	Gross impaired loans and advances	Specific provisions <sup>2</sup>	Collective provisions <sup>2</sup>	Overdue loans and advances <sup>3</sup>
As at 30 Jun 2022	Footnotes	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m
Hong Kong SAR		887,888	17,253	(4,262)	(2,967)	5,063
Mainland China		87,669	1,601	(908)	(505)	604
Others	4	17,257	170	(16)	(20)	170
<b>Total</b>		<b>992,814</b>	<b>19,024</b>	<b>(5,186)</b>	<b>(3,492)</b>	<b>5,837</b>

- 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\$918m 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 2022.
- 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: Gross loans and advances to customers by geographical location

As at 30 Jun 2022	Footnote	Hong Kong SAR HK\$m	Mainland China HK\$m	Others HK\$m	Total HK\$m
Gross loans and advances to customers	1	846,355	115,729	29,812	991,896

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\$918m 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 2022	Gross loans and advances HK\$m	% of gross advances covered by collateral %
Industrial, commercial and financial sectors		
- property development	62,417	42.9%
- property investment	153,679	88.3%
- financial concerns	3,176	16.3%
- stockbrokers	117	14.2%
- wholesale and retail trade	27,894	54.1%
- manufacturing	21,794	31.3%
- transport and transport equipment	16,111	52.1%
- recreational activities	755	52.1%
- information technology	11,204	5.4%
- other	95,072	74.1%
Individuals		
- loans and advances for the purchase of flats under the Government Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme	38,441	100.0%
- loans and advances for the purchase of other residential properties	246,011	100.0%
- credit card loans and advances	26,396	0.0%
- other	31,121	50.2%
Gross loans and advances for use in Hong Kong	734,188	76.9%
Trade finance	46,455	19.7%
Gross loans and advances for use outside Hong Kong	211,253	33.7%
<b>Gross loans and advances to customers</b>	<b>991,896</b>	<b>65.1%</b>

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 2022	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	2,105	0.21%
- more than six months but not more than one year	1,071	0.11%
- more than one year	2,661	0.27%
<b>Total</b>	<b>5,837</b>	<b>0.59%</b>
of which:		
- specific provision	(2,382)	
- covered portion of overdue loans and advances	3,521	
- uncovered portion of overdue loans and advances	2,316	
- current market value of collateral held against the covered portion of overdue loans and advances	5,325	
Rescheduled loans and advances to customers	2,571	0.26%

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\$1,683m and HK\$2,786m 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 2022 was HK\$87m.

### 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 2022.

## 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 under '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 2022 HK\$m
<b>Contract amounts</b>	
Direct credit substitutes	2,572
Transaction-related contingencies	17,235
Trade-related contingencies	22,199
Forward asset purchases	87
Commitments that are unconditionally cancellable without prior notice	454,957
Commitments which have an original maturity of not more than one year	3,271
Commitments which have an original maturity of more than one year	40,045
<b>Total</b>	<b>540,366</b>
RWA	52,228

**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
	Original on-balance sheet gross exposure	Off-balance sheet exposures pre-credit conversion factor ('CCF')	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^
As at 30 Jun 2022	HK\$m	HK\$m	%	HK\$m	%		%	years	HK\$m	%	HK\$m	HK\$m
<b>Sovereign</b>												
0.00 to < 0.15	391,546	-	-	391,546	0.01	44	25.0	1.16	10,891	3	14	
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)	-	-	-	-	-	-	-	-	-	-	-	
<b>Sub-total</b>	<b>391,546</b>	<b>-</b>	<b>-</b>	<b>391,546</b>	<b>0.01</b>	<b>44</b>	<b>25.0</b>	<b>1.16</b>	<b>10,891</b>	<b>3</b>	<b>14</b>	<b>9</b>
<b>Bank</b>												
0.00 to < 0.15	70,154	1,241	62.7	70,932	0.04	883	37.6	1.11	7,570	11	11	
0.15 to < 0.25	1,858	1,170	52.6	2,473	0.22	84	45.5	0.82	843	34	2	
0.25 to < 0.50	189	-	-	189	0.37	32	45.0	0.94	108	57	-	
0.50 to < 0.75	71	1	5.0	71	0.63	30	40.1	0.12	36	51	-	
0.75 to < 2.50	42	12	53.3	49	1.45	16	37.2	0.82	37	76	-	
2.50 to < 10.00	-	-	-	-	-	-	-	-	-	-	-	
10.00 to < 100.00	-	-	-	-	-	-	-	-	-	-	-	
100.00 (Default)	-	-	-	-	-	-	-	-	-	-	-	
<b>Sub-total</b>	<b>72,314</b>	<b>2,424</b>	<b>57.7</b>	<b>73,714</b>	<b>0.05</b>	<b>1,045</b>	<b>37.9</b>	<b>1.10</b>	<b>8,594</b>	<b>12</b>	<b>13</b>	<b>5</b>
<b>Corporate – small-and-medium sized corporates</b>												
0.00 to < 0.15	2,044	4,307	36.2	3,601	0.10	90	16.7	1.56	238	7	-	
0.15 to < 0.25	2,498	2,633	28.2	3,143	0.22	150	22.8	2.78	641	20	2	
0.25 to < 0.50	8,402	5,479	33.4	10,230	0.37	238	24.8	2.29	2,858	28	9	
0.50 to < 0.75	12,826	5,575	35.9	14,828	0.63	343	26.4	2.37	5,617	38	25	
0.75 to < 2.50	50,568	17,914	29.3	55,823	1.36	1,087	26.5	1.98	30,402	54	201	
2.50 to < 10.00	9,081	3,554	31.8	10,212	3.82	211	27.2	1.94	6,608	65	109	
10.00 to < 100.00	896	44	22.0	906	10.00	16	36.5	1.72	1,074	119	33	
100.00 (Default)	1,125	-	-	1,125	100.00	19	50.0	1.61	3,424	304	305	
<b>Sub-total</b>	<b>87,440</b>	<b>39,506</b>	<b>31.7</b>	<b>99,868</b>	<b>2.51</b>	<b>2,154</b>	<b>26.2</b>	<b>2.07</b>	<b>50,862</b>	<b>51</b>	<b>684</b>	<b>627</b>
<b>Corporate – others</b>												
0.00 to < 0.15	104,579	45,633	32.5	119,417	0.08	388	44.8	1.93	25,315	21	42	
0.15 to < 0.25	45,565	31,814	22.9	52,957	0.22	277	46.0	1.68	20,927	40	54	
0.25 to < 0.50	30,417	27,522	21.3	36,268	0.37	343	43.1	1.79	18,223	50	58	
0.50 to < 0.75	50,832	28,402	25.2	57,990	0.63	363	35.9	1.88	32,471	56	132	
0.75 to < 2.50	113,291	60,084	24.6	128,084	1.35	1,163	35.5	1.56	97,063	76	608	
2.50 to < 10.00	28,104	15,610	21.2	31,414	3.95	345	40.7	1.66	37,026	118	508	
10.00 to < 100.00	11,015	3,297	16.6	11,561	13.72	70	36.6	1.71	22,479	194	573	
100.00 (Default)	16,722	966	35.0	17,060	100.00	115	34.0	1.58	33,730	198	4,620	
<b>Sub-total</b>	<b>400,525</b>	<b>213,328</b>	<b>25.4</b>	<b>454,751</b>	<b>4.85</b>	<b>3,064</b>	<b>40.2</b>	<b>1.74</b>	<b>287,234</b>	<b>63</b>	<b>6,595</b>	<b>6,804</b>

