



恒生銀行
HANG SENG BANK

Banking Disclosure Statement

30 June 2019

(Unaudited)

**These disclosures are prepared under
the Banking (Disclosure) Rules**

BANKING DISCLOSURE STATEMENT *(unaudited)*

Contents

Page

Introduction	3
Purpose	3
Basis of preparation	3
The Banking Disclosure Statement	3
Structure of the regulatory group	5
Basis of consolidation	5
Balance sheet reconciliation	6
Capital and RWA	7
Regulatory capital disclosures	7
Countercyclical capital buffer ratio	12
Leverage ratio	13
Overview of the minimum capital requirements and RWA	14
RWA flow statements	15
Credit risk	16
Credit quality of assets	16
Credit risk under internal ratings-based approach	21
Credit risk under standardised approach	24
Credit risk mitigation	25
Counterparty credit risk exposures	27
Counterparty default risk exposures	27
Counterparty default risk under internal ratings-based approach	29
Counterparty default risk under standardised approach	30
Market risk	31
Market risk under standardised approach	31
Analysis of VaR, stressed VaR and incremental risk charge measures	32
Liquidity information	33
Other disclosures	37
Mainland activities exposures	37
International claims	37
Foreign exchange exposures	38
Other information	39
Abbreviations	39

BANKING DISCLOSURE STATEMENT (unaudited) (continued)

Tables

Ref	Title	Page
1	KM1 – Key prudential ratios	4
2	List of subsidiaries outside the regulatory scope of consolidation	5
3	CC2 – Reconciliation of regulatory capital to balance sheet	6
4	CC1 – Composition of regulatory capital	7
5	CCA – Main features of regulatory capital instruments	11
6	CCyB1 – Geographical distribution of credit exposures used in countercyclical capital buffer	12
7	LR2 – Leverage ratio	13
8	LR1 – Summary comparison of accounting assets against leverage ratio exposure measure	13
9	OV1 – Overview of RWA	14
10	CR8 – RWA flow statement of credit risk exposures under IRB approach	15
11	MR2 – RWA flow statement of market risk exposures under IMM approach	15
12	CR1 – Credit quality of exposures	16
13	CR2 – Changes in defaulted loans and debt securities	16
14	Impaired exposures and related allowances by industry	17
15	Impaired exposures and related allowances by geographical location	17
16	Loans and advances to customers by geographical location	18
17	Gross loans and advances to customers by industry sector	18
18	Overdue loans and advances to customers	19
19	Off-balance sheet exposures other than derivative transactions	20
20.1	CR6 – Credit risk exposures by portfolio and PD ranges – for IRB approach (Wholesale)	21
20.2	CR6 – Credit risk exposures by portfolio and PD ranges – for IRB approach (Retail)	22
20.3	CR6 – Credit risk exposures by portfolio and PD ranges – for IRB approach (Total)	22
21	CR10 – Specialised lending under supervisory slotting criteria approach – other than HVCRE	23
22	CR10 – Equity exposures under the simple risk-weight method	23
23	CR5 – Credit risk exposures by asset classes and by risk weights – for STC approach	24
24	CR3 – Overview of recognised credit risk mitigation	25
25	CR7 – Effects on RWA of recognised credit derivative contracts used as recognised credit risk mitigation – for IRB approach	25
26	CR4 – Credit risk exposures and effects of recognised credit risk mitigation – for STC approach	26
27	CCR1 – Analysis of counterparty default risk exposures (other than those to CCPs) by approaches	27
28	CCR2 – CVA capital charge	27
29	CCR5 – Composition of collateral for counterparty default risk exposures (including those for contracts or transactions cleared through CCPs)	28
30	CCR8 – Exposures to CCPs	28
31	CCR4 – Counterparty default risk exposures (other than those to CCPs) by portfolio and PD range – for IRB approach	29
32	CCR3 – Counterparty default risk exposures (other than those to CCPs) by asset classes and by risk weights – for STC approach	30
33	MR1 – Market risk under STM approach	31
34	MR3 – IMM approach values for market risk exposures	32
35	MR4 – Comparison of VaR estimates with gains or losses	32
36	Average liquidity coverage ratio	33
37	Total weighted amount of high quality liquid assets	33
38	Net stable funding ratio	33
39	LIQ1 – Liquidity coverage ratio – for category 1 institution	34
40	LIQ2 – Net stable funding ratio – for category 1 institution	35
41	Mainland activities exposures	37
42	International claims	37
43	Foreign exchange exposures	38

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.

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 purposes is different from that for accounting purposes. Information regarding subsidiaries that are not included in the consolidation for regulatory purposes is set out in the "Basis of consolidation section" in this document.

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

The Banking Disclosure Statement

The Group's Banking Disclosure Statement at 30 June 2019 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 issued by the Hong Kong Monetary Authority ("HKMA").

According to the BDR, disclosure of comparative information is not required unless otherwise specified in the standard disclosure templates. Prior period disclosures can be found in the Regulatory Disclosures section of our website, www.hangseng.com.

BANKING DISCLOSURE STATEMENT (unaudited) (continued)

