



**恒生銀行**  
**HANG SENG BANK**

# **Banking Disclosure Statement**

**30 June 2023**

**(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 2023 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).

The Banking Disclosure Statement includes the majority of the information required under the BDR and the LAC Rules. The remainder of the disclosure requirements are covered in the Group's 2023 Interim Report which can be found in the Investor Relations – Financial Statements section of our website, [www.hangseng.com](http://www.hangseng.com).

<b>Disclosure requirements covered in the Group's 2023 Interim Report:</b>	<b>Reference in Interim Report (Printed version)</b>	<b>Reference in Interim Report (Text version)</b>
– BDR Section 16(1)(b) - Operations of the Group	Note 16 on pages 84 to 89	Note 16 on pages 89 to 92

# BANKING DISCLOSURE STATEMENT (unaudited) (continued)

## Key metrics

Table 1: KM1 – Key prudential ratios

		a	b	c	d	e
		At				
		30 Jun 2023	31 Mar 2023	31 Dec 2022	30 Sep 2022	30 Jun 2022
	Footnotes					
<b>Regulatory capital (HK\$m)</b>						
1	Common Equity Tier 1 ('CET1')	117,229	116,999	116,422	113,609	114,117
2	Tier 1 ('T1')	128,973	128,743	128,166	125,353	125,861
3	Total capital	139,291	138,946	138,676	135,571	136,307
<b>RWA (HK\$m)</b>						
4	Total RWA	696,197	722,516	764,726	751,753	781,467
<b>Risk-based regulatory capital ratios (as a percentage of RWA)</b>						
5	CET1 ratio (%)	16.8	16.2	15.2	15.1	14.6
6	Tier 1 ratio (%)	18.5	17.8	16.8	16.7	16.1
7	Total capital ratio (%)	20.0	19.2	18.1	18.0	17.4
<b>Additional CET1 buffer requirements (as a percentage of RWA)</b>						
8	Capital conservation buffer requirement (%)	2.500	2.500	2.500	2.500	2.500
9	Countercyclical capital buffer ('CCyB') requirement (%)	0.828	0.813	0.816	0.800	0.798
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 (%)	4.328	4.313	4.316	4.300	4.298
12	CET1 available after meeting the AI's minimum capital requirements (%)	12.0	11.2	10.1	10.0	9.4
<b>Basel III leverage ratio</b>						
13	Total leverage ratio ('LR') exposure measure (HK\$m)	1,576,897	1,665,439	1,752,201	1,672,587	1,709,100
14	LR (%)	8.2	7.7	7.3	7.5	7.4
<b>Liquidity Coverage Ratio ('LCR')</b>						
15	Total high quality liquid assets ('HQLA') (HK\$m)	417,983	471,195	415,870	398,286	372,355
16	Total net cash outflows (HK\$m)	170,826	171,100	152,258	173,470	180,721
17	LCR (%)	245.0	276.7	275.3	230.5	206.8
<b>Net Stable Funding Ratio ('NSFR')</b>						
18	Total available stable funding ('ASF') (HK\$m)	1,149,715	1,192,396	1,215,966	1,158,921	1,201,071
19	Total required stable funding ('RSF') (HK\$m)	712,313	728,638	742,246	746,834	775,046
20	NSFR (%)	161.4	163.6	163.8	155.2	155.0

- 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 has been 1.0% since 31 March 2020. The jurisdictional CCyB of other countries used in the calculation of the CCyB requirement ranged from 0% to 2.5% at 30 June 2023.
- 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 notes 1 and 4 on the condensed consolidated financial statements in the 2023 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.

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 2023.

For all subsidiaries included in both the accounting and regulatory scope of consolidation, the same consolidation methodology is applied at 30 June 2023.

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 may need to maintain a regulatory reserve to satisfy the provisions of the Banking Ordinance and local regulatory requirements for prudential supervision purposes. As at 30 June 2023, the Group is not required to restrict any reserves which can be distributed to shareholders as the impairment allowance for Stage 1 and 2 loans and advances to customers exceeded the expected regulatory reserve balance.

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 2023.

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 2023	
		Total assets*	Total equity*
		HK\$m	HK\$m
Hang Seng Investment Management Ltd	Fund management	308	271
Hang Seng Investment Services Ltd	Provision of investment commentaries	9	9
Hang Seng Securities Ltd	Stockbroking	1,593	749
Hang Seng Insurance Co. Ltd and its subsidiaries	Retirement benefits and life assurance	181,493	11,684
Hang Seng Qianhai Fund Management Co. Ltd	Fund raising, fund sales and asset management	208	190

\* 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 collective investment scheme ('CIS') exposures, the Group uses the look-through approach ('LTA') to calculate the risk-weighted amount. For counterparty credit risk ('CCR'), the Group uses the standardised (counterparty credit risk) ('SA-CCR') approach to calculate its default risk exposures for derivatives and the comprehensive approach for securities financing transactions ('SFTs'). For market risk, the Group uses an internal models ('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 2023 HK\$m	Under regulatory scope of consolidation As at 30 Jun 2023 HK\$m	Cross-referenced to Definition of Capital Components
<b>Assets</b>			
Cash and balances at central banks	8,968	8,968	
Trading assets	42,988	42,983	
Derivative financial instruments	21,679	21,819	
Financial assets designated and otherwise mandatorily measured at fair value through profit or loss	154,527	176	
Reverse repurchase agreements – non-trading	23,966	26,947	
Placings with and advances to banks	64,078	60,395	
Loans and advances to customers	892,890	892,892	
<i>of which: Impairment allowances eligible for inclusion in Tier 2 ('T2') capital</i>		286	(1)
Financial investments	395,323	388,633	
Investment in subsidiaries	-	7,069	
Subordinated loans to subsidiaries	-	1,045	(2)
Interest in associates	2,318	-	
Investment properties	12,022	8,963	
Premises, plant and equipment	27,334	27,325	
Intangible assets	4,033	3,702	(3)
Other assets	44,581	25,115	
<i>of which: Deferred tax assets ('DTAs')</i>		442	(4)
<b>Total assets</b>	<b>1,694,707</b>	<b>1,516,032</b>	
<b>Liabilities</b>			
Deposits from banks	3,309	3,309	
Current, savings and other deposit accounts	1,149,677	1,151,727	
Repurchase agreements – non-trading	8,184	8,184	
Trading liabilities	36,469	36,469	
Derivative financial instruments	18,104	18,229	
<i>of which: Gains and losses due to changes in own credit risk on fair valued liabilities</i>		9	(5)
Financial liabilities designated at fair value	54,621	54,329	
<i>of which: Gains and losses due to changes in own credit risk on fair valued liabilities</i>		3	(6)
Certificates of deposit in issue	29,511	29,511	
Other liabilities	36,236	24,449	
Insurance contract liabilities	163,141	-	
Current tax liabilities	954	783	
Deferred tax liabilities	3,428	3,412	
<i>of which: Deferred tax liabilities related to intangible assets</i>		561	(7)
Subordinated liabilities	27,497	27,497	
<b>Total liabilities</b>	<b>1,531,131</b>	<b>1,357,899</b>	
<b>Equity</b>			
Share capital	9,658	9,658	(8)
Retained profits	122,735	117,373	(9)
<i>of which: Revaluation gains of investment properties</i>		6,111	(10)
<i>Valuation adjustments</i>		155	(11)
Other equity instruments	11,744	11,744	(12)
Other reserves	19,382	19,358	(13)
<i>of which: Cash flow hedge reserve</i>		(238)	(14)
<i>Valuation adjustments</i>		5	(15)
<i>Revaluation reserve of properties</i>		18,505	(16)
<b>Total shareholders' equity</b>	<b>163,519</b>	<b>158,133</b>	
Non-controlling interests	57	-	
<b>Total equity</b>	<b>163,576</b>	<b>158,133</b>	
<b>Total equity and liabilities</b>	<b>1,694,707</b>	<b>1,516,032</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 2023	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	(8)
2 Retained earnings	117,373	(9)
3 Disclosed reserves	19,358	(13)
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)	-	
6 <b>CET1 capital before regulatory deductions</b>	146,389	
<b>CET1 capital: regulatory deductions</b>		
7 Valuation adjustments	160	(11) + (15)
8 Goodwill (net of associated deferred tax liability)	-	
9 Other intangible assets (net of associated deferred tax liabilities)	3,141	(3) - (7)
10 Deferred tax assets (net of associated deferred tax liabilities)	442	(4)
11 Cash flow hedge reserve	(238)	(14)
12 Excess of total EL amount over total eligible provisions under the IRB approach	1,027	
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	12	(5) + (6)
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 <i>of which: significant investments in the ordinary share of financial sector entities</i>	Not applicable	Not applicable
24 <i>of which: mortgage servicing rights</i>	Not applicable	Not applicable
25 <i>of which: deferred tax assets arising from temporary differences</i>	Not applicable	Not applicable
26 National specific regulatory adjustments applied to CET1 capital	24,616	
26a Cumulative fair value gains arising from the revaluation of land and buildings (own-use and investment properties)	24,616	(10) + (16)
26b Regulatory reserve for general banking risks	-	
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 T2 capital to cover deductions	-	
28 <b>Total regulatory deductions to CET1 capital</b>	29,160	
29 <b>CET1 capital</b>	117,229	