**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
	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^
As at 30 Jun 2022	HK\$m	HK\$m	%	HK\$m	%		%	years	HK\$m	%	HK\$m	HK\$m
<b>Retail – qualifying revolving retail exposures ('QRRE')</b>												
0.00 to < 0.15	9,915	169,310	39.1	76,088	0.07	1,810,820	105.7		3,481	5	55	
0.15 to < 0.25	1,845	12,268	48.2	7,756	0.22	176,093	105.0		953	12	18	
0.25 to < 0.50	3,598	18,866	36.1	10,398	0.40	192,713	102.8		2,011	19	43	
0.50 to < 0.75	1,980	3,853	56.1	4,143	0.60	53,449	102.0		1,085	26	25	
0.75 to < 2.50	5,397	11,094	38.0	9,613	1.43	86,914	101.2		4,808	50	139	
2.50 to < 10.00	3,262	2,926	70.0	5,310	4.71	47,554	100.8		6,151	116	252	
10.00 to < 100.00	1,132	322	178.6	1,707	31.53	13,795	99.3		3,303	193	517	
100.00 (Default)	61	-	-	61	100.00	786	94.4		93	152	51	
<b>Sub-total</b>	<b>27,190</b>	<b>218,639</b>	<b>40.2</b>	<b>115,076</b>	<b>0.98</b>	<b>2,382,124</b>	<b>104.6</b>		<b>21,885</b>	<b>19</b>	<b>1,100</b>	<b>1,246</b>
<b>Retail – residential mortgage exposures</b>												
0.00 to < 0.15	206,502	1,650	100.0	208,152	0.08	58,952	21.6		47,837	23	37	
0.15 to < 0.25	32,660	261	100.0	32,921	0.18	25,515	19.0		7,038	21	11	
0.25 to < 0.50	471	4	100.0	475	0.33	92	20.2		105	22	-	
0.50 to < 0.75	20,039	159	100.0	20,198	0.53	8,576	17.9		4,344	22	19	
0.75 to < 2.50	14,175	111	100.0	14,286	0.93	13,109	17.3		3,307	23	23	
2.50 to < 10.00	4,783	37	100.0	4,820	4.74	3,413	16.0		2,467	51	37	
10.00 to < 100.00	4,120	30	100.0	4,150	19.50	2,539	16.7		3,888	94	136	
100.00 (Default)	493	-	-	493	100.00	167	14.5		826	168	5	
<b>Sub-total</b>	<b>283,243</b>	<b>2,252</b>	<b>100.0</b>	<b>285,495</b>	<b>0.70</b>	<b>112,363</b>	<b>20.7</b>		<b>69,812</b>	<b>24</b>	<b>268</b>	<b>-</b>
<b>Retail – small business retail exposures</b>												
0.00 to < 0.15	2,596	11	100.0	2,607	0.07	1,153	9.5		51	2	-	
0.15 to < 0.25	476	2	100.0	478	0.19	127	16.1		30	6	-	
0.25 to < 0.50	-	-	-	-	-	-	-		-	-	-	
0.50 to < 0.75	505	2	100.0	507	0.57	182	6.7		26	5	1	
0.75 to < 2.50	409	2	100.0	411	1.33	97	23.3		107	26	1	
2.50 to < 10.00	407	-	-	407	4.98	161	8.4		51	13	2	
10.00 to < 100.00	-	-	-	-	-	-	-		-	-	-	
100.00 (Default)	6	-	-	6	100.00	3	27.5		21	350	-	
<b>Sub-total</b>	<b>4,399</b>	<b>17</b>	<b>100.0</b>	<b>4,416</b>	<b>0.85</b>	<b>1,723</b>	<b>11.1</b>		<b>286</b>	<b>6</b>	<b>4</b>	<b>4</b>
<b>Other retail exposures to individuals</b>												
0.00 to < 0.15	3,094	2,179	10.4	3,320	0.08	23,760	14.4		110	3	-	
0.15 to < 0.25	1,451	2,369	14.8	1,802	0.21	21,650	16.1		119	7	1	
0.25 to < 0.50	4,740	1,161	20.6	4,978	0.33	47,192	95.9		2,643	53	15	
0.50 to < 0.75	1,528	15	147.9	1,550	0.60	7,847	79.4		985	64	7	
0.75 to < 2.50	6,043	1,138	32.0	6,408	1.39	28,356	64.6		4,706	73	60	
2.50 to < 10.00	2,540	154	47.7	2,613	4.45	13,359	76.7		2,921	112	92	
10.00 to < 100.00	568	40	47.6	587	17.77	4,471	80.0		972	166	87	
100.00 (Default)	49	-	-	49	100.00	456	45.2		95	194	18	
<b>Sub-total</b>	<b>20,013</b>	<b>7,056</b>	<b>18.4</b>	<b>21,307</b>	<b>1.84</b>	<b>147,091</b>	<b>62.9</b>		<b>12,551</b>	<b>59</b>	<b>280</b>	<b>231</b>