Key prudential ratios

Table 1: KM1 – Key prudential ratios

	a	b	c	d	e
	At				
	30 Jun 2019	31 Mar 2019	31 Dec 2018	30 Sep 2018	30 Jun 2018
Regulatory capital (HK\$m)	<i>1</i>				
1 Common Equity Tier 1 ("CET1")	105,945	102,947	101,724	100,320	97,542
2 Tier 1	117,689	109,928	108,705	107,301	104,523
3 Total capital	131,747	123,574	123,307	121,299	118,100
Risk weighted asset ("RWA") (HK\$m)	<i>1</i>				
4 Total RWA	647,067	627,076	611,885	602,711	601,549
Risk-based regulatory capital ratios (as a percentage of RWA)	<i>1</i>				
5 CET1 ratio (%)	16.4	16.4	16.6	16.6	16.2
6 Tier 1 ratio (%)	18.2	17.5	17.8	17.8	17.4
7 Total capital ratio (%)	20.4	19.7	20.2	20.1	19.6
Additional CET1 buffer requirements (as a percentage of RWA)	<i>1, 2</i>				
8 Capital conservation buffer requirement (%)	2.500	2.500	1.875	1.875	1.875
9 Countercyclical capital buffer requirement (%)	2.085	2.053	1.550	1.661	1.651
10 Higher loss absorbency requirements (%) (applicable only to Global systemically important authorised institution ("G-SIBs") or Domestic systemically important authorised institution ("D- SIBs"))	1.500	1.500	1.125	1.125	1.125
11 Total AI-specific CET1 buffer requirements (%)	6.085	6.053	4.550	4.661	4.651
12 CET1 available after meeting the AI's minimum capital requirements (%)	11.9	11.5	11.8	11.8	11.4
Basel III leverage ratio	<i>3</i>				
13 Total leverage ratio ("LR") exposure measure (HK\$m)	1,559,690	1,486,257	1,477,001	1,418,636	1,444,966
14 LR (%)	7.5	7.4	7.4	7.6	7.2
Liquidity Coverage Ratio ("LCR")	<i>4</i>				
15 Total high quality liquid assets ("HQLA") (HK\$m)	318,938	321,198	293,081	280,177	274,966
16 Total net cash outflows (HK\$m)	161,027	153,066	140,330	135,029	131,540
17 LCR (%)	198.5	210.8	209.1	208.2	209.6
Net Stable Funding Ratio ("NSFR")	<i>5</i>				
18 Total available stable funding (HK\$m)	1,127,803	1,076,544	1,076,646	1,038,035	1,058,496
19 Total required stable funding (HK\$m)	739,544	716,178	699,089	689,787	689,335
20 NSFR (%)	152.5	150.3	154.0	150.5	153.6

1 The regulatory capital, RWA, risk-based regulatory capital ratios and additional CET1 buffer requirements are disclosed in accordance with the information 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 Effective from 1 January 2019, the capital conservation buffer requirement and the jurisdictional Countercyclical capital buffer ("CCyB") ratio of Hong Kong used in calculation of the CCyB requirement increase from 1.875% to 2.5% in accordance with the phase-in arrangement set out by the HKMA. The higher loss absorbency requirement also increases from 1.125% to 1.5%.

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.

Both tier 1 capital ratio and total capital ratio were higher compared with last quarter end. It is mainly due to that the Bank has cancelled and repaid the additional tier 1 ("AT1") capital instrument of US\$900m and issued new AT1 capital instruments of US\$1,500m in the second quarter of 2019.

BANKING DISCLOSURE STATEMENT (unaudited) (continued)

Structure of the regulatory group

Basis of consolidation

The basis of consolidation for financial accounting purposes is in accordance with Hong Kong Financial Reporting Standards ("HKFRS"), as described in note 3 on the condensed consolidated financial statements in the 2019 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 a regulator and are subject to supervisory arrangements regarding the maintenance of adequate capital to support business activities comparable to those prescribed for authorised institutions ("AI") under the BCR and the Banking Ordinance. The capital invested by the Group in these subsidiaries is deducted from the capital base subject to certain thresholds, as determined in accordance with Part 3 of the BCR.

For insurance entities, the figures shown below exclude deferred acquisition cost assets as these are derecognised for consolidation purpose due to the recognition of the present value of in-force long-term insurance business ("PVIF") on long-term insurance contracts and investment contracts with discretionary participation features at Group level. As at 30 June 2019, the PVIF asset of HK\$18,654m and the related deferred tax liability, however, are recognised at the consolidated group level only, and are therefore also not included in the asset or equity positions for the standalone entities shown below.

As at 30 June 2019, there are no subsidiaries which are included within both the accounting scope of consolidation and the regulatory scope of consolidation but the method of consolidation differs.

There are also no subsidiaries which are included within the regulatory scope of consolidation but not included within the accounting scope of consolidation as at 30 June 2019.

The Group operates subsidiaries in different territories where capital is governed by local rules and there may be restrictions on the transfer of regulatory capital and funds between members of the Group.

The Group maintains a regulatory reserve to satisfy the provisions of the Banking Ordinance and local regulatory requirements for prudential supervision purposes. As at 30 June 2019, the effect of this requirement is to restrict the amount of reserves which can be distributed to shareholders by HK\$4,112m.

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 2019.

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 2019	
		Total assets*	Total equity*
		HK\$m	HK\$m
Hang Seng Futures Ltd (<i>In members' voluntary liquidation</i>)	Futures brokerages	-	-
Hang Seng Investment Management Ltd	Fund management	1,057	1,025
Hang Seng Investment Services Ltd	Provision of investment commentaries	9	9
Hang Seng Securities Ltd	Stockbroking	2,241	824
Hang Seng Insurance Co. Ltd and its subsidiaries	Retirement benefits and life assurance	142,069	12,682
Hang Seng Qianhai Fund Management Co. Ltd	Fund raising, fund sales and asset management	400	389

* Prepared in accordance with HKFRS

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

BANKING DISCLOSURE STATEMENT (unaudited) (continued)
Balance sheet reconciliation