# 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	(12)
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 <b>AT1 capital before regulatory deductions</b>	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 T2 capital to cover deductions	-	
43 <b>Total regulatory deductions to AT1 capital</b>	-	
44 <b>AT1 capital</b>	11,744	
45 <b>Tier 1 capital (T1 = CET1 + AT1)</b>	128,973	
<b>T2 capital: instruments and provisions</b>		
46 Qualifying T2 capital instruments plus any related share premium	-	
47 Capital instruments subject to phase-out arrangements from T2 capital	-	
48 T2 capital instruments issued by consolidated bank subsidiaries and held by third parties (amount allowed in T2 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 T2 capital	286	(1)
51 <b>T2 capital before regulatory deductions</b>	286	
<b>T2 capital: regulatory deductions</b>		
52 Investments in own T2 capital instruments	-	
53 Reciprocal cross-holdings in T2 capital instruments and non-capital LAC liabilities	-	
54 Insignificant LAC investments in T2 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 T2 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 T2 capital	(11,077)	
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 T2 capital	(11,077)	((10) + (16)) * 45%
56b Regulatory deductions applied to T2 capital to cover the required deductions falling within §48(1)(g) of BCR	-	
57 <b>Total regulatory adjustments to T2 capital</b>	(10,032)	
58 <b>T2 capital (T2)</b>	10,318	
59 <b>Total regulatory capital ('TC' = T1 + T2)</b>	139,291	
60 <b>Total RWA</b>	696,197	

# 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	16.8%	
62 Tier 1 capital ratio	18.5%	
63 Total capital ratio	20.0%	
64 Institution-specific buffer requirement (capital conservation buffer plus countercyclical capital buffer plus higher loss absorbency requirements)	4.328%	
65 of which: capital conservation buffer requirement	2.500%	
66 of which: bank specific countercyclical capital buffer requirement	0.828%	
67 of which: higher loss absorbency requirement	1.000%	
68 CET1 (as a percentage of RWA) available after meeting minimum capital requirements	12.0%	
<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 T2 capital instruments issued by, and non-capital LAC liabilities of, financial sector entities that are outside the scope of regulatory consolidation	4,627	
73 Significant LAC investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	7,069	
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 T2 capital</b>		
76 Provisions eligible for inclusion in T2 in respect of exposures subject to the Basic ('BSC') approach, or the Standardised (credit risk) ('STC') approach and Securitisation external ratings-based approach ('SEC-ERBA'), Securitisation standardised approach ('SEC-SA') and Securitisation fall-back approach ('SEC-FBA') (prior to application of cap)	286	
77 Cap on inclusion of provisions in T2 under the BSC approach, or the STC approach, and SEC-ERBA, SEC-SA and SEC-FBA	771	
78 Provisions eligible for inclusion in T2 in respect of exposures subject to the IRB approach and Securitisation internal ratings-based approach ('SEC-IRBA') (prior to application of cap)	-	
79 Cap for inclusion of provisions in T2 under the IRB approach and SEC-IRBA	3,365	
<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 T2 capital instruments subject to phase-out arrangements	-	
85 Amount excluded from T2 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:

	Hong Kong basis	Basel III basis
As at 30 Jun 2023	HK\$m	HK\$m
10 Deferred tax assets (net of associated deferred tax liabilities)	442	117

### 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.

Total capital ratio increased by 1.9 percentage point ('p.p.') compared with the position at December 2022. It is a combined effect of an increase in total capital and a decrease in total RWA.

The increase in total capital of HK\$0.6bn was mainly driven by:

- an increase of HK\$2.5bn from profits for the first half of 2023, net of dividends distributed and AT1 coupons paid; partially offset by
- an increase of HK\$1.0bn CET1 deduction arising from excess of total EL amount over total eligible provisions under the IRB approach; and
- a decrease of HK\$0.9bn in reserves.

Total RWA decreased by HK\$68.5bn, arising from credit risk RWA which decreased by HK\$69.7bn. The decrease in credit risk RWA was mainly driven by a drop in total loan size and lowering the risk-weight floor of residential mortgage loans under advanced IRB approach.

## BANKING DISCLOSURE STATEMENT (unaudited) (continued)

### Countercyclical capital buffer ratio

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

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

As at 30 Jun 2023		a	c	d	e
Geographical breakdown by Jurisdiction ('J')	Footnotes	Applicable JCCyB ratio in effect %	RWA used in computation of CCyB ratio HK\$m	AI-specific CCyB ratio %	CCyB amount HK\$m
The Hong Kong Special Administrative Region of the People's Republic of					
1 China ('Hong Kong SAR')	1	1.000	482,452		
2 Australia		1.000	79		
3 France		0.500	114		
4 Germany		0.750	6		
5 Ireland		0.500	1		
6 Netherlands		1.000	171		
7 Norway		2.500	1		
8 Sweden		2.000	1		
9 United Kingdom		1.000	1,154		
<b>Sum</b>	2		483,979		
<b>Total</b>	3		584,353	0.828	5,765

1 The jurisdictional CCyB of Hong Kong used in the calculation of CCyB requirement has been 1.0% since 31 March 2020. The jurisdictional CCyB of other countries used in the calculation of the CCyB requirement ranged from 0% to 2.5% at 30 June 2023.

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).

Total RWA used in the computation of CCyB ratio decreased by HK\$65.8bn in the first half of 2023, mainly due to a drop in loan size.

## 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	31 Mar
	2023	2023
	HK\$m	HK\$m
<b>On-balance sheet exposures</b>		
1 On-balance sheet exposures (excluding those arising from derivative contracts and SFTs, but including collateral)	1,481,424	1,561,735
2 Less: Asset amounts deducted in determining Tier 1 capital	(29,148)	(27,993)
3 <b>Total on-balance sheet exposures (excluding derivative contracts and SFTs)</b>	<b>1,452,276</b>	<b>1,533,742</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)	13,364	10,632
5 Add-on amounts for Potential future exposure ('PFE') associated with all derivative contracts	18,580	19,492
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>31,944</b>	<b>30,124</b>
<b>Exposures arising from SFTs</b>		
12 Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	27,236	33,643
13 Less: Netted amounts of cash payables and cash receivables of gross SFT assets	-	-
14 CCR exposure for SFT assets	404	456
15 Agent transaction exposures	-	-
16 <b>Total exposures arising from SFTs</b>	<b>27,640</b>	<b>34,099</b>
<b>Other off-balance sheet exposures</b>		
17 Off-balance sheet exposure at gross notional amount	544,157	551,688
18 Less: Adjustments for conversion to credit equivalent amounts	(464,499)	(470,348)
19 <b>Off-balance sheet items</b>	<b>79,658</b>	<b>81,340</b>
<b>Capital and total exposures</b>		
20 Tier 1 capital	128,973	128,743
20a Total exposures before adjustments for specific and collective provisions	1,591,518	1,679,305
20b Adjustments for specific and collective provisions	(14,621)	(13,866)
21 <b>Total exposures after adjustments for specific and collective provisions</b>	<b>1,576,897</b>	<b>1,665,439</b>
<b>Leverage ratio</b>		
22 <b>Leverage ratio (%)<sup>1</sup></b>	<b>8.2%</b>	<b>7.7%</b>

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

Leverage ratio increased by 0.5 p.p. since last quarter as total exposures decreased by HK\$88.5bn while Tier 1 capital stayed flat at June 2023.

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

As at 30 Jun 2023	a
<b>Item</b>	<b>Value under the LR framework HK\$m</b>
1 Total consolidated assets as per published financial statements	1,694,707
2 Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	(167,256)
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	10,125
5 Adjustment for SFTs (i.e. repos and similar secured lending)	404
6 Adjustment for off-balance sheet ('OBS') items (i.e. conversion to credit equivalent amounts of OBS exposures)	79,658
6a Adjustments for prudent valuation adjustments and specific and collective provisions that are allowed to be excluded from exposure measure	(14,781)
7 Other adjustments	(25,960)
8 <b>Leverage ratio exposure measure</b>	<b>1,576,897</b>

Other adjustments mainly represent the regulatory deductions of property revaluation reserves 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 2023 HK\$m	31 Mar 2023 HK\$m	30 Jun 2023 HK\$m
1 Credit risk for non-securitisation exposures	548,011	574,045	46,179
2 Of which: STC approach	61,147	66,236	4,892
2a Of which: BSC approach	-	-	-
3 Of which: Foundation IRB approach	-	-	-
4 Of which: Supervisory slotting criteria approach	50,897	53,527	4,316
5 Of which: Advanced IRB approach	435,967	454,282	36,971
6 Counterparty default risk and default fund contributions	6,164	5,909	519
7 Of which: SA-CCR approach	5,783	5,532	487
7a Of which: Current exposure method ('CEM')	-	-	-
8 Of which: Internal models (counterparty credit risk) ('IMM(CCR)') approach	-	-	-
9 Of which: Others	381	377	32
10 Credit valuation adjustment ('CVA') risk	8,693	8,115	695
11 Equity positions in banking book under the simple risk-weight method and internal models method	18,507	19,738	1,569
12 CIS exposures – LTA	542	484	46
13 CIS exposures – Mandate-based ('MBA') approach	-	-	-
14 CIS exposures – Fall-back ('FBA') approach	-	-	-
14a CIS exposures – combination of approaches	-	-	-
15 Settlement risk	-	-	-
16 Securitisation exposures in banking book	-	-	-
17 Of which: SEC-IRBA	-	-	-
18 Of which: SEC-ERBA (including internal assessment approach ('IAA'))	-	-	-
19 Of which: SEC-SA	-	-	-
19a Of which: SEC-FBA	-	-	-
20 Market risk	20,360	19,595	1,629
21 Of which: STM approach	387	417	31
22 Of which: IMM approach	19,973	19,178	1,598
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	58,043	57,135	4,643
24a Sovereign concentration risk	-	-	-
25 Amounts below the thresholds for deduction (subject to 250% Risk-weight ('RW'))	17,671	17,769	1,499
26 Capital floor adjustment	-	-	-
26a Deduction to RWA	(13,539)	(13,345)	(1,083)
26b Of which: Portion of regulatory reserve for general banking risks and collective provisions which is not included in T2 Capital	-	-	-
26c Of which: Portion of cumulative fair value gains arising from the revaluation of land and buildings which is not included in T2 Capital	(13,539)	(13,345)	(1,083)
27 Total	664,452	689,445	55,696

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) decreased by HK\$25.0bn since last quarter. Credit risk RWA for non-securitisation exposures decreased by HK\$26.0bn mainly driven by a drop in loan size.