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
	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^
As at 30 Jun 2022	HK\$m	HK\$m	%	HK\$m	%		%	years	HK\$m	%	HK\$m	HK\$m
Total (all portfolios)	1,286,670	483,222	33.0	1,446,173	1.95	2,649,608	36.5	1.51	462,115	32	8,958	8,926

\*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.

The increase in RWA of HK\$25.3bn in the first half of 2022 was mainly driven by the increase in average PD for corporate exposures.

**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 2022

		a	b	c	d(i)	d(ii)	d(iii)	d(iv)	d(v)	e	f
		EAD amount									
Supervisory Rating		On-balance sheet exposure amount	Off-balance sheet exposure amount	Supervisory risk-weight ('SRW')	Project finance ('PF')	Object finance ('OF')	Commodities finance ('CF')	Income-producing real estate ('IPRE')	Total	RWA	Expected loss amount
Grade	Remaining Maturity	HK\$m	HK\$m	%	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m
Strong^	Less than 2.5 years	17,834	1,681	50%	-	-	-	18,636	18,636	9,318	-
Strong	Less than 2.5 years	4,095	846	70%	-	-	-	4,380	4,380	3,066	18
Strong	Equal to or more than 2.5 years	13,061	757	70%	-	-	-	13,326	13,326	9,327	53
Good^	Less than 2.5 years	6,979	405	70%	-	-	-	7,162	7,162	5,013	29
Good	Less than 2.5 years	4,195	1,324	90%	-	-	-	4,658	4,658	4,192	37
Good	Equal to or more than 2.5 years	3,929	418	90%	-	-	-	4,106	4,106	3,696	33
Satisfactory		4,074	487	115%	-	-	-	4,255	4,255	4,893	119
Weak		-	-	250%	-	-	-	-	-	-	-
Default		-	-	0%	-	-	-	-	-	-	-
<b>Total</b>		<b>54,167</b>	<b>5,918</b>		-	-	-	<b>56,523</b>	<b>56,523</b>	<b>39,505</b>	<b>289</b>

^ Use of preferential risk-weights.

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

As at 30 Jun 2022

	a	b	c	d	e
Categories	On-balance sheet exposure amount HK\$m	Off-balance sheet exposure amount HK\$m	SRW %	EAD amount HK\$m	RWA HK\$m
Publicly traded equity exposures	-	-	300%	-	-
All other equity exposures	5,654	-	400%	5,654	22,615
<b>Total</b>	<b>5,654</b>	<b>-</b>		<b>5,654</b>	<b>22,615</b>

**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
											Total credit risk exposures amount (post CCF and post CRM)
As at 30 Jun 2022											
Risk weight	0%	10%	20%	35%	50%	75%	100%	150%	250%	Others	
	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m
Exposure class											
1 Sovereign exposures	171	-	-	-	-	-	-	-	-	-	171
2 Public sector entity (PSE) exposures	13,518	-	7,603	-	1	-	-	-	-	-	21,122
2a Of which: Domestic PSEs	-	-	6,954	-	-	-	-	-	-	-	6,954
2b Of which: Foreign PSEs	13,518	-	649	-	1	-	-	-	-	-	14,168
3 Multilateral development bank exposures	-	-	-	-	-	-	-	-	-	-	-
4 Bank exposures	-	-	82	-	-	-	-	-	-	-	82
5 Securities firm exposures	-	-	-	-	1	-	-	-	-	-	1
6 Corporate exposures	-	-	1,577	-	763	-	56,160	-	-	-	58,500
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	-	-	-	-	-	6,112	-	-	-	-	6,112
11 Residential mortgage loans	-	-	-	25,983	-	825	2,478	-	-	-	29,286
12 Other exposures which are not past due exposures	-	-	-	-	-	-	4,725	-	-	-	4,725
13 Past due exposures	-	-	-	-	-	-	95	269	-	-	364
14 Significant exposures to commercial entities	-	-	-	-	-	-	-	-	-	-	-
15 Total	13,689	-	9,262	25,983	765	6,937	63,458	269	-	-	120,363