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

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

	a	b	c
	Balance sheet as in published financial statements As at 30 Jun 2019 HK\$m	Under regulatory scope of consolidation As at 30 Jun 2019 HK\$m	Cross-referenced to Definition of Capital Components
Assets			
Cash and sight balances at central banks	10,082	10,082	
Placings with and advances to banks	99,066	94,936	
Trading assets	49,737	49,737	
Financial assets designated and otherwise mandatorily measured at fair value	15,976	245	
Derivative financial instruments	6,310	6,355	
Loans and advances to customers	919,845	919,855	
<i>of which: Impairment allowances eligible for inclusion in Tier 2 capital</i>		1,082	(1)
Financial investments	449,507	345,731	
Investment in subsidiaries	-	7,344	
Subordinated loans to subsidiaries	-	915	(2)
Interest in associates	2,546	-	
Investment properties	10,344	7,353	
Premises, plant and equipment	31,054	30,700	
Intangible assets	19,788	799	(3)
Other assets	42,397	25,331	
<i>of which: Deferred tax assets ("DTAs")</i>		113	(4)
<i>Defined benefit pension fund net assets</i>		18	(5)
Total assets	1,656,652	1,499,383	
Liabilities			
Current, savings and other deposit accounts	1,186,938	1,189,279	
Repurchase agreements – non-trading	6,664	6,664	
Deposits from banks	9,586	9,586	
Trading liabilities	34,037	34,037	
Financial liabilities designated at fair value	37,382	36,940	
<i>of which: Gains and losses due to changes in own credit risk on fair valued liabilities</i>		4	(6)
Derivative financial instruments	7,069	7,134	
<i>of which: Gains and losses due to changes in own credit risk on fair valued liabilities</i>		8	(7)
Certificates of deposit and other debt securities in issue	16,676	16,676	
Other liabilities	29,546	23,269	
Liabilities under insurance contracts	126,941	-	
Current tax liabilities	2,550	2,517	
Deferred tax liabilities	6,922	3,771	
<i>of which: Deferred tax liabilities related to intangible assets</i>		74	(8)
<i>Deferred tax liabilities related to defined benefit pension fund</i>		3	(9)
Subordinated liabilities	19,503	19,503	
Total liabilities	1,483,814	1,349,376	
Equity			
Share capital	9,658	9,658	(10)
Retained profits	127,395	104,710	(11)
<i>of which: Revaluation gains of investment properties</i>		6,928	(12)
<i>Regulatory reserve for general banking risks</i>		4,112	(13)
<i>Regulatory reserve eligible for inclusion in Tier 2 capital</i>		1,669	(14)
<i>Valuation adjustments</i>		109	(15)
Other equity instruments	11,744	11,744	(16)
Other reserves	23,924	23,895	(17)
<i>of which: Cash flow hedge reserve</i>		34	(18)
<i>Valuation adjustments</i>		38	(19)
<i>Revaluation reserve of properties</i>		20,232	(20)
Total shareholders' equity	172,721	150,007	
Non-controlling interests	117	-	
Total equity	172,838	150,007	
Total equity and liabilities	1,656,652	1,499,383	

BANKING DISCLOSURE STATEMENT (unaudited) (continued)

Capital and RWA

Regulatory capital disclosures

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

Table 4: CC1 – Composition of regulatory capital

	a	b
	Component of regulatory capital	Cross-referenced to Table 3
	HK\$m	Source based on reference numbers/ letters of the balance sheet under the regulatory scope of consolidation
As at 30 June 2019		
CET1 capital: instruments and reserves		
1	Directly issued qualifying CET1 capital instruments plus any related share premium	9,658 (10)
2	Retained earnings	104,710 (11)
3	Disclosed reserves	23,895 (17)
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	CET1 capital before regulatory deductions	138,263
CET1 capital: regulatory deductions		
7	Valuation adjustments	147 (15) + (19)
8	Goodwill (net of associated deferred tax liability)	-
9	Other intangible assets (net of associated deferred tax liabilities)	725 (3) - (8)
10	Deferred tax assets (net of associated deferred tax liabilities)	113 (4)
11	Cash flow hedge reserve	34 (18)
12	Excess of total EL amount over total eligible provisions under the IRB approach	-
13	Credit-enhancing interest-only strip, and any gain-on-sale and other increase in the CET1 capital arising from securitisation transactions	-
14	Gains and losses due to changes in own credit risk on fair valued liabilities	12 (6) + (7)
15	Defined benefit pension fund net assets (net of associated deferred tax liabilities)	15 (5) - (9)
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 Loss-absorbing capacity ("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	31,272
26a	Cumulative fair value gains arising from the revaluation of land and buildings (own-use and investment properties)	27,160 (12) + (20)
26b	Regulatory reserve for general banking risks	4,112 (13)
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 AT1 capital and Tier 2 capital to cover deductions	-
28	Total regulatory deductions to CET1 capital	32,318
29	CET1 capital	105,945

BANKING DISCLOSURE STATEMENT (unaudited) (continued)

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

	a	b
	Component of regulatory capital	Cross-referenced to Table 3
	HK\$m	Source based on reference numbers/ letters of the balance sheet under the regulatory scope of consolidation
AT1 capital: instruments		
30	11,744	
31	11,744	(16)
32	-	
33	-	
34	-	
35	-	
36	11,744	
AT1 capital: regulatory deductions		
37	-	
38	-	
39	-	
40	-	
41	-	
42	-	
43	-	
44	11,744	
45	117,689	
Tier 2 capital: instruments and provisions		
46	-	
47	-	
48	-	
49	-	
50	2,751	(1) + (14)
51	2,751	
Tier 2 capital: regulatory deductions		
52	-	
53	-	
54	-	
54a	-	
55	915	(2)
55a	-	
56	(12,222)	
56a	(12,222)	((12) + (20))*45%
56b	-	
57	(11,307)	
58	14,058	
59	131,747	
60	647,067	

BANKING DISCLOSURE STATEMENT (unaudited) (continued)