# 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 2023)	507,809
2 Asset size	(17,823)
3 Asset quality	(543)
4 Model updates	(199)
5 Methodology and policy	-
6 Acquisitions and disposals	-
7 Foreign exchange movements	(1,766)
8 Other	(614)
9 <b>RWA as at end of reporting period (30 Jun 2023)</b>	<b>486,864</b>

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

RWA decreased by HK\$20.9bn in the second quarter of 2023. This was due to a decrease of HK\$17.8bn in asset size mainly driven by a drop in corporate lending.

### RWA flow statement for market risk

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

	a	b	c	d	e	f
	Value at risk ('VaR') HK\$m	Stressed VaR ('SVaR') HK\$m	Incremental risk charge ('IRC') HK\$m	Comprehensive risk charge ('CRC') HK\$m	Other HK\$m	Total RWA HK\$m
1 RWA as at end of previous reporting period (31 Mar 2023)	4,691	14,487	-	-	-	19,178
2 Movement in risk levels	638	191	-	-	-	829
3 Model updates/changes	-	-	-	-	-	-
4 Methodology and policy	-	-	-	-	-	-
5 Acquisitions and disposals	-	-	-	-	-	-
6 Foreign exchange movements	(8)	(26)	-	-	-	(34)
7 Other	-	-	-	-	-	-
8 <b>RWA as at end of reporting period (30 Jun 2023)</b>	<b>5,321</b>	<b>14,652</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>19,973</b>

The increase in market risk RWA in the second quarter of 2023 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	2023	2023	2022	2022	2022
<b>Of the material entity at LAC consolidation group level</b>					
1 Internal loss-absorbing capacity available (HK\$m)	<b>166,788</b>	166,447	166,155	163,069	163,803
2 Risk-weighted amount under the LAC Rules (HK\$m)	<b>696,197</b>	722,516	764,726	751,753	781,467
3 Internal LAC risk-weighted ratio (%)	<b>24.0</b>	23.0	21.7	21.7	21.0
4 Exposure measure under the LAC Rules (HK\$m)	<b>1,575,852</b>	1,664,394	1,751,156	1,671,542	1,708,055
5 Internal LAC leverage ratio (%)	<b>10.6</b>	10.0	9.5	9.8	9.6
6a Does the subordination exemption in the antepenultimate paragraph of Section 11 of the Financial Stability Board ('FSB') Total Loss-absorbing Capacity ('TLAC') Term Sheet apply?	<b>Not applicable</b>	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?	<b>Not applicable</b>	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	<b>Not applicable</b>	Not applicable	Not applicable	Not applicable	Not applicable

1 The subordination exemptions under Section 11 of the FSB TLAC Term Sheet do not apply in Hong Kong under the LAC Rules.

Internal LAC leverage ratio increased by 0.6 p.p. in the second quarter of 2023, mainly due to a decrease in total exposures.



# BANKING DISCLOSURE STATEMENT (unaudited) (continued)

Table 12: TLAC1(A) – TLAC composition

		a
As at 30 Jun 2023		Amount
<b>Regulatory capital elements of internal loss-absorbing capacity and adjustments (HK\$m)</b>		
1	CET1 capital	117,229
2	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	T2 capital before LAC adjustments	10,318
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	10,318
11	<b>Internal loss-absorbing capacity arising from regulatory capital</b>	<b>139,291</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	27,497
17	<b>Internal loss-absorbing capacity arising from non-capital LAC debt instruments before adjustments</b>	<b>27,497</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>166,788</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>166,788</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	696,197
24	Exposure measure under the LAC Rules	1,575,852
<b>Internal LAC ratios and buffers (%)</b>		
25	Internal LAC risk-weighted ratio	24.0
26	Internal LAC leverage ratio	10.6
27	CET1 capital (as a percentage of RWA under the BCR) available after meeting the LAC consolidation group's minimum capital and LAC requirements	10.5
28	Institution-specific buffer requirement (capital conservation buffer plus countercyclical capital buffer requirements plus higher loss absorbency requirement, expressed as a percentage of RWA under the BCR)	4.328
29	<i>Of which: capital conservation buffer requirement</i>	<i>2.500</i>
30	<i>Of which: institution-specific countercyclical capital buffer requirement</i>	<i>0.828</i>
31	<i>Of which: higher loss absorbency requirement</i>	<i>1.000</i>

Internal LAC risk-weighted ratio increased by 2.3 p.p. in the first half of 2023, mainly due to a decrease in total RWA.

Internal LAC leverage ratio increased by 1.1 p.p. in the first half of 2023, mainly due to a decrease in total exposures.

# **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>27,514</b>	<b>48,916</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>27,514</b>	<b>48,916</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>27,514</b>	<b>48,916</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>19,700</b>	<b>19,700</b>
9 Subset of row 6 with 5 years ≤ residual maturity < 10 years	-	-	-	<b>7,814</b>	<b>7,814</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>

<sup>1</sup> Any direct/indirect holdings by the resolution entity is reported as 'yes'.

<sup>2</sup> 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 2023		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 2023		<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 2023		a	b
		<b>Quantitative / qualitative information</b>	
		Subordinated loan (HK\$ 5,460 million)	Subordinated loan (HK\$ 4,680 million)
1	Issuer	Hang Seng Bank Limited	Hang Seng Bank Limited
2	Unique identifier	N/A	N/A
3	Governing law(s) of the instrument	Laws of Hong Kong	Laws of Hong Kong
3a	Means by which enforceability requirement of Section 13 of the TLAC Term Sheet is achieved	N/A	N/A
	<i>Regulatory treatment</i>		
4	Transitional Basel III rules <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
	<i>Coupons / dividends</i>		
17	Fixed or floating dividend/coupon	Floating	Floating
18	Coupon rate and any related index	3-month HK\$ HIBOR + 1.425%	3-month HK\$ HIBOR + 1.564%
19	Existence of a dividend stopper	No	No
20	Fully discretionary, partially discretionary or mandatory	Mandatory	Mandatory
21	Existence of step up or other incentive to redeem	No	No
22	Non-cumulative or cumulative	Non-cumulative	Non-cumulative
23	Convertible or non-convertible	Non-convertible <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 2023		Quantitative / qualitative information	
		Subordinated loan (US\$ 400 million)	Subordinated loan (HK\$ 6,240 million)
1	Issuer	Hang Seng Bank Limited	Hang Seng Bank Limited
2	Unique identifier	N/A	N/A
3	Governing law(s) of the instrument	Laws of Hong Kong	Laws of Hong Kong
3a	Means by which enforceability requirement of Section 13 of the TLAC Term Sheet is achieved	N/A	N/A
	<i>Regulatory treatment</i>		
4	Transitional Basel III rules <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\$ 3,134 million	HK\$ 6,240 million
9	Par value of instrument	US\$ 400 million	HK\$ 6,240 million
10	Accounting classification	Liability – amortised cost	Liability – amortised cost
11	Original date of issuance	10 June 2019	13 June 2019
12	Perpetual or dated	Dated	Dated
13	Original maturity date	Interest payment date falling in June 2030	Interest payment date falling in June 2026
14	Issuer call subject to prior supervisory approval	Yes	Yes
15	Optional call date, contingent call dates and redemption price	Interest payment date falling in June 2029 at par value	Interest payment date falling in June 2025 at par value
16	Subsequent call dates, if applicable	Callable on any interest payment date after first call date	Callable on any interest payment date after first call date
	<i>Coupons / dividends</i>		
17	Fixed or floating dividend/coupon	Floating	Floating
18	Coupon rate and any related index	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 2023		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\$ 4,990 million	HK\$ 2,993 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 and 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 Tables 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 2023	Defaulted exposures HK\$m	Non- defaulted exposures HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m
1 Loans	25,901	952,391	14,434	224	283	13,927	963,858
2 Debt securities	-	385,254	14	-	-	14	385,240
3 Off-balance sheet exposures	56	544,101	173	-	3	170	543,984
4 <b>Total</b>	<b>25,957</b>	<b>1,881,746</b>	<b>14,621</b>	<b>224</b>	<b>286</b>	<b>14,111</b>	<b>1,893,082</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 2022)	24,212
2 Loans and debt securities that have defaulted since the last reporting period	5,855
3 Returned to non-defaulted status	(30)
4 Amounts written off	(684)
5 Other changes	<sup>1</sup> (3,452)
6 <b>Defaulted loans and debt securities at end of the current reporting period (30 Jun 2023)</b>	<b>25,901</b>

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

The increase in defaulted loans and debt securities in the first half of 2023 was mainly from China commercial real estate loans, partly offset by the repayments and write-offs of defaulted loans during the period.