# 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 HK\$m	Exposures to be secured HK\$m	Exposures secured by recognised collateral HK\$m	Exposures secured by recognised guarantees HK\$m	Exposures secured by recognised credit derivative contracts HK\$m
As at 30 Jun 2022					
1 Loans	379,592	673,862	558,065	115,797	-
2 Debt securities	408,622	687	-	687	-
3 <b>Total</b>	<b>788,214</b>	<b>674,549</b>	<b>558,065</b>	<b>116,484</b>	<b>-</b>
4 <i>of which: Defaulted</i>	<i>4,470</i>	<i>9,368</i>	<i>7,500</i>	<i>1,867</i>	<i>-</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 HK\$m	Actual RWA HK\$m
As at 30 Jun 2022		
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)	39,505	39,505
5 Corporate – Specialised lending (high-volatility commercial real estate)	-	-
6 Corporate – Small-and-medium sized corporates	50,862	50,862
7 Corporate – Other corporates	287,234	287,234
8 Sovereigns	9,832	9,832
9 Sovereign foreign public sector entities	-	-
10 Multilateral development banks	1,059	1,059
11 Bank exposures – Banks	7,836	7,836
12 Bank exposures – Securities firms	758	758
13 Bank exposures – Public sector entities (excluding sovereign foreign public sector entities)	-	-
14 Retail – Small business retail exposures	286	286
15 Retail – Residential mortgages to individuals	69,077	69,077
16 Retail – Residential mortgages to property-holding shell companies	735	735
17 Retail – Qualifying revolving retail exposures	21,885	21,885
18 Retail – Other retail exposures to individuals	12,551	12,551
19 Equity – Equity exposures under market-based approach (simple risk-weight method)	22,615	22,615
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	448	448
27 Other – Other items	40,682	40,682
28 <b>Total (under the IRB calculation approaches)</b>	<b>565,365</b>	<b>565,365</b>

There is no effect on 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	
	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	%
As at 30 Jun 2022						
<b>Exposure classes</b>						
1 Sovereign exposures	-	-	171	-	-	-
2 PSE exposures	20,535	1,225	20,535	587	1,521	7
2a <i>Of which: Domestic PSEs</i>	6,367	1,225	6,367	587	1,391	20
2b <i>Of which: Foreign PSEs</i>	14,168	-	14,168	-	130	1
3 Multilateral development bank exposures	-	-	-	-	-	-
4 Bank exposures	81	-	81	1	16	20
5 Securities firm exposures	1	-	1	-	1	50
6 Corporate exposures	58,786	26,794	56,222	2,278	56,857	97
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	6,885	12,307	6,106	6	4,583	75
11 Residential mortgage loans	29,316	4,124	29,286	-	12,191	42
12 Other exposures which are not past due exposures	11,010	6,689	4,619	106	4,725	100
13 Past due exposures	364	-	364	-	498	137
14 Significant exposures to commercial entities	-	-	-	-	-	-
15 <b>Total</b>	<b>126,978</b>	<b>51,139</b>	<b>117,385</b>	<b>2,978</b>	<b>80,392</b>	<b>67</b>

Remark:

Exposure pre-CCF and pre-CRM is reported under the 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

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') HK\$m	PFE HK\$m	Effective expected positive exposure ('EPE') HK\$m	Alpha ( $\alpha$ ) used for computing default risk exposure	Default risk exposure after CRM HK\$m	RWA HK\$m
As at 30 Jun 2022						
1 SA-CCR approach (for derivative contracts)	9,095	14,179		1.4	32,583	7,676
1a CEM (for derivative contracts)	-	-		-	-	-
2 IMM (CCR) approach			-	-	-	-
3 Simple approach (for SFTs)					-	-
4 Comprehensive approach (for SFTs)					3,083	370
5 VaR for SFTs					-	-
6 <b>Total</b>						8,046

Table 31: CCR2 – CVA capital charge

	a	b
	EAD post- CRM HK\$m	RWA HK\$m
As at 30 Jun 2022		
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	32,587	9,804
4 <b>Total</b>	32,587	9,804

# 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	Unsegregated	Segregated	Unsegregated		
	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m
As at 30 Jun 2022						
1 Cash – domestic currency	-	-	-	401	-	1,011
2 Cash – other currencies	-	3,714	-	690	6,100	28,598
3 Domestic sovereign debt	-	-	-	-	-	-
4 Other sovereign debt	58,530	-	-	-	6,645	6,481
5 Government agency debt	-	-	-	-	-	-
6 Corporate bonds	-	-	-	-	18,568	187
7 Equity securities	-	-	-	-	-	-
8 Other collateral	-	-	-	-	4,055	2,174
9 Total	58,530	3,714	-	1,091	35,368	38,451