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

	a	b
	Component of regulatory capital	Cross-referenced to Table 3
	HK\$m	Source based on reference numbers/ letters of the balance sheet under the regulatory scope of consolidation
Capital ratios (as a percentage of RWA)		
61	CET1 capital ratio	16.4%
62	Tier 1 capital ratio	18.2%
63	Total capital ratio	20.4%
64	Institution-specific buffer requirement (capital conservation buffer plus countercyclical capital buffer plus higher loss absorbency requirements)	6.085%
65	<i>of which: capital conservation buffer requirement</i>	<i>2.500%</i>
66	<i>of which: bank specific countercyclical capital buffer requirement</i>	<i>2.085%</i>
67	<i>of which: higher loss absorbency requirement</i>	<i>1.500%</i>
68	CET1 (as a percentage of RWA) available after meeting minimum capital requirements	11.9%
National minima (if different from Basel 3 minimum)		
69	National CET1 minimum ratio	Not applicable
70	National Tier 1 minimum ratio	Not applicable
71	National Total capital minimum ratio	Not applicable
Amounts below the thresholds for deduction (before risk weighting)		
72	Insignificant LAC investments in CET1, AT1 and Tier 2 capital instruments issued by, and non-capital LAC liabilities of, financial sector entities that are outside the scope of regulatory consolidation	5,010
73	Significant LAC investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	7,762
74	Mortgage servicing rights (net of associated deferred tax liabilities)	Not applicable
75	Deferred tax assets arising from temporary differences (net of associated deferred tax liabilities)	Not applicable
Applicable caps on the inclusion of provisions in Tier 2 capital		
76	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to the Basic ("BSC") approach, or the Standardised (credit risk) ("STC") approach and SEC-ERBA, SEC-SA and SEC-FBA (prior to application of cap)	635
77	Cap on inclusion of provisions in Tier 2 under the BSC approach, or the STC approach, and SEC-ERBA, SEC-SA and SEC-FBA	810
78	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to the IRB approach and SEC-IRBA (prior to application of cap)	2,116
79	Cap for inclusion of provisions in Tier 2 under the IRB approach and SEC-IRBA	3,138
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2018 and 1 Jan 2022)		
80	Current cap on CET1 capital instruments subject to phase-out arrangements	Not applicable
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	Not applicable
82	Current cap on AT1 capital instruments subject to phase-out arrangements	-
83	Amount excluded from AT1 capital due to cap (excess over cap after redemptions and maturities)	-
84	Current cap on Tier 2 capital instruments subject to phase-out arrangements	-
85	Amount excluded from Tier 2 capital due to cap (excess over cap after redemptions and maturities)	-

BANKING DISCLOSURE STATEMENT (unaudited) (continued)

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

Notes to the template:

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

As at 30 Jun 2019	Hong Kong basis HK\$m	Basel III basis HK\$m
10 Deferred tax assets (net of associated deferred tax liabilities)	113	36

Explanation

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

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

Remarks:

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

BANKING DISCLOSURE STATEMENT (unaudited) (continued)

The following is a summary of the Group's CET1 capital and AT1 capital instruments.

Table 5: CCA – Main features of regulatory capital instruments

		a		
As at 30 June 2019		Quantitative / qualitative information		
		1) Ordinary shares	2) Perpetual subordinated loan (US\$ 900 million)	3) Perpetual subordinated loan (US\$ 600 million)
1	Issuer	Hang Seng Bank Limited	Hang Seng Bank Limited	Hang Seng Bank Limited
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	HK0011000095	N/A	N/A
3	Governing law(s) of the instrument	Laws of Hong Kong	Laws of Hong Kong	Laws of Hong Kong
	<i>Regulatory treatment</i>			
4	Transitional Basel III rules ¹	N/A	N/A	N/A
5	Post-transitional Basel III rules ²	Common Equity Tier 1	Additional Tier 1	Additional Tier 1
6	Eligible at solo /group /solo and group	Group and Solo	Group and Solo	Group and Solo
7	Instrument type (types to be specified by each jurisdiction)	Ordinary shares	Perpetual debt instrument	Perpetual debt instrument
8	Amount recognised in regulatory capital (currency in millions, as of most recent reporting date)	HK\$ 9,658 million	HK\$ 7,044 million	HK\$ 4,700 million
9	Par value of instrument	No par value (Total amount HK\$ 9,658 million)	US\$ 900 million	US\$ 600 million
10	Accounting classification	Shareholders' equity	Shareholders' equity	Shareholders' equity
11	Original date of issuance	Various	14 June 2019	18 June 2019
12	Perpetual or dated	Perpetual	Perpetual	Perpetual
13	Original maturity date	No maturity	No maturity	No maturity
14	Issuer call subject to prior supervisory approval	N/A	Yes	Yes
15	Optional call date, contingent call dates and redemption amount	N/A	17 September 2024 at par value	18 June 2024 at par value
16	Subsequent call dates, if applicable	N/A	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	N/A	Fixed until 17 September 2024 and thereafter floating	Fixed until 18 June 2024 and thereafter floating
18	Coupon rate and any related index	N/A	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	N/A	No	No
20	Fully discretionary, partially discretionary or mandatory	Fully discretionary	Fully discretionary	Fully discretionary
21	Existence of step up or other incentive to redeem	N/A	No	No
22	Non-cumulative or cumulative	Non-cumulative	Non-cumulative	Non-cumulative
23	Convertible or non-convertible	Non-convertible	Non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	N/A	N/A	N/A
25	If convertible, fully or partially	N/A	N/A	N/A
26	If convertible, conversion rate	N/A	N/A	N/A
27	If convertible, mandatory or optional conversion	N/A	N/A	N/A
28	If convertible, specify instrument type convertible into	N/A	N/A	N/A
29	If convertible, specify issuer of instrument it converts into	N/A	N/A	N/A
30	Write-down feature	No	Yes	Yes
31	If write-down, write-down trigger(s)	N/A	Non-Viability Event. Hong Kong Monetary Authority – Contractual	Non-Viability Event. Hong Kong Monetary Authority – Contractual
32	If write-down, full or partial	N/A	Full	Full
33	If write-down, permanent or temporary	N/A	Permanent	Permanent
34	If temporary write-down, description of write-up	N/A	N/A	N/A
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 subordinated to AT1 instruments	Immediately subordinated to non-capital LAC debt instruments	Immediately subordinated to non-capital LAC debt instruments
36	Non-compliant transitioned features	No	No	No
37	If yes, specify non-compliant features	N/A	N/A	N/A
	Terms and conditions	Terms and conditions - Ordinary shares	Master terms and conditions Individual loan agreement	Master terms and conditions Individual loan agreement