## 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: Credit-impaired exposures and impairment allowances by industry

As at 30 Jun 2023	Footnotes	Gross loans and advances to customers <sup>1</sup> HK\$m	Gross credit-impaired loans and advances HK\$m	Specific provisions <sup>2</sup> HK\$m	Collective provisions <sup>2</sup> HK\$m	Overdue loans and advances <sup>3</sup> HK\$m
Residential mortgages		322,238	519	(16)	(2)	291
Real estate		212,700	18,115	(7,663)	(1,816)	7,915
Others	4	372,376	7,267	(2,429)	(2,496)	5,757
<b>Total</b>		<b>907,314</b>	<b>25,901</b>	<b>(10,108)</b>	<b>(4,314)</b>	<b>13,963</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\$2m 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 2023.
- 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: Credit-impaired exposures and impairment allowances by geographical location

As at 30 Jun 2023	Footnotes	Gross loans and advances to customers <sup>1</sup> HK\$m	Gross credit-impaired loans and advances HK\$m	Specific provisions <sup>2</sup> HK\$m	Collective provisions <sup>2</sup> HK\$m	Overdue loans and advances <sup>3</sup> HK\$m
Hong Kong SAR		826,299	24,291	(9,661)	(3,874)	13,368
Mainland China		67,912	1,595	(432)	(435)	580
Others	4	13,103	15	(15)	(5)	15
<b>Total</b>		<b>907,314</b>	<b>25,901</b>	<b>(10,108)</b>	<b>(4,314)</b>	<b>13,963</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\$2m 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 2023.
- 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

		Hong Kong SAR HK\$m	Mainland China HK\$m	Others HK\$m	Total HK\$m
As at 30 Jun 2023	Footnote				
Gross loans and advances to customers	1	790,446	97,674	19,192	907,312

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\$2m 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

	Gross loans and advances HK\$m	% of gross advances covered by collateral %
As at 30 Jun 2023		
Industrial, commercial and financial sectors		
- property development	54,706	40.6%
- property investment	138,188	87.5%
- financial concerns	2,902	16.0%
- stockbrokers	2	94.4%
- wholesale and retail trade	21,258	58.0%
- manufacturing	16,757	27.0%
- transport and transport equipment	13,865	57.6%
- recreational activities	280	99.3%
- information technology	9,491	5.1%
- other	78,830	72.5%
Individuals		
- loans and advances for the purchase of flats under the Government Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme	44,850	100.0%
- loans and advances for the purchase of other residential properties	258,194	100.0%
- credit card loans and advances	28,284	0.0%
- other	31,610	49.6%
Gross loans and advances for use in Hong Kong	699,217	78.0%
Trade finance	36,289	19.1%
Gross loans and advances for use outside Hong Kong	171,806	33.5%
<b>Gross loans and advances to customers</b>	<b>907,312</b>	<b>67.2%</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 2023	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	5,380	0.59%
- more than six months but not more than one year	3,246	0.36%
- more than one year	5,337	0.59%
<b>Total</b>	<b>13,963</b>	<b>1.54%</b>
of which:		
- specific provision	(5,807)	
- covered portion of overdue loans and advances	6,506	
- uncovered portion of overdue loans and advances	7,457	
- current market value of collateral held against the covered portion of overdue loans and advances	8,744	
Rescheduled loans and advances to customers	2,876	0.32%

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\$2,591m and HK\$5,785m 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 2023 was HK\$78m.

### 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 2023.

## 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 2023 HK\$m
<b>Contract amounts</b>	
Direct credit substitutes	1,912
Transaction-related contingencies	15,697
Trade-related contingencies	18,326
Forward asset purchases	92
Commitments that are unconditionally cancellable without prior notice	468,813
Commitments which have an original maturity of not more than one year	1,333
Commitments which have an original maturity of more than one year	37,984
<b>Total</b>	<b>544,157</b>
RWA	50,685