Table 33: CCR8 – Exposures to CCPs

	a	b
	Exposure after CRM	RWA
	HK\$m	HK\$m
As at 30 Jun 2022		
1 Exposures of the AI as clearing member or clearing client to qualifying CCPs (total)		8
2 Default risk exposures to qualifying CCPs (excluding items disclosed in rows 7 to 10), of which:	344	6
3 (i) Over-the-counter ('OTC') derivative transactions	344	6
4 (ii) Exchange-traded derivative contracts	-	-
5 (iii) Securities financing transactions	-	-
6 (iv) Netting sets subject to valid cross-product netting agreements	-	-
7 Segregated initial margin	-	
8 Unsegregated initial margin	-	-
9 Funded default fund contributions	77	2
10 Unfunded default fund contributions	-	-
11 Exposures of the AI as clearing member or clearing client to non-qualifying CCPs (total)		-
12 Default risk exposures to non-qualifying CCPs (excluding items disclosed in rows 17 to 20), of which:	-	-
13 (i) OTC derivative transactions	-	-
14 (ii) Exchange-traded derivative contracts	-	-
15 (iii) Securities financing transactions	-	-
16 (iv) Netting sets subject to valid cross-product netting agreements	-	-
17 Segregated initial margin	-	
18 Unsegregated initial margin	-	-
19 Funded default fund contributions	-	-
20 Unfunded default fund contributions	-	-

# 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 2022	EAD post-	Average PD	Number of	Average	Average	RWA	RWA
PD scale	CRM	%	obligors	LGD	maturity	HK\$m	density
	HK\$m			%	years		%
<b>Sovereign</b>							
0.00 to < 0.15	45	0.02	1	45.0	1.00	2	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)	-	-	-	-	-	-	-
<b>Sub-total</b>	<b>45</b>	<b>0.02</b>	<b>1</b>	<b>45.0</b>	<b>1.00</b>	<b>2</b>	<b>6</b>
<b>Bank</b>							
0.00 to < 0.15	26,734	0.05	106	36.0	2.21	4,356	16
0.15 to < 0.25	2,017	0.22	13	45.0	1.00	861	43
0.25 to < 0.50	55	0.37	4	48.8	0.77	32	59
0.50 to < 0.75	67	0.63	1	45.0	1.00	52	77
0.75 to < 2.50	44	1.20	1	45.0	0.21	30	69
2.50 to < 10.00	-	-	-	-	-	-	-
10.00 to < 100.00	-	-	-	-	-	-	-
100.00 (Default)	-	-	-	-	-	-	-
<b>Sub-total</b>	<b>28,917</b>	<b>0.06</b>	<b>125</b>	<b>36.7</b>	<b>2.12</b>	<b>5,331</b>	<b>18</b>
<b>Corporates</b>							
0.00 to < 0.15	4,066	0.07	27	34.5	0.99	586	14
0.15 to < 0.25	267	0.22	13	53.0	1.17	119	44
0.25 to < 0.50	659	0.37	30	53.2	1.03	344	52
0.50 to < 0.75	329	0.63	19	52.3	1.91	264	80
0.75 to < 2.50	553	1.78	47	57.9	1.19	651	118
2.50 to < 10.00	234	3.20	18	53.9	1.86	344	147
10.00 to < 100.00	1	14.78	2	60.9	1.00	1	241
100.00 (Default)	-	-	-	-	-	-	-
<b>Sub-total</b>	<b>6,109</b>	<b>0.41</b>	<b>156</b>	<b>41.1</b>	<b>1.11</b>	<b>2,309</b>	<b>38</b>
<b>Retail</b>							
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)	-	-	-	-	-	-	-
<b>Sub-total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total (sum of all portfolios)</b>	<b>35,071</b>	<b>0.12</b>	<b>282</b>	<b>37.4</b>	<b>1.94</b>	<b>7,642</b>	<b>22</b>

Note:

Details on the scope of models and percentage of RWA covered by models for each of the regulatory portfolios can be found in the 'Credit risk under internal ratings-based approach' section of this document.

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 2022		a	b	c	ca	d	e	f	g	ga	h	i
												Total default risk exposure after CRM
Risk weight	Exposure class	0% HK\$m	10% HK\$m	20% HK\$m	35% HK\$m	50% HK\$m	75% HK\$m	100% HK\$m	150% HK\$m	250% HK\$m	Others HK\$m	CRM HK\$m
1	Sovereign exposures	-	-	-	-	-	-	-	-	-	-	-
2	PSE exposures	-	-	217	-	-	-	-	-	-	-	217
2a	<i>Of which: Domestic PSEs</i>	-	-	217	-	-	-	-	-	-	-	217
2b	<i>Of which: Foreign PSEs</i>	-	-	-	-	-	-	-	-	-	-	-
3	Multilateral development bank exposures	-	-	-	-	-	-	-	-	-	-	-
4	Bank exposures	-	-	-	-	-	-	-	-	-	-	-
5	Securities firm exposures	-	-	-	-	-	-	-	-	-	-	-
6	Corporate exposures	-	-	-	-	-	-	279	-	-	-	279
7	CIS exposures	-	-	-	-	-	-	-	-	-	-	-
8	Regulatory retail exposures	-	-	-	-	-	62	-	-	-	-	62
9	Residential mortgage loans	-	-	-	-	-	-	-	-	-	-	-
10	Other exposures which are not past due exposures	-	-	-	-	-	-	33	-	-	-	33
11	Significant exposures to commercial entities	-	-	-	-	-	-	-	-	-	-	-
12	<b>Total</b>	-	-	217	-	-	62	312	-	-	-	591