Footnote:

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

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

BANKING DISCLOSURE STATEMENT (unaudited) (continued)

Countercyclical capital buffer ratio

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

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

As at 30 Jun 2019		a	c	d	e
Geographical breakdown by Jurisdiction ("J")		Applicable JCCyB ratio in effect	RWA used in computation of CCyB ratio	AI-specific CCyB ratio	CCyB amount
	Footnotes	%	HK\$m	%	HK\$m
1	Hong Kong SAR	2.500	450,983		
2	Sweden	2.000	174		
3	United Kingdom	1.000	1,210		
	Sum	<i>1</i>	452,367		
	Total	<i>2</i>	541,379	2.085	13,491

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

2 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 Group specific CCyB ratio in column (d).

BANKING DISCLOSURE STATEMENT (unaudited) (continued)

Leverage ratio

Table 7: LR2 – Leverage ratio

	a	b
	30 Jun 2019 HK\$m	31 Mar 2019 HK\$m
On-balance sheet exposures		
1 On-balance sheet exposures (excluding those arising from derivative contracts and Securities financing transaction ("SFTs"), but including collateral)	1,488,858	1,413,496
2 Less: Asset amounts deducted in determining Tier 1 capital	(32,306)	(31,290)
3 Total on-balance sheet exposures (excluding derivative contracts and SFTs)	1,456,552	1,382,206
Exposures arising from derivative contracts		
4 Replacement cost associated with all derivative contracts (where applicable net of eligible cash variation margin and/or with bilateral netting)	3,153	4,276
5 Add-on amounts for PFE associated with all derivative contracts	11,342	12,193
6 Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework	-	-
7 Less: Deductions of receivables assets for cash variation margin provided under derivative contracts	-	-
8 Less: Exempted Central counterparty ("CCP") leg of client-cleared trade exposures	-	-
9 Adjusted effective notional amount of written credit derivative contracts	-	-
10 Less: Adjusted effective notional offsets and add-on deductions for written credit derivative contracts	-	-
11 Total exposures arising from derivative contracts	14,495	16,469
Exposures arising from SFTs		
12 Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	7,085	7,238
13 Less: Netted amounts of cash payables and cash receivables of gross SFT assets	-	-
14 Counterparty credit risk ("CCR") exposure for SFT assets	421	514
15 Agent transaction exposures	-	-
16 Total exposures arising from SFTs	7,506	7,752
Other off-balance sheet exposures		
17 Off-balance sheet exposure at gross notional amount	507,655	496,468
18 Less: Adjustments for conversion to credit equivalent amounts	(423,524)	(413,651)
19 Off-balance sheet items	84,131	82,817
Capital and total exposures		
20 Tier 1 capital	117,689	109,928
20a Total exposures before adjustments for specific and collective provisions	1,562,684	1,489,244
20b Adjustments for specific and collective provisions	(2,994)	(2,987)
21 Total exposures after adjustments for specific and collective provisions	1,559,690	1,486,257
Leverage ratio		
22 Leverage ratio	7.5%	7.4%

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

As at 30 Jun 2019	a
Item	Value under the LR framework HK\$m
1 Total consolidated assets as per published financial statements	1,656,652
2 Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	(149,768)
3 Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting standard but excluded from the LR exposure measure	-
4 Adjustments for derivative contracts	8,140
5 Adjustment for SFTs (i.e. repos and similar secured lending)	421
6 Adjustment for off-balance sheet ("OBS") items (i.e. conversion to credit equivalent amounts of OBS exposures)	84,131
6a Adjustment for specific and collective provisions that are allowed to be excluded from exposure measure	(2,994)
7 Other adjustments	(36,892)
8 Leverage ratio exposure measure	1,559,690

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

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

Table 9: OV1 – Overview of RWA

	a	b	c
	RWA ¹		Minimum ² capital requirements
	30 Jun 2019	31 Mar 2019	30 Jun 2019
	HK\$m	HK\$m	HK\$m
1 Credit risk for non-securitisation exposures	516,149	500,767	43,460
2 <i>Of which: STC approach</i>	64,510	63,600	5,161
2a <i>Of which: Basic ("BSC") approach</i>	-	-	-
3 <i>Of which: Foundation IRB approach</i>	-	-	-
4 <i>Of which: Supervisory slotting criteria approach</i>	13,443	11,459	1,140
5 <i>Of which: Advanced IRB approach</i>	438,196	425,708	37,159
6 Counterparty default risk and default fund contributions	2,462	2,876	207
7 <i>Of which: Standardised approach for counterparty credit risk ("SA-CCR")*</i>	Not applicable	Not applicable	Not applicable
7a <i>Of which: Current exposure method ("CEM")</i>	2,413	2,796	203
8 <i>Of which: Internal models (counterparty credit risk) ("IMM(CCR))" approach</i>	-	-	-
9 <i>Of which: Others</i>	49	80	4
10 Credit valuation adjustment ("CVA") risk	2,074	2,099	166
11 Equity positions in banking book under the simple risk-weight method and internal models method	20,241	20,311	1,716
12 Collective investment scheme ("CIS") exposures – Look-through ("LTA") approach*	Not applicable	Not applicable	Not applicable
13 CIS exposures – Mandate-based ("MBA") approach*	Not applicable	Not applicable	Not applicable
14 CIS exposures – Fall-back ("FBA") approach*	Not applicable	Not applicable	Not applicable
14a CIS exposures – combination of approaches*	Not applicable	Not applicable	Not applicable
15 Settlement risk	-	-	-
16 Securitisation exposures in banking book	-	-	-
17 <i>Of which: Securitisation internal ratings-based ("SEC-IRBA") approach</i>	-	-	-
18 <i>Of which: Securitisation external ratings-based ("SEC-ERBA") approach (including internal assessment approach ("IAA"))</i>	-	-	-
19 <i>Of which: Securitisation standardised ("SEC-SA") approach</i>	-	-	-
19a <i>Of which: Securitisation fall-back ("SEC-FBA") approach</i>	-	-	-
20 Market risk	8,522	5,792	682
21 <i>Of which: STM approach</i>	121	77	10
22 <i>Of which: Internal models ("IMM") approach</i>	8,401	5,715	672
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	63,546	61,022	5,084
24a Sovereign concentration risk*	Not applicable	Not applicable	Not applicable
25 Amounts below the thresholds for deduction (subject to 250% Risk-weight ("RW"))	19,404	19,969	1,645
26 Capital floor adjustment	-	-	-
26a Deduction to RWA	(14,938)	(14,556)	(1,195)
26b <i>Of which: Portion of regulatory reserve for general banking risks and collective provisions which is not included in Tier 2 Capital</i>	-	-	-
26c <i>Of which: Portion of cumulative fair value gains arising from the revaluation of land and buildings which is not included in Tier 2 Capital</i>	(14,938)	(14,556)	(1,195)
27 Total	617,460	598,280	51,765