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

**Credit risk under internal ratings-based approach**

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

	a	b	c	d	e	f	g	h	i	j	k	l
As at 30 Jun 2023	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^
PD scale	HK\$m	HK\$m	%	HK\$m	%		%	years	HK\$m	%	HK\$m	HK\$m
<b>Sovereign</b>												
0.00 to < 0.15	367,034	-	-	367,034	0.01	42	28.2	1.10	9,774	3	13	
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>367,034</b>	<b>-</b>	<b>-</b>	<b>367,034</b>	<b>0.01</b>	<b>42</b>	<b>28.2</b>	<b>1.10</b>	<b>9,774</b>	<b>3</b>	<b>13</b>	<b>4</b>
<b>Bank</b>												
0.00 to < 0.15	71,196	1,222	62.9	71,965	0.04	876	42.1	1.29	8,587	12	10	
0.15 to < 0.25	1,458	-	-	1,458	0.22	88	45.0	0.86	595	41	1	
0.25 to < 0.50	137	503	45.0	363	0.37	31	26.3	1.00	123	34	-	
0.50 to < 0.75	234	16	48.3	241	0.63	25	45.0	0.83	174	72	1	
0.75 to < 2.50	31	10	47.0	36	1.23	11	41.1	1.00	26	72	-	
2.50 to < 10.00	-	-	-	-	-	-	-	-	-	-	-	
10.00 to < 100.00	-	-	-	-	-	-	-	-	-	-	-	
100.00 (Default)	-	-	-	-	-	-	-	-	-	-	-	
<b>Sub-total</b>	<b>73,056</b>	<b>1,751</b>	<b>57.5</b>	<b>74,063</b>	<b>0.04</b>	<b>1,031</b>	<b>42.1</b>	<b>1.28</b>	<b>9,505</b>	<b>13</b>	<b>12</b>	<b>12</b>
<b>Corporate – small-and-medium sized corporates</b>												
0.00 to < 0.15	2,536	5,241	39.5	4,779	0.11	64	33.6	1.50	885	19	2	
0.15 to < 0.25	2,550	2,809	19.1	3,086	0.22	116	37.3	2.78	1,204	39	3	
0.25 to < 0.50	7,007	5,186	24.4	8,272	0.37	172	27.2	1.91	2,531	31	8	
0.50 to < 0.75	7,245	6,486	29.8	9,180	0.63	183	26.6	1.82	3,269	36	15	
0.75 to < 2.50	38,419	19,490	28.4	43,958	1.30	879	26.2	2.15	23,282	53	148	
2.50 to < 10.00	15,066	3,436	27.8	16,023	3.92	159	27.4	1.57	10,112	63	172	
10.00 to < 100.00	2,062	223	39.9	2,152	10.55	18	33.3	1.21	2,462	114	75	
100.00 (Default)	3,952	-	-	3,952	100.00	45	32.3	1.52	10,652	270	466	
<b>Sub-total</b>	<b>78,837</b>	<b>42,871</b>	<b>29.0</b>	<b>91,402</b>	<b>5.99</b>	<b>1,636</b>	<b>27.7</b>	<b>1.93</b>	<b>54,397</b>	<b>60</b>	<b>889</b>	<b>703</b>
<b>Corporate – others</b>												
0.00 to < 0.15	91,625	53,857	34.2	109,894	0.08	361	45.8	1.79	24,014	22	43	
0.15 to < 0.25	49,100	25,977	24.4	55,436	0.22	226	44.7	1.81	21,896	39	55	
0.25 to < 0.50	17,636	24,738	22.8	23,280	0.37	348	42.6	1.59	11,078	48	37	
0.50 to < 0.75	18,476	22,758	20.5	23,129	0.63	312	42.5	1.53	14,403	62	62	
0.75 to < 2.50	83,682	69,803	22.6	99,466	1.41	1,069	34.7	1.58	75,019	75	476	
2.50 to < 10.00	20,342	17,137	20.8	23,907	4.49	314	36.9	1.69	26,985	113	384	
10.00 to < 100.00	17,025	2,131	19.7	17,444	17.43	79	32.7	1.38	30,664	176	960	
100.00 (Default)	20,226	37	45.0	20,242	100.00	125	40.8	1.25	25,278	125	9,391	
<b>Sub-total</b>	<b>318,112</b>	<b>216,438</b>	<b>25.3</b>	<b>372,798</b>	<b>7.03</b>	<b>2,834</b>	<b>40.8</b>	<b>1.65</b>	<b>229,337</b>	<b>62</b>	<b>11,408</b>	<b>11,659</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
As at 30 Jun 2023	Original on-balance sheet gross exposure	Off-balance sheet exposures pre-CCF	Average CCF	EAD post-CRM and post-CCF	Average PD	Number of obligors	Average LGD	Average maturity*	RWA	RWA density	EL	Provisions^
PD scale	HK\$m	HK\$m	%	HK\$m	%		%	years	HK\$m	%	HK\$m	HK\$m
<b>Retail – qualifying revolving retail exposures ('QRRE')</b>												
0.00 to < 0.15	10,315	166,459	38.3	74,072	0.07	1,786,461	105.7		3,485	5	55	
0.15 to < 0.25	2,040	13,235	47.8	8,365	0.22	189,287	105.0		1,027	12	20	
0.25 to < 0.50	4,099	20,099	36.5	11,427	0.40	208,867	102.8		2,200	19	47	
0.50 to < 0.75	2,185	4,162	56.5	4,535	0.60	58,497	101.9		1,185	26	27	
0.75 to < 2.50	5,808	11,792	37.9	10,280	1.42	90,848	101.2		5,111	50	148	
2.50 to < 10.00	3,345	3,052	68.2	5,427	4.70	48,073	100.8		6,277	116	257	
10.00 to < 100.00	1,239	328	192.5	1,871	33.03	14,307	99.1		3,577	191	593	
100.00 (Default)	68	-	-	68	100.00	858	94.0		103	151	56	
<b>Sub-total</b>	<b>29,099</b>	<b>219,127</b>	<b>39.7</b>	<b>116,045</b>	<b>1.06</b>	<b>2,397,198</b>	<b>104.5</b>		<b>22,965</b>	<b>20</b>	<b>1,203</b>	<b>1,079</b>
<b>Retail – residential mortgage exposures</b>												
0.00 to < 0.15	213,587	1,707	100.0	215,294	0.08	58,967	23.7		32,294	15	43	
0.15 to < 0.25	40,327	322	100.0	40,649	0.18	28,545	21.4		6,203	15	15	
0.25 to < 0.50	329	2	100.0	331	0.33	63	17.1		52	16	-	
0.50 to < 0.75	20,199	161	100.0	20,360	0.53	8,274	20.3		3,803	19	22	
0.75 to < 2.50	16,131	128	100.0	16,259	0.94	13,588	19.2		3,783	23	29	
2.50 to < 10.00	5,719	46	100.0	5,765	4.57	3,814	18.8		3,397	59	49	
10.00 to < 100.00	4,729	37	100.0	4,766	22.01	2,675	18.6		5,066	106	195	
100.00 (Default)	536	-	-	536	100.00	196	16.2		1,003	187	6	
<b>Sub-total</b>	<b>301,557</b>	<b>2,403</b>	<b>100.0</b>	<b>303,960</b>	<b>0.78</b>	<b>116,122</b>	<b>22.7</b>		<b>55,601</b>	<b>18</b>	<b>359</b>	<b>1</b>
<b>Retail – small business retail exposures</b>												
0.00 to < 0.15	2,486	11	100.0	2,497	0.07	1,174	9.8		50	2	-	
0.15 to < 0.25	435	2	100.0	437	0.19	125	16.0		28	6	-	
0.25 to < 0.50	-	-	-	-	-	-	-		-	-	-	
0.50 to < 0.75	414	1	100.0	415	0.55	163	7.4		22	5	-	
0.75 to < 2.50	420	2	100.0	422	1.28	97	26.5		125	30	1	
2.50 to < 10.00	365	-	-	365	5.38	150	8.2		44	12	2	
10.00 to < 100.00	65	1	100.0	66	21.15	31	18.2		28	42	3	
100.00 (Default)	3	-	-	3	100.00	1	32.4		11	367	-	
<b>Sub-total</b>	<b>4,188</b>	<b>17</b>	<b>100.0</b>	<b>4,205</b>	<b>1.11</b>	<b>1,741</b>	<b>11.9</b>		<b>308</b>	<b>7</b>	<b>6</b>	<b>1</b>
<b>Other retail exposures to individuals</b>												
0.00 to < 0.15	2,783	2,382	11.5	3,058	0.08	20,543	17.3		122	4	-	
0.15 to < 0.25	2,216	2,728	16.2	2,657	0.22	21,354	13.6		151	6	1	
0.25 to < 0.50	4,500	1,149	18.9	4,717	0.32	43,075	97.3		2,531	54	15	
0.50 to < 0.75	1,702	155	44.3	1,771	0.59	8,050	79.2		1,115	63	8	
0.75 to < 2.50	6,756	1,282	31.3	7,157	1.36	27,786	60.3		4,906	69	62	
2.50 to < 10.00	2,653	140	46.9	2,718	4.56	13,382	79.3		3,141	116	99	
10.00 to < 100.00	626	31	70.4	647	18.90	4,915	86.8		1,146	177	112	
100.00 (Default)	55	5	-	55	100.00	474	40.3		107	195	17	
<b>Sub-total</b>	<b>21,291</b>	<b>7,872</b>	<b>18.9</b>	<b>22,780</b>	<b>1.90</b>	<b>139,579</b>	<b>61.2</b>		<b>13,219</b>	<b>58</b>	<b>314</b>	<b>215</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
As at 30 Jun 2023	Original on-balance sheet gross exposure	Off-balance sheet exposures pre-CCF	Average CCF	EAD post-CRM and post-CCF	Average PD	Number of obligors	Average LGD	Average maturity*	RWA	RWA density	EL	Provisions^
	HK\$m	HK\$m	%	HK\$m	%		%	years	HK\$m	%	HK\$m	HK\$m
Total (all portfolios)	1,193,174	490,479	32.4	1,352,287	2.65	2,660,183	38.2	1.43	395,106	29	14,204	13,674

\*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.

EAD post-CRM and post-CCF and RWA decreased by HK\$112.0bn and HK\$54.3bn respectively in the first half of 2023 driven by a decrease in debt securities holdings and a drop in loan size.

EL increased by HK\$1.9bn in the first half of 2023 primarily due to an increase in stage 3 provision.

**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 2023		a	b	c	d(i)	d(ii)	d(iii)	d(iv)	d(v)	e	f
		EAD amount									
Supervisory Rating Grade	Remaining Maturity	On-balance sheet exposure amount HK\$m	Off-balance sheet exposure amount HK\$m	Supervisory risk-weight ('SRW') %	Project finance ('PF') HK\$m	Object finance ('OF') HK\$m	Commodities finance ('CF') HK\$m	Income-producing real estate ('IPRE') HK\$m	Total HK\$m	RWA HK\$m	Expected loss amount HK\$m
Strong^	Less than 2.5 years	22,058	730	50%	-	-	-	22,345	22,345	11,173	-
Strong	Less than 2.5 years	2,713	1,455	70%	-	-	-	3,125	3,125	2,188	13
Strong	Equal to or more than 2.5 years	5,691	189	70%	-	-	-	5,743	5,743	4,020	23
Good^	Less than 2.5 years	10,737	702	70%	-	-	-	11,194	11,194	7,836	45
Good	Less than 2.5 years	3,990	941	90%	-	-	-	4,295	4,295	3,865	34
Good	Equal to or more than 2.5 years	5,883	256	90%	-	-	-	6,000	6,000	5,400	48
Satisfactory		7,254	394	115%	-	-	-	7,416	7,416	8,528	208
Weak		3,147	17	250%	-	-	-	3,155	3,155	7,887	252
Default		578	14	0%	-	-	-	586	586	-	293
<b>Total</b>		<b>62,051</b>	<b>4,698</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>63,859</b>	<b>63,859</b>	<b>50,897</b>	<b>916</b>

^ Use of preferential risk-weights.

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

As at 30 Jun 2023		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		4,627	-	400%	4,627	18,507
<b>Total</b>		<b>4,627</b>	<b>-</b>		<b>4,627</b>	<b>18,507</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
As at 30 Jun 2023											Total credit risk exposures amount (post CCF and post CRM) HK\$m
Risk weight	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	
Exposure class											
1 Sovereign exposures	1,864	-	-	-	-	-	-	-	-	-	1,864
2 Public sector entity ('PSE') exposures	8,927	-	8,728	-	1	-	-	-	-	-	17,656
2a Of which: Domestic PSEs	-	-	7,972	-	-	-	-	-	-	-	7,972
2b Of which: Foreign PSEs	8,927	-	756	-	1	-	-	-	-	-	9,684
3 Multilateral development bank exposures	-	-	-	-	-	-	-	-	-	-	-
4 Bank exposures	-	-	30	-	-	-	-	-	-	-	30
5 Securities firm exposures	-	-	-	-	633	-	-	-	-	-	633
6 Corporate exposures	-	-	1,448	-	1,215	-	38,197	-	-	-	40,860
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	-	-	-	-	-	5,737	-	-	-	-	5,737
11 Residential mortgage loans	-	-	-	22,675	-	873	1,945	-	-	-	25,493
12 Other exposures which are not past due exposures	-	-	-	-	-	-	4,795	-	-	-	4,795
13 Past due exposures	5	-	-	-	-	-	63	191	-	-	259
14 Significant exposures to commercial entities	-	-	-	-	-	-	-	-	-	-	-
15 Total	10,796	-	10,206	22,675	1,849	6,610	45,000	191	-	-	97,327



# 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 2023					
1 Loans	347,889	615,969	516,143	99,826	-
2 Debt securities	385,240	-	-	-	-
3 <b>Total</b>	<b>733,129</b>	<b>615,969</b>	<b>516,143</b>	<b>99,826</b>	<b>-</b>
4 <i>of which: Defaulted</i>	<i>7,132</i>	<i>8,661</i>	<i>7,649</i>	<i>1,012</i>	<i>-</i>

Total unsecured and secured exposures decreased by HK\$114.6bn and HK\$14.3bn respectively in the first half of 2023, primarily due to a decrease in debt securities holdings and corporate lending.