## BANKING DISCLOSURE STATEMENT *(unaudited) (continued)*

### Market risk

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

#### Market risk under standardised approach

Table 36: MR1 – Market risk under STM approach

		a
		RWA
		HK\$m
As at 30 Jun 2022		
<b>Outright product exposures</b>		
1	Interest rate exposures (general and specific risk)	501
2	Equity exposures (general and specific risk)	-
3	Foreign exchange (including gold) exposures	-
4	Commodity exposures	1
<b>Option exposures</b>		
5	Simplified approach	-
6	Delta-plus approach	-
7	Other approach	-
8	Securitisation exposures	-
9	<b>Total</b>	<b>502</b>

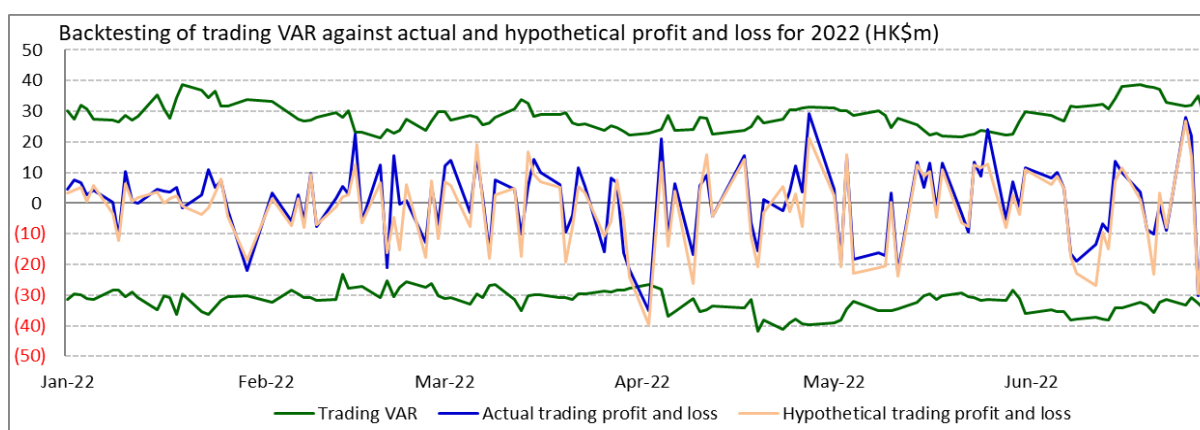
# BANKING DISCLOSURE STATEMENT (unaudited) (continued)

## Analysis of VaR, stressed VaR and incremental risk charge measures

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

	a
	Value HK\$m
As at 30 Jun 2022	
<b>VaR (10 days – one-tailed 99% confidence interval)</b>	
1 Maximum Value	132
2 Average Value	102
3 Minimum Value	73
4 Period End	106
<b>Stressed VaR (10 days – one-tailed 99% confidence interval)</b>	
5 Maximum Value	376
6 Average Value	274
7 Minimum Value	153
8 Period End	265
<b>Incremental risk charge ('IRC') (99.9% confidence interval)</b>	
9 Maximum value	-
10 Average value	-
11 Minimum value	-
12 Period end	-
<b>Comprehensive risk charge ('CRC') (99.9% confidence interval)</b>	
13 Maximum value	-
14 Average value	-
15 Minimum value	-
16 Period end	-
17 Floor	-

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



In the first half of 2022, the Group experienced one loss exception against actual profit and loss, and one loss exception against hypothetical profit and loss. The two loss back-testing exceptions happened in early April, mainly driven by HKD interest rate swap and cross currency products.

The backtesting process applies only to regulatory trading book positions. The actual profit and loss excludes reserves arising from regulatory banking book positions as well as fee and commission which are non-modelled items.



## BANKING DISCLOSURE STATEMENT (unaudited) (continued)

### Liquidity information

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

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
	2022
	%
Average liquidity coverage ratio	206.8

The liquidity position of the Group remained healthy and stayed well above the minimum statutory requirement for the first half of 2022. The average LCR increased from 188.9% for the quarter ended 31 March 2022 to 206.8% for the quarter ended 30 June 2022.

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
	2022
	HK\$m
Level 1 assets	353,034
Level 2A assets	15,579
Level 2B assets	3,742
<b>Total weighted amount of HQLA</b>	<b>372,355</b>

Table 41: Net stable funding ratio

	Quarter ended
	30 Jun
	2022
	%
Net stable funding ratio	155.0

The funding position of the Group remained healthy and stayed well above the minimum statutory requirement for the first half of 2022. The period end NSFR were 155.0% and 151.3% for the quarters ended 30 June and 31 March 2022 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 by local Asset and Liability Management Committee ('ALCO')/Tactical Asset and Liability Management Committee ('TALCO'), and monitored by local 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 pages 96 to 101 of the Group's 2021 Annual Report\*.

\* Refers to printed version. The page reference of Annual Report (text version) is pages 101 to 105.