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

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

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

Total RWA (before any applicable scaling factor) increased by HK\$19.2bn since last quarter, of which credit risk RWA for non-securitisation exposures increased by HK\$15.4bn mainly driven by loan growth. Meanwhile, market risk RWA was up by HK\$2.7bn mainly due to an increase in interest rate trading positions.

BANKING DISCLOSURE STATEMENT (unaudited) (continued)

RWA flow statements

RWA flow statement for credit risk

Table 10: CR8 – RWA flow statement of credit risk¹ exposures under IRB approach

	a
	Amount
	HK\$m
1 RWA as at end of previous reporting period (31 Mar 2019)	437,167
2 Asset size	18,611
3 Asset quality	(4,242)
4 Model updates	-
5 Methodology and policy	-
6 Acquisitions and disposals	-
7 Foreign exchange movements	(1,105)
8 Other	1,208
9 RWA as at end of reporting period (30 Jun 2019)	451,639

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

RWA increased by HK\$14.5bn during the second quarter of 2019. It was mainly due to an increase of HK\$18.6bn from asset size driven by loan growth and partly offset by a decrease of HK\$4.2bn from the change in asset quality.

RWA flow statement for market risk

Table 11: MR2 – RWA flow statement of market risk exposures under IMM approach

	a	b	c	d	e	f
	Value at risk ("VaR") HK\$m	Stressed VaR HK\$m	Incremental risk charge ("IRC") HK\$m	Comprehensive risk charge ("CRC") HK\$m	Other HK\$m	Total RWA HK\$m
1 RWA as at end of previous reporting period (31 Mar 2019)	2,239	3,476	-	-	-	5,715
2 Movement in risk levels	434	2,282	-	-	-	2,716
3 Model updates/changes	-	-	-	-	-	-
4 Methodology and policy	-	-	-	-	-	-
5 Acquisitions and disposals	-	-	-	-	-	-
6 Foreign exchange movements	(12)	(18)	-	-	-	(30)
7 Other	-	-	-	-	-	-
8 RWA as at end of reporting period (30 Jun 2019)	2,661	5,740	-	-	-	8,401

The movement of market risk RWA was mainly driven by an increase in interest rate trading positions.

BANKING DISCLOSURE STATEMENT (unaudited) (continued)

Credit Risk
Credit quality of assets

Tables 12 to 13 analyse credit exposures between defaulted and non-defaulted, and changes in defaulted loans and debt securities on a regulatory consolidation basis. Loans 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 etc., whilst cash items and non-financial assets are excluded.

Table 12: CR1 – Credit quality of exposures

	a	b	c	d	e	f	g
	Gross carrying amounts of			Of which Expected Credit Loss ("ECL") accounting provisions ¹ for credit losses on STC approach exposures		Of which ECL accounting provisions for credit losses on IRB approach exposures	Net values (a + b - c)
	Defaulted exposures	Non-defaulted exposures	Allowances/ impairments	Allocated in regulatory category of specific provisions	Allocated in regulatory category of collective provisions		
As at 30 Jun 2019	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m
1 Loans	2,023	1,024,072	2,909	105	180	2,624	1,023,186
2 Debt securities	-	340,931	7	-	-	7	340,924
3 Off-balance sheet exposures	-	507,655	78	-	3	75	507,577
4 Total	2,023	1,872,658	2,994	105	183	2,706	1,871,687

1 The categorisation of ECL accounting provisions into regulatory category of specific and collective provisions follows the treatment specified in the completion instruction of the HKMA "Capital Adequacy Ratio – (MA(BS)3)" return. According to the completion instruction, 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 13: CR2 – Changes in defaulted loans and debt securities

	a
	Amount
	Footnote
	HK\$m
1 Defaulted loans and debt securities at end of the previous reporting period (31 Dec 2018)	2,161
2 Loans and debt securities that have defaulted since the last reporting period	207
3 Returned to non-defaulted status	(17)
4 Amounts written off	(314)
5 Other changes	1 (14)
6 Defaulted loans and debt securities at end of the current reporting period (30 Jun 2019)	2,023

1 Other changes included repayment and foreign exchange movements.

The decrease in defaulted loans and debts securities in the first half of 2019 was mainly due to written off and repayments of certain loans.