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 2023		
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)	50,897	50,897
5 Corporate – Specialised lending (high-volatility commercial real estate)	-	-
6 Corporate – Small-and-medium sized corporates	54,397	54,397
7 Corporate – Other corporates	229,337	229,337
8 Sovereigns	8,310	8,310
9 Sovereign foreign public sector entities	-	-
10 Multilateral development banks	1,464	1,464
11 Bank exposures – Banks	9,375	9,375
12 Bank exposures – Securities firms	130	130
13 Bank exposures – Public sector entities (excluding sovereign foreign public sector entities)	-	-
14 Retail – Small business retail exposures	308	308
15 Retail – Residential mortgages to individuals	55,093	55,093
16 Retail – Residential mortgages to property-holding shell companies	508	508
17 Retail – Qualifying revolving retail exposures	22,965	22,965
18 Retail – Other retail exposures to individuals	13,219	13,219
19 Equity – Equity exposures under market-based approach (simple risk-weight method)	18,507	18,507
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)	542	542
26 Other – Cash items	243	243
27 Other – Other items	40,618	40,618
28 <b>Total (under the IRB calculation approaches)</b>	<b>505,913</b>	<b>505,913</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 2023						
<b>Exposure classes</b>						
1 Sovereign exposures	-	-	1,420	444	-	-
2 PSE exposures	17,129	1,105	17,129	527	1,747	10
2a Of which: Domestic PSEs	7,445	1,105	7,445	527	1,595	20
2b Of which: Foreign PSEs	9,684	-	9,684	-	152	2
3 Multilateral development bank exposures	-	-	-	-	-	-
4 Bank exposures	30	-	30	-	7	20
5 Securities firm exposures	633	-	633	-	316	50
6 Corporate exposures	43,883	25,532	39,729	1,131	39,092	96
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	6,453	11,741	5,733	4	4,304	75
11 Residential mortgage loans	25,543	5,231	25,492	1	10,536	41
12 Other exposures which are not past due exposures	10,156	5,279	4,694	101	4,795	100
13 Past due exposures	259	-	259	-	350	135
14 Significant exposures to commercial entities	-	-	-	-	-	-
15 <b>Total</b>	<b>104,086</b>	<b>48,888</b>	<b>95,119</b>	<b>2,208</b>	<b>61,147</b>	<b>63</b>

Remark:

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

## BANKING DISCLOSURE STATEMENT (unaudited) (continued)

### Counterparty credit risk exposures

#### Counterparty default risk exposures

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 (α) used for computing default risk exposure	Default risk exposure after CRM HK\$m	RWA HK\$m
As at 30 Jun 2023						
1 SA-CCR approach (for derivative contracts)	8,682	10,020		1.4	26,182	5,783
1a CEM (for derivative contracts)	-	-		N/A	-	-
2 IMM (CCR) approach			-	-	-	-
3 Simple approach (for SFTs)					-	-
4 Comprehensive approach (for SFTs)					1,596	233
5 VaR for SFTs					-	-
6 <b>Total</b>						6,016

CCR RWA decreased by HK\$1.0bn since December 2022, mainly due to changes in foreign exchange contract exposures.

Table 31: CCR2 – CVA capital charge

	a	b
	EAD post- CRM HK\$m	RWA HK\$m
As at 30 Jun 2023		
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	26,182	8,693
4 <b>Total</b>	26,182	8,693

# 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 2023						
1 Cash – domestic currency	-	81	-	533	1,493	3,597
2 Cash – other currencies	-	1,895	-	959	6,562	23,640
3 Domestic sovereign debt	1	-	-	-	-	1,547
4 Other sovereign debt	319	-	-	107	4,568	6,926
5 Government agency debt	-	-	-	-	-	-
6 Corporate bonds	38	-	-	-	17,201	11
7 Equity securities	-	-	-	-	-	-
8 Other collateral	-	-	-	-	5,944	1,643
9 <b>Total</b>	<b>358</b>	<b>1,976</b>	<b>-</b>	<b>1,599</b>	<b>35,768</b>	<b>37,364</b>

Table 33: CCR8 – Exposures to CCPs

	a	b
	Exposure after CRM	RWA
	HK\$m	HK\$m
As at 30 Jun 2023		
1 <b>Exposures of the AI as clearing member or clearing client to qualifying CCPs (total)</b>		<b>148</b>
2 Default risk exposures to qualifying CCPs (excluding items disclosed in rows 7 to 10), of which:	3,766	138
3 (i) <i>Over-the-counter ("OTC") derivative transactions</i>	3,766	138
4 (ii) <i>Exchange-traded derivative contracts</i>	-	-
5 (iii) <i>Securities financing transactions</i>	-	-
6 (iv) <i>Netting sets subject to valid cross-product netting agreements</i>	-	-
7 Segregated initial margin	-	-
8 Unsegregated initial margin	223	8
9 Funded default fund contributions	103	2
10 Unfunded default fund contributions	-	-
11 <b>Exposures of the AI as clearing member or clearing client to non-qualifying CCPs (total)</b>		<b>-</b>
12 Default risk exposures to non-qualifying CCPs (excluding items disclosed in rows 17 to 20), of which:	-	-
13 (i) <i>OTC derivative transactions</i>	-	-
14 (ii) <i>Exchange-traded derivative contracts</i>	-	-
15 (iii) <i>Securities financing transactions</i>	-	-
16 (iv) <i>Netting sets subject to valid cross-product netting agreements</i>	-	-
17 Segregated initial margin	-	-
18 Unsegregated initial margin	-	-
19 Funded default fund contributions	-	-
20 Unfunded default fund contributions	-	-

# BANKING DISCLOSURE STATEMENT (unaudited) (continued)

## Counterparty default risk under internal ratings-based approach

Table 34: CCR4 – Counterparty default risk exposures (other than those to CCPs) by portfolio and PD range – for IRB approach

	a	b	c	d	e	f	g
As at 30 Jun 2023	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	346	0.02	2	44.7	0.99	19	5
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>346</b>	<b>0.02</b>	<b>2</b>	<b>44.7</b>	<b>0.99</b>	<b>19</b>	<b>5</b>
<b>Bank</b>							
0.00 to < 0.15	21,912	0.05	94	30.9	2.40	3,330	15
0.15 to < 0.25	526	0.22	16	45.0	0.80	211	40
0.25 to < 0.50	191	0.37	5	47.8	0.53	97	51
0.50 to < 0.75	7	0.63	2	45.0	1.00	5	77
0.75 to < 2.50	-	-	-	-	-	-	-
2.50 to < 10.00	-	-	-	-	-	-	-
10.00 to < 100.00	-	-	-	-	-	-	-
100.00 (Default)	-	-	-	-	-	-	-
<b>Sub-total</b>	<b>22,636</b>	<b>0.05</b>	<b>117</b>	<b>31.4</b>	<b>2.34</b>	<b>3,643</b>	<b>16</b>
<b>Corporates</b>							
0.00 to < 0.15	2,745	0.08	26	39.6	1.00	462	17
0.15 to < 0.25	333	0.22	12	50.6	1.87	157	47
0.25 to < 0.50	220	0.37	24	52.8	1.31	129	58
0.50 to < 0.75	26	0.63	4	54.0	1.00	18	71
0.75 to < 2.50	481	1.57	35	57.9	1.29	564	117
2.50 to < 10.00	274	4.85	14	53.4	2.70	479	175
10.00 to < 100.00	-	-	-	-	-	-	-
100.00 (Default)	-	-	-	-	-	-	-
<b>Sub-total</b>	<b>4,079</b>	<b>0.60</b>	<b>115</b>	<b>44.4</b>	<b>1.23</b>	<b>1,809</b>	<b>44</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>27,061</b>	<b>0.13</b>	<b>234</b>	<b>33.5</b>	<b>2.16</b>	<b>5,471</b>	<b>20</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 exposures.