## 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 2022 was 71.

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

		Quarter ended 30 Jun 2022 (71 data points)	
		a	b
		Unweighted value (average) HK\$m	Weighted value (average) HK\$m
Basis of disclosure: consolidated			
<b>A</b>	<b>High quality liquid assets</b>		
1	Total high quality liquid assets		372,355
<b>B</b>	<b>Cash outflows</b>		
2	Retail deposits and small business funding, of which:	891,539	72,157
3	<i>Stable retail deposits and stable small business funding</i>	242,805	7,284
4	<i>Less stable retail deposits and less stable small business funding</i>	648,734	64,873
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:	290,182	131,540
6	<i>Operational deposits</i>	38,827	9,087
7	<i>Unsecured wholesale funding (other than small business funding) not covered in Row 6</i>	244,934	116,032
8	<i>Debt securities and prescribed instruments issued by the institution and redeemable within the LCR period</i>	6,421	6,421
9	Secured funding transactions (including securities swap transactions)		53
10	Additional requirements, of which:	70,434	17,051
11	<i>Cash outflows arising from derivative contracts and other transactions, and additional liquidity needs arising from related collateral requirements</i>	5,593	5,593
12	<i>Cash outflows arising from obligations under structured financing transactions and repayment of funding obtained from such transactions</i>	2,629	2,629
13	<i>Potential drawdown of undrawn committed facilities (including committed credit facilities and committed liquidity facilities)</i>	62,212	8,829
14	Contractual lending obligations (not otherwise covered in Section B) and other contractual cash outflows	23,029	23,029
15	Other contingent funding obligations (whether contractual or non-contractual)	486,719	2,978
16	Total cash outflows		246,808
<b>C</b>	<b>Cash inflows</b>		
17	Secured lending transactions (including securities swap transactions)	8,257	4,573
18	Secured and unsecured loans (other than secured lending transactions covered in Row 17) and operational deposits placed at other financial institutions	87,187	43,902
19	Other cash inflows	29,022	17,612
20	Total cash inflows	124,466	66,087
<b>D</b>	<b>Liquidity coverage ratio (adjusted value)</b>		
21	Total HQLA		372,355
22	Total net cash outflows		180,721
23	LCR (%)		206.8%

**BANKING DISCLOSURE STATEMENT (unaudited) (continued)**

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

		Quarter ended 30 Jun 2022				
		Unweighted value by residual maturity				
Basis of disclosure: consolidated		No specified term to maturity	< 6 months or repayable on demand	6 months to < 12 months	12 months or more	Weighted amount
		HK\$m	HK\$m	HK\$m	HK\$m	HK\$m
Footnote						
A. Available stable funding ('ASF') item						
1	Capital:	157,999	-	-	-	157,999
2	Regulatory capital	157,999	-	-	-	157,999
2a	Minority interests not covered by row 2	-	-	-	-	-
3	Other capital instruments	-	-	-	-	-
4	Retail deposits and small business funding:	-	905,151	-	-	826,896
5	Stable deposits		245,215	-	-	232,954
6	Less stable deposits		659,936	-	-	593,942
7	Wholesale funding:	-	350,627	14,480	2,979	164,693
8	Operational deposits		38,958	-	-	19,479
9	Other wholesale funding	-	311,669	14,480	2,979	145,214
10	Liabilities with matching interdependent assets	-	-	-	-	-
11	Other liabilities:	65,765	63,817	46,734	28,116	51,483
12	Net derivative liabilities	79				
13	All other funding and liabilities not included in the above categories	65,686	63,817	46,734	28,116	51,483
14	Total ASF					1,201,071
B. Required stable funding ('RSF') item						
15	Total HQLA for NSFR purposes	1	411,725			9,618
16	Deposits held at other financial institutions for operational purposes	-	-	-	-	-
17	Performing loans and securities:	36,473	294,929	123,739	659,303	687,635
18	Performing loans to financial institutions secured by Level 1 HQLA	-	6,837	-	-	684
19	Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	6	70,607	9,632	5,490	20,903
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:	32,543	195,880	94,957	311,960	437,699
21	With a risk-weight of less than or equal to 35% under the STC approach	31	7,611	118	2,667	5,611
22	Performing residential mortgages, of which:	-	7,752	8,629	314,366	218,812
23	With a risk-weight of less than or equal to 35% under the STC approach	-	6,756	6,759	282,948	190,673
24	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	3,924	13,853	10,521	27,487	9,537
25	Assets with matching interdependent liabilities	-	-	-	-	-
26	Other assets:	86,678	9,236	7	1,045	74,853
27	Physical traded commodities, including gold	7,502				6,377
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs	1,499				1,274
29	Net derivative assets	-				-
30	Total derivative liabilities before adjustments for deduction of variation margin posted	4,331				217
31	All other assets not included in the above categories	73,346	9,236	7	1,045	66,985
32	Off-balance sheet items	1		535,273		2,940
33	Total RSF					775,046
34	Net Stable Funding Ratio (%)					155.0%