BANKING DISCLOSURE STATEMENT (unaudited) (continued)

Impaired loans and advances to customers are those loans and advances where objective evidence exists that full repayment of principal or interest is considered unlikely. Specific provisions are made after taking into account the value of collateral, in respect of such loans and advances. For customer loans and advances, where the industry sector comprises not less than 10% of the Group's total gross loans and advances to customers, the analysis of gross impaired loans and advances and allowances by major industry sectors based on internal categories and definitions used by the Group is as follows:

Table 14: Impaired exposures and related allowances by industry

As at 30 Jun 2019	<i>Footnote</i>	Gross loans and advances to customers¹	Gross impaired loans and advances	Specific provisions²	Collective provisions²	Overdue loans and advances⁴
		HK\$m	HK\$m	HK\$m	HK\$m	HK\$m
Residential mortgages		259,442	214	(9)	(4)	154
Real estate		262,114	147	(2)	(326)	70
Others	3	401,207	1,662	(967)	(1,600)	1,394
Total		922,763	2,023	(978)	(1,930)	1,618

- 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 16 which is prepared on accounting consolidation basis. The difference of total gross loans of HK\$10m 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 12 of this document.
- 3 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".
- 4 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 2019.

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 15: Impaired exposures and related allowances by geographical location

As at 30 Jun 2019	<i>Footnote</i>	Gross loans and advances to customers¹	Gross impaired loans and advances	Specific provisions²	Collective provisions²	Overdue loans and advances⁴
		HK\$m	HK\$m	HK\$m	HK\$m	HK\$m
Hong Kong		839,742	1,598	(651)	(1,598)	1,200
Mainland China		65,747	363	(268)	(326)	356
Others	3	17,274	62	(59)	(6)	62
Total		922,763	2,023	(978)	(1,930)	1,618

- 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 16 which is prepared on accounting consolidation basis. The difference of total gross loans of HK\$10m 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 12 of this document.
- 3 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".
- 4 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 2019.

BANKING DISCLOSURE STATEMENT (unaudited) (continued)

Loans and advances to customers

Tables 16 to 18 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 16: Loans and advances to customers by geographical location

As at 30 Jun 2019	Footnote	Hong Kong	Mainland China	Others	Total
		HK\$m	HK\$m	HK\$m	HK\$m
Gross loans and advances to customers	1	799,064	95,758	27,931	922,753

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 14 and 15 which are prepared under the regulatory consolidation scope. The difference of total gross loans of HK\$10m 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 17: Gross loans and advances to customers by industry sector

As at 30 Jun 2019	Gross loans and advances HK\$m	% of gross advances covered by collateral
		%
Industrial, commercial and financial sectors		
- property development	70,539	42.4%
- property investment	154,545	86.9%
- financial concerns	8,280	53.0%
- stockbrokers	39	51.3%
- wholesale and retail trade	31,045	53.6%
- manufacturing	23,578	39.3%
- transport and transport equipment	13,475	60.1%
- recreational activities	667	97.7%
- information technology	8,676	6.9%
- other	87,179	73.1%
Individuals		
- loans and advances for the purchase of flats under the Government Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme	28,014	100.0%
- loans and advances for the purchase of other residential properties	206,698	100.0%
- credit card loans and advances	28,434	0.0%
- other	32,161	53.8%
Gross loans and advances for use in Hong Kong	693,330	74.9%
Trade finance	38,957	28.0%
Gross loans and advances for use outside Hong Kong	190,466	35.5%
Gross loans and advances to customers	922,753	64.8%

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 18: Overdue loans and advances to customers

As at 30 Jun 2019	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	249	0.03%
- more than six months but not more than one year	403	0.04%
- more than one year	966	0.10%
Total	1,618	0.17%
of which:		
- specific provision	(855)	-
- covered portion of overdue loans and advances	554	-
- uncovered portion of overdue loans and advances	1,064	-
- current market value of collateral held against the covered portion of overdue loans and advances	986	-
Rescheduled loans and advances to customers	106	0.01%

Collateral held with respect to overdue loans and advances is mainly residential properties and commercial properties. The current market value of residential properties and commercial properties were HK\$693m and HK\$243m 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 2019 was HK\$12m.

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 2019.

BANKING DISCLOSURE STATEMENT *(unaudited) (continued)***Off-balance sheet exposures other than derivative transactions**

The following table gives the nominal contract amounts and RWA of contingent liabilities and commitments. The information is consistent with that in the "Capital Adequacy Ratio – (MA(BS)3)" return required to be submitted to the HKMA by the Group. The return is prepared on a consolidated basis as specified by the HKMA under the requirement of section 3C(1) of the BCR.

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

Table 19: Off-balance sheet exposures other than derivative transactions

	30 Jun 2019
	HK\$m
Contract amounts	
Direct credit substitutes	4,222
Transaction-related contingencies	10,651
Trade-related contingencies	16,014
Forward asset purchases	110
Commitments that are unconditionally cancellable without prior notice	410,992
Commitments which have an original maturity of not more than one year	8,871
Commitments which have an original maturity of more than one year	56,795
Total	507,655
RWA	48,831

BANKING DISCLOSURE STATEMENT (unaudited) (continued)