# 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 2023		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	HK\$m
1	Sovereign exposures	-	-	-	-	-	-	-	-	-	-	-
2	PSE exposures	-	-	182	-	-	-	-	-	-	-	182
2a	<i>Of which: Domestic PSEs</i>	-	-	182	-	-	-	-	-	-	-	182
2b	<i>Of which: Foreign PSEs</i>	-	-	-	-	-	-	-	-	-	-	-
3	Multilateral development bank exposures	-	-	-	-	-	-	-	-	-	-	-
4	Bank exposures	-	-	-	-	-	-	-	-	-	-	-
5	Securities firm exposures	-	-	-	-	-	-	-	-	-	-	-
6	Corporate exposures	-	-	-	-	-	-	300	-	-	-	300
7	CIS exposures	-	-	-	-	-	-	-	-	-	-	-
8	Regulatory retail exposures	-	-	-	-	-	104	-	-	-	-	104
9	Residential mortgage loans	-	-	-	-	-	-	-	-	-	-	-
10	Other exposures which are not past due exposures	-	-	-	-	-	-	129	-	-	-	129
11	Significant exposures to commercial entities	-	-	-	-	-	-	-	-	-	-	-
12	<b>Total</b>	-	-	182	-	-	104	429	-	-	-	715

## 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 2023		
<b>Outright product exposures</b>		
1	Interest rate exposures (general and specific risk)	373
2	Equity exposures (general and specific risk)	13
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>387</b>

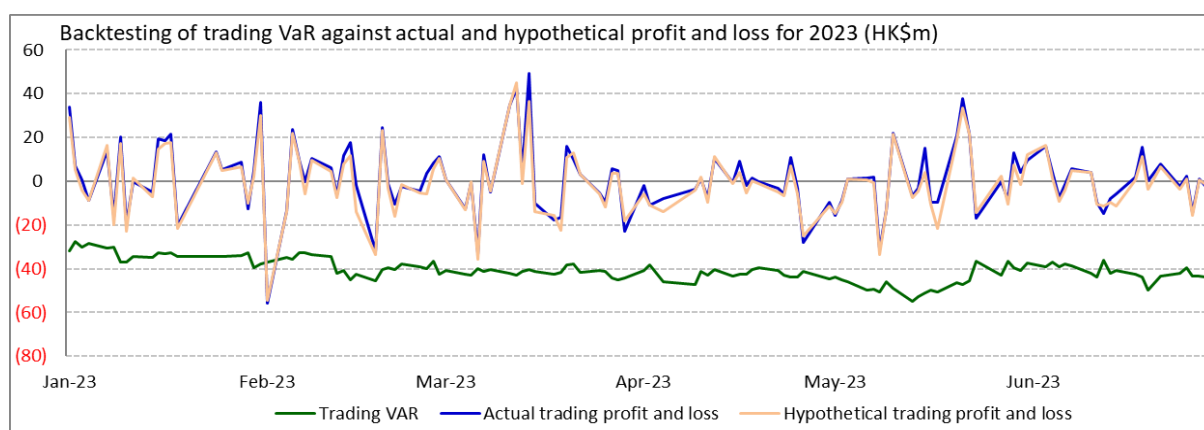
# BANKING DISCLOSURE STATEMENT (unaudited) (continued)

## 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 2023	
<b>VaR (10 days – one-tailed 99% confidence interval)</b>	
1 Maximum Value	173
2 Average Value	129
3 Minimum Value	86
4 Period End	142
<b>Stressed VaR (10 days – one-tailed 99% confidence interval)</b>	
5 Maximum Value	357
6 Average Value	261
7 Minimum Value	194
8 Period End	302
<b>IRC (99.9% confidence interval)</b>	
9 Maximum value	-
10 Average value	-
11 Minimum value	-
12 Period end	-
<b>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 2023, 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 are mainly driven by HKD foreign exchange ('FX') implied yield and government bond yield.

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 LCR aims to ensure that a bank has sufficient unencumbered HQLA to meet its liquidity needs in a 30 calendar day liquidity stress scenario. The Group also uses the NSFR as a basis for ensuring operating entities raise sufficient stable funding to support their business activities. The NSFR requires institutions to maintain 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
	2023
	%
Average liquidity coverage ratio	245.0

The Group maintained a strong LCR of 230.6% at 30 June 2023 (31 December 2022 : 281.3%) which is well above the statutory requirement. The average LCR decreased from 276.7% for the quarter ended 31 March 2023 to 245.0% for the quarter ended 30 June 23, mainly reflecting the decrease in holding of HQLA as a result of the drop in commercial surplus.

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
	2023
	HK\$m
Level 1 assets	402,508
Level 2A assets	12,182
Level 2B assets	3,293
<b>Total weighted amount of HQLA</b>	<b>417,983</b>

Table 41: Net stable funding ratio

	Quarter ended
	30 Jun
	2023
	%
Net stable funding ratio	161.4

The funding position of the Group remained healthy and stayed well above the minimum statutory requirement for the first half of 2023. The period end NSFR were 161.4% and 163.6% for the quarters ended 30 June and 31 March 2023 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. Group policy requires all operating entities to monitor material single currency Internal Liquidity Metric ('ILM') and LCR. Limits are set to ensure that outflows can be met, given assumptions on stressed capacity in the FX swap markets. Limits are approved by the local Asset and Liability Management Committee ('ALCO')/Tactical Asset and Liability Management Committee ('TALCO'), and monitored by the 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 50 to 53 of the Group's 2023 Interim Report\*.

\* Refers to printed version. The page reference of Interim Report (text version) is pages 57 to 59.

## 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 2023 was 71.

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

		Quarter ended 30 Jun 2023 (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 HQLA		417,983
<b>B</b>	<b>Cash outflows</b>		
2	Retail deposits and small business funding, of which:	908,524	75,156
3	Stable retail deposits and stable small business funding	224,229	6,727
4	Less stable retail deposits and less stable small business funding	684,295	68,429
4a	Retail term deposits and small business term funding	-	-
5	Unsecured wholesale funding (other than small business funding) and debt securities and prescribed instruments issued by the institution, of which:	231,637	111,603
6	Operational deposits	27,358	6,266
7	Unsecured wholesale funding (other than small business funding) not covered in Row 6	189,469	90,527
8	Debt securities and prescribed instruments issued by the institution and redeemable within the LCR period	14,810	14,810
9	Secured funding transactions (including securities swap transactions)		28
10	Additional requirements, of which:	124,299	20,845
11	Cash outflows arising from derivative contracts and other transactions, and additional liquidity needs arising from related collateral requirements	3,527	3,512
12	Cash outflows arising from obligations under structured financing transactions and repayment of funding obtained from such transactions	3,470	3,470
13	Potential drawdown of undrawn committed facilities (including committed credit facilities and committed liquidity facilities)	117,302	13,863
14	Contractual lending obligations (not otherwise covered in Section B) and other contractual cash outflows	22,013	22,013
15	Other contingent funding obligations (whether contractual or non-contractual)	435,614	2,614
16	Total cash outflows		232,259
<b>C</b>	<b>Cash inflows</b>		
17	Secured lending transactions (including securities swap transactions)	14,531	8,540
18	Secured and unsecured loans (other than secured lending transactions covered in Row 17) and operational deposits placed at other financial institutions	87,957	39,924
19	Other cash inflows	24,490	12,969
20	Total cash inflows	126,978	61,433
<b>D</b>	<b>Liquidity coverage ratio (adjusted value)</b>		
21	Total HQLA		417,983
22	Total net cash outflows		170,826
23	LCR (%)		245.0%

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

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

		Quarter ended 30 Jun 2023				
		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	HK\$m
<b>A. ASF item</b>						
1	Capital:	162,645	-	-	-	162,645
2	Regulatory capital	162,645	-	-	-	162,645
2a	Minority interests not covered by row 2	-	-	-	-	-
3	Other capital instruments	-	-	-	-	-
4	Retail deposits and small business funding:	-	884,032	-	-	806,845
5	Stable deposits		224,338	-	-	213,121
6	Less stable deposits		659,694	-	-	593,724
7	Wholesale funding:	-	310,207	11,317	793	142,948
8	Operational deposits		28,789	-	-	14,394
9	Other wholesale funding	-	281,418	11,317	793	128,554
10	Liabilities with matching interdependent assets	-	-	-	-	-
11	Other liabilities:	58,770	40,215	10,443	32,055	37,277
12	Net derivative liabilities	-				
13	All other funding and liabilities not included in the above categories	58,770	40,215	10,443	32,055	37,277
14	<b>Total ASF</b>					<b>1,149,715</b>
<b>B. RSF item</b>						
15	Total HQLA for NSFR purposes	1	382,680			10,096
16	Deposits held at other financial institutions for operational purposes	-	-	-	-	-
17	Performing loans and securities:	38,375	289,894	98,989	592,386	619,122
18	Performing loans to financial institutions secured by Level 1 HQLA	-	4,984	-	-	498
19	Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	6	74,953	1,235	7,081	18,947
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:	35,514	180,341	78,796	235,813	359,811
21	With a risk-weight of less than or equal to 35% under the STC approach	130	3,510	71	1,795	3,042
22	Performing residential mortgages, of which:	-	8,399	7,663	328,154	227,433
23	With a risk-weight of less than or equal to 35% under the STC approach	-	6,373	6,402	297,647	199,858
24	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	2,855	21,217	11,295	21,338	12,433
25	Assets with matching interdependent liabilities	-	-	-	-	-
26	Other assets:	87,103	7,116	19	1,045	77,384
27	Physical traded commodities, including gold	6,526				5,547
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs	2,210				1,878
29	Net derivative assets	772				772
30	Total derivative liabilities before adjustments for deduction of variation margin posted	3,734				187
31	All other assets not included in the above categories	73,861	7,116	19	1,045	69,000
32	Off-balance sheet items	1		542,965		5,711
33	<b>Total RSF</b>					<b>712,313</b>
34	<b>Net Stable Funding Ratio (%)</b>					<b>161.4%</b>