# BANKING DISCLOSURE STATEMENT (unaudited) (continued)

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

		Quarter ended 31 Mar 2022				
		Unweighted value by residual maturity				
Basis of disclosure: consolidated		No specified term to maturity	< 6 months or repayable on demand	6 months to < 12 months	12 months or more	Weighted amount
		Footnote	HK\$m	HK\$m	HK\$m	HK\$m
<b>A. Available stable funding ('ASF') item</b>						
1	Capital:		158,690	-	-	-
2	Regulatory capital		158,690	-	-	-
2a	Minority interests not covered by row 2		-	-	-	-
3	Other capital instruments		-	-	-	-
4	Retail deposits and small business funding:		-	896,781	-	-
5	Stable deposits			244,582	-	-
6	Less stable deposits			652,199	-	-
7	Wholesale funding:		-	360,852	14,773	1,538
8	Operational deposits			42,658	-	-
9	Other wholesale funding		-	318,194	14,773	1,538
10	Liabilities with matching interdependent assets		-	-	-	-
11	Other liabilities:		66,519	61,554	38,834	24,867
12	Net derivative liabilities		940			
13	All other funding and liabilities not included in the above categories		65,579	61,554	38,834	24,867
14	Total ASF					1,187,908
<b>B. Required stable funding ('RSF') item</b>						
15	Total HQLA for NSFR purposes	1		378,262		9,185
16	Deposits held at other financial institutions for operational purposes		-	-	-	-
17	Performing loans and securities:		36,144	292,252	128,389	675,255
18	Performing loans to financial institutions secured by Level 1 HQLA		-	4,571	-	-
19	Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions		6	68,877	6,481	9,961
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:		31,845	192,708	101,777	317,493
21	With a risk-weight of less than or equal to 35% under the STC approach		29	5,686	120	2,577
22	Performing residential mortgages, of which:		-	7,939	8,483	314,448
23	With a risk-weight of less than or equal to 35% under the STC approach		-	6,831	6,826	282,279
24	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities		4,293	18,157	11,648	33,353
25	Assets with matching interdependent liabilities		-	-	-	-
26	Other assets:		88,033	12,968	2	1,045
27	Physical traded commodities, including gold		7,361			
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs		1,498			
29	Net derivative assets		-			
30	Total derivative liabilities before adjustments for deduction of variation margin posted		4,143			
31	All other assets not included in the above categories		75,031	12,968	2	1,045
32	Off-balance sheet items	1			548,909	
33	Total RSF					785,316
34	Net Stable Funding Ratio (%)					151.3%

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 HK\$m	Off-balance sheet exposure HK\$m	Total exposures HK\$m
As at 30 Jun 2022			
<b>Type of Counterparties</b>			
1 Central government, central government-owned entities and their subsidiaries and joint ventures ('JVs')	66,339	2,859	69,198
2 Local governments, local government-owned entities and their subsidiaries and JVs	34,117	711	34,828
3 People's Republic of China ('PRC') nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	119,558	21,182	140,740
4 Other entities of central government not reported in item 1 above	7,788	177	7,965
5 Other entities of local governments not reported in item 2 above	5,145	110	5,255
6 PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	27,462	640	28,102
7 Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	11,931	112	12,043
<b>Total</b>	<b>272,340</b>	<b>25,791</b>	<b>298,131</b>
<b>Total assets after provision</b>	<b>1,683,225</b>		
<b>On-balance sheet exposures as percentage of total assets</b>	<b>16.18%</b>		

On-balance sheet exposures as percentage of total assets remained stable as compared with 2021 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 2022	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m
Developed countries	32,044	73,090	29,067	77,195	-	211,396
Offshore centres	10,662	22,674	12,992	142,719	-	189,047
<i>of which : Hong Kong SAR</i>	<i>10,286</i>	<i>1,261</i>	<i>11,224</i>	<i>125,524</i>	<i>-</i>	<i>148,295</i>
Developing Asia and Pacific	57,114	20,742	9,035	65,246	-	152,137
<i>of which : China</i>	<i>40,810</i>	<i>20,703</i>	<i>8,901</i>	<i>60,479</i>	<i>-</i>	<i>130,893</i>

At 30 June 2022, 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

Structural foreign exchange exposures represent net assets or capital investments in subsidiaries, branches or 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 with the primary objective of ensuring, where practical, that the Group's consolidated capital ratios and capital ratios of individual banking subsidiaries are largely protected from the effect of changes in exchange rates.

Exchange differences on structural exposures are recognised in 'Other comprehensive income'. The Group uses Hong Kong dollar as our presentation currency in our consolidated financial statements. Therefore, our consolidated balance sheet is affected by exchange differences between Hong Kong dollar and all the non-Hong Kong dollar functional currencies of underlying subsidiaries.

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 2022, the US dollars ('USD'), Chinese renminbi ('RMB'), Australian dollars ('AUD'), Euro ('EUR') and Pound sterling ('GBP') 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 structural and non-structural foreign currency positions of the Group.

Table 46: Foreign exchange exposures

	USD	RMB	AUD	EUR	GBP	Other foreign currencies	Total foreign currencies
As at 30 Jun 2022	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m
<b>Non-structural position</b>							
Spot assets	226,837	186,823	22,451	26,512	15,331	79,196	557,150
Spot liabilities	(207,205)	(173,416)	(19,030)	(13,852)	(16,688)	(35,779)	(465,970)
Forward purchases	634,028	245,750	8,145	7,769	4,788	14,109	914,589
Forward sales	(648,279)	(261,290)	(11,864)	(20,836)	(3,602)	(57,601)	(1,003,472)
Net options position	(400)	346	(38)	78	(64)	(66)	(144)
<b>Net long/(short) non-structural position</b>	<b>4,981</b>	<b>(1,787)</b>	<b>(336)</b>	<b>(329)</b>	<b>(235)</b>	<b>(141)</b>	<b>2,153</b>
<b>Structural position</b>	<b>-</b>	<b>18,946</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,698</b>	<b>20,644</b>

# BANKING DISCLOSURE STATEMENT (unaudited) (continued)

## Other information

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