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

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

		Quarter ended 31 Mar 2023				
		Unweighted value by residual maturity				Weighted amount HK\$m
Basis of disclosure: consolidated		No specified term to maturity HK\$m	< 6 months or repayable on demand HK\$m	6 months to < 12 months HK\$m	12 months or more HK\$m	
	Footnote					
<b>A. ASF item</b>						
1 Capital:		162,574	-	-	-	162,574
2 Regulatory capital		162,574	-	-	-	162,574
2a Minority interests not covered by row 2		-	-	-	-	-
3 Other capital instruments		-	-	-	-	-
4 Retail deposits and small business funding:		-	932,353	-	-	850,638
5 Stable deposits			230,413	-	-	218,892
6 Less stable deposits			701,940	-	-	631,746
7 Wholesale funding:		-	298,121	14,289	13,916	150,623
8 Operational deposits			27,629	-	-	13,815
9 Other wholesale funding		-	270,492	14,289	13,916	136,808
10 Liabilities with matching interdependent assets		-	-	-	-	-
11 Other liabilities:		65,344	84,210	1,172	27,975	28,561
12 Net derivative liabilities		137				
13 All other funding and liabilities not included in the above categories		65,207	84,210	1,172	27,975	28,561
14 Total ASF						1,192,396
<b>B. RSF item</b>						
15 Total HQLA for NSFR purposes	1		447,612			9,917
16 Deposits held at other financial institutions for operational purposes		-	-	-	-	-
17 Performing loans and securities:		38,466	305,620	91,100	613,800	637,009
18 Performing loans to financial institutions secured by Level 1 HQLA		-	8,935	-	-	894
19 Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions		6	75,331	3,343	5,708	18,685
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:		35,201	195,085	68,249	259,503	381,744
21 With a risk-weight of less than or equal to 35% under the STC approach		128	2,587	59	1,986	2,697
22 Performing residential mortgages, of which:		-	8,170	8,540	321,496	223,021
23 With a risk-weight of less than or equal to 35% under the STC approach		-	6,316	6,375	293,025	196,812
24 Securities that are not in default and do not qualify as HQLA, including exchange-traded equities		3,259	18,099	10,968	27,093	12,665
25 Assets with matching interdependent liabilities		-	-	-	-	-
26 Other assets:		85,207	5,127	5	1,045	75,954
27 Physical traded commodities, including gold		6,500				5,525
28 Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs		1,978				1,681
29 Net derivative assets		-				-
30 Total derivative liabilities before adjustments for deduction of variation margin posted		2,494				125
31 All other assets not included in the above categories		74,235	5,127	5	1,045	68,623
32 Off-balance sheet items	1			550,311		5,758
33 Total RSF						728,638
34 Net Stable Funding Ratio (%)						163.6%

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 under the BDR with reference to the HKMA's 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 2023			
<b>Type of Counterparties</b>			
1 Central government, central government-owned entities and their subsidiaries and joint ventures ('JVs')	52,662	6,052	58,714
2 Local governments, local government-owned entities and their subsidiaries and JVs	29,885	1,026	30,911
3 People's Republic of China ('PRC') nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	94,400	13,245	107,645
4 Other entities of central government not reported in item 1 above	5,677	234	5,911
5 Other entities of local governments not reported in item 2 above	3,276	102	3,378
6 PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	23,543	1,060	24,603
7 Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	8,434	151	8,585
<b>Total</b>	<b>217,877</b>	<b>21,870</b>	<b>239,747</b>
<b>Total assets after provision</b>	<b>1,532,998</b>		
<b>On-balance sheet exposures as percentage of total assets</b>	<b>14.21%</b>		

On-balance sheet exposures as percentage of total assets remained stable as compared with 2022 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 2023	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m
Developed countries	35,575	111,608	36,712	70,278	-	254,173
<i>of which : United States</i>	2,221	23,591	14,381	36,015	-	76,208
Offshore centres	13,475	24,922	17,198	99,223	-	154,818
<i>of which : Hong Kong SAR</i>	8,400	1,405	14,495	85,660	-	109,960
Developing Asia and Pacific	52,482	13,633	6,718	61,058	-	133,891
<i>of which : Mainland China</i>	43,835	13,595	5,824	56,393	-	119,647

At 30 June 2023, only claims on Hong Kong SAR, Mainland China and United States were the individual countries and territories or areas, which were not less than 10% of the Group's total international claims.

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

### Foreign exchange exposures

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

The Group had the following non-structural foreign currency positions that were not less than 10% of the net non-structural positions in all foreign currencies at 30 June 2023:

Table 46: Non-structural foreign currency positions

	US dollars ( <i>'USD'</i> ) HK\$m	Chinese renminbi ( <i>'RMB'</i> ) HK\$m	Euro ( <i>'EUR'</i> ) HK\$m	Other foreign currencies HK\$m	Total foreign currencies HK\$m
As at 30 Jun 2023					
<b>Non-structural position</b>					
Spot assets	182,034	140,496	41,172	124,340	488,042
Spot liabilities	(194,931)	(137,966)	(9,518)	(74,237)	(416,652)
Forward purchases	575,415	174,643	6,592	30,472	787,122
Forward sales	(559,850)	(177,711)	(38,281)	(80,608)	(856,450)
Net options position	246	161	(234)	(243)	(70)
<b>Net long/(short) non-structural position</b>	<b>2,914</b>	<b>(377)</b>	<b>(269)</b>	<b>(276)</b>	<b>1,992</b>

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

The Group had the following net structural foreign currency exposures that were not less than 10% of total net structural foreign currency positions at 30 June 2023:

Table 47: Net structural foreign currency exposures

	RMB HK\$m	Macau Patacas ( <i>'MOP'</i> ) HK\$m	Other foreign currencies HK\$m	Total foreign currencies HK\$m
As at 30 Jun 2023				
<b>Net structural foreign currency exposures</b>	<b>15,759</b>	<b>1,759</b>	<b>58</b>	<b>17,576</b>

A summary of the Group's current policies and practices for the management of foreign currency exposures is set out in page 50 of the Group's 2023 Interim Report\*.

\* Refers to printed version. The page reference of Interim Report (text version) is page 57.

## 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	L	
AT1	Additional tier 1	LAC	Loss-absorbing capacity
<b>B</b>		LAC Rules	Financial Institutions (Resolution) (Loss-absorbing Capacity Requirements - Banking Sector) Rules
Bank	Hang Seng Bank Limited	LCR	Liquidity coverage ratio
BCBS	Basel Committee on Banking Supervision	LGD	Loss given default
BCR	Banking (Capital) Rules	LR	Leverage ratio
BDR	Banking (Disclosure) Rules	LTA	Look through approach
BLR	Banking (Liquidity) Rules	M	
BSC	Basic approach	MBA	Mandate-based approach
<b>C</b>		MOP	Macao Patacas
CCF	Credit conversion factor	MSRs	Mortgage servicing rights
CCP	Central counterparty	N	
CCR	Counterparty credit risk	N/A	Not applicable
CCyB	Countercyclical capital buffer	NSFR	Net stable funding ratio
CEM	Current exposure method	O	
CET1	Common equity tier 1	OBS	Off-balance sheet
CF	Commodities finance	OF	Object finance
CIS	Collective investment scheme	OTC	Over-the-counter
CRC	Comprehensive risk charge	P	
CRM	Credit risk mitigation	PD	Probability of default
CSA	Credit support annex	PF	Project finance
CVA	Credit valuation adjustment	PFE	Potential future exposure
<b>D</b>		p.p.	Percentage point
D-SIB	Domestic systemically important authorised institution	PRC	People's Republic of China
DTAs	Deferred tax assets	PSE	Public sector entity
<b>E</b>		Q	
EAD	Exposure at default	QRRE	Qualifying revolving retail exposures
ECL	Expected credit loss	R	
EL	Expected loss	RC	Replacement cost
EPE	Expected positive exposure	RMB	Chinese Renminbi
EUR	Euro	RSF	Required stable funding
<b>F</b>		RW	Risk-weight
FBA	Fall-back approach	RWA	Risk-weighted asset/risk-weighted amount
FIRO	Financial Institutions (Resolution) Ordinance	S	
FSB	Financial Stability Board	SA-CCR	Standardised approach for counterparty credit risk
FX	Foreign exchange	SEC-ERBA	Securitisation external ratings-based approach
<b>G</b>		SEC-FBA	Securitisation fall-back approach
G-SIB	Global systemically important authorised institution	SEC-IRBA	Securitisation internal ratings-based approach
Group	Hang Seng Bank Limited together with its subsidiaries	SEC-SA	Securitisation standardised approach
<b>H</b>		SFT	Securities financing transaction
HK\$bn	Billions (thousands of millions) of Hong Kong dollars	SRW	Supervisory risk-weight
HK\$m	Millions of Hong Kong dollars	STC	Standardised (credit risk) approach
HKD	Hong Kong dollar	STM	Standardised (market risk) approach
HKFRS	Hong Kong Financial Reporting Standards	STO	Standardised (operational risk) approach
HKMA	Hong Kong Monetary Authority	SVaR	Stressed VaR
Hong Kong SAR	The Hong Kong Special Administrative Region of the People's Republic of China	T	
HQLA	High quality liquid assets	T1	Tier 1
HVCRE	High-volatility commercial real estate	T2	Tier2
<b>I</b>		TALCO	Tactical Asset and Liability Management Committee
IAA	Internal assessment approach	TC	Total regulatory capital
ILM	Internal Liquidity Metric	TLAC	Total loss-absorbing capacity
IMM	Internal models approach	U	
IMM(CCR)	Internal models (counterparty credit risk) approach	USD	US dollars
IPRE	Income-producing real estate	V	
IRB	Internal ratings-based approach	VaR	Value at risk
IRC	Incremental risk charge		
ISDA	International Swaps and Derivatives Association		