Credit risk under internal ratings-based approach

Table 20.1: 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 2019	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
Sovereign												
0.00 to < 0.15	294,507	-	-	294,507	0.01	37	25.0	1.32	9,860	3	11	
0.15 to < 0.25	-	-	-	-	-	-	-	-	-	-	-	
0.25 to < 0.50	-	-	-	-	-	-	-	-	-	-	-	
0.50 to < 0.75	-	-	-	-	-	-	-	-	-	-	-	
0.75 to < 2.50	-	-	-	-	-	-	-	-	-	-	-	
2.50 to < 10.00	-	-	-	-	-	-	-	-	-	-	-	
10.00 to < 100.00	-	-	-	-	-	-	-	-	-	-	-	
100.00 (Default)	-	-	-	-	-	-	-	-	-	-	-	
Sub-total	294,507	-	-	294,507	0.01	37	25.0	1.32	9,860	3	11	5
Bank												
0.00 to < 0.15	121,324	145	88.8	121,453	0.04	920	40.9	1.16	14,829	12	19	
0.15 to < 0.25	1,078	424	45.3	1,270	0.22	74	53.1	0.83	612	48	1	
0.25 to < 0.50	887	-	-	887	0.37	46	46.1	0.79	475	54	2	
0.50 to < 0.75	670	1	0.5	670	0.63	33	53.3	0.83	589	88	2	
0.75 to < 2.50	37	-	-	37	0.98	21	45.0	0.13	24	65	-	
2.50 to < 10.00	-	-	-	-	-	-	-	-	-	-	-	
10.00 to < 100.00	-	-	-	-	-	-	-	-	-	-	-	
100.00 (Default)	-	-	-	-	-	-	-	-	-	-	-	
Sub-total	123,996	570	56.3	124,317	0.05	1,094	41.1	1.15	16,529	13	24	4
Corporate – small-and-medium sized corporates												
0.00 to < 0.15	11,743	7,304	43.4	14,912	0.06	164	39.2	3.67	2,841	19	3	
0.15 to < 0.25	9,594	2,737	28.6	10,378	0.22	239	28.9	2.19	2,445	24	7	
0.25 to < 0.50	29,451	9,041	35.3	32,640	0.37	375	22.1	2.48	8,217	25	27	
0.50 to < 0.75	31,273	5,058	32.5	32,917	0.63	469	27.3	2.80	12,803	39	57	
0.75 to < 2.50	53,148	14,156	28.6	57,189	1.39	1,363	27.9	2.32	28,597	50	219	
2.50 to < 10.00	6,563	1,866	30.2	7,127	3.63	218	27.9	2.18	4,639	65	72	
10.00 to < 100.00	471	98	26.5	496	12.17	6	19.2	1.85	365	74	11	
100.00 (Default)	162	-	-	162	100.00	7	49.3	3.05	253	156	60	
Sub-total	142,405	40,260	33.3	155,821	1.05	2,841	27.7	2.57	60,160	39	456	842
Corporate – others												
0.00 to < 0.15	124,104	66,740	31.9	145,423	0.10	462	45.2	2.25	38,618	27	63	
0.15 to < 0.25	50,690	27,758	37.9	61,218	0.22	287	39.8	2.14	23,082	38	54	
0.25 to < 0.50	50,341	25,376	26.9	57,174	0.37	390	39.3	2.12	27,090	47	83	
0.50 to < 0.75	44,448	25,454	24.4	50,647	0.63	490	38.9	1.90	29,930	59	124	
0.75 to < 2.50	98,227	53,246	24.0	111,012	1.45	1,247	36.9	1.89	83,382	75	576	
2.50 to < 10.00	12,902	8,725	21.8	14,806	4.04	233	42.5	1.39	17,367	117	252	
10.00 to < 100.00	494	195	24.0	540	10.19	19	32.3	1.44	692	128	18	
100.00 (Default)	1,217	-	-	1,217	100.00	76	48.4	1.23	2,095	172	757	
Sub-total	382,423	207,494	28.7	442,037	0.97	3,204	40.8	2.06	222,256	50	1,927	2,444

BANKING DISCLOSURE STATEMENT (unaudited) (continued)

Table 20.2: 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 2019	Original on-balance sheet gross exposure	Off-balance sheet exposures pre-CCF	Average CCF	EAD post CRM and post-CCF	Average PD	Number of obligors	Average LGD	Average maturity	RWA	RWA density	EL	Provisions [^]
PD scale	HK\$m	HK\$m	%	HK\$m	%		%	years	HK\$m	%	HK\$m	HK\$m
Retail – qualifying revolving retail exposures ("QRRE")												
0.00 to < 0.15	10,081	149,065	39.5	69,005	0.07	1,686,565	105.0		3,171	5	50	
0.15 to < 0.25	1,927	11,915	45.4	7,341	0.22	175,985	104.4		893	12	17	
0.25 to < 0.50	4,864	19,693	33.4	11,441	0.39	213,071	100.3		2,111	18	45	
0.50 to < 0.75	2,082	4,235	50.2	4,205	0.60	62,830	101.9		1,098	26	26	
0.75 to < 2.50	7,106	11,708	35.4	11,246	1.45	115,979	98.9		5,529	49	160	
2.50 to < 10.00	4,498	3,099	64.7	6,504	4.73	62,187	99.1		7,428	114	305	
10.00 to < 100.00	1,564	434	139.4	2,169	28.09	20,428	99.4		4,408	203	590	
100.00 (Default)	55	-	-	55	100.00	689	93.8		84	153	45	
Sub-total	32,177	200,149	39.9	111,966	1.13	2,337,734	103.3		24,722	22	1,238	2,547
Retail – residential mortgage exposures												
0.00 to < 0.15	164,338	1,313	100.0	165,651	0.08	52,815	16.9		33,539	20	24	
0.15 to < 0.25	28,988	231	100.0	29,219	0.18	26,349	15.4		5,342	18	8	
0.25 to < 0.50	632	5	100.0	637	0.34	192	15.1		105	16	-	
0.50 to < 0.75	20,190	161	100.0	20,351	0.53	9,159	15.9		3,677	18	17	
0.75 to < 2.50	13,978	110	100.0	14,089	0.93	14,482	15.6		2,815	20	20	
2.50 to < 10.00	4,545	36	100.0	4,580	4.79	3,225	15.0		2,204	48	33	
10.00 to < 100.00	3,563	28	100.0	3,591	16.07	2,868	14.5		2,778	77	84	
100.00 (Default)	152	-	-	152	100.00	84	14.4		253	166	2	
Sub-total	236,386	1,884	100.0	238,270	0.58	109,174	16.5		50,713	21	188	-
Retail – small business retail exposures												
0.00 to < 0.15	2,222	6	100.0	2,228	0.08	959	7.2		33	1	-	
0.15 to < 0.25	555	3	100.0	558	0.19	154	14.5		31	6	-	
0.25 to < 0.50	3	-	-	3	0.40	1	59.1		1	33	-	
0.50 to < 0.75	737	1	100.0	738	0.54	223	10.8		61	8	-	
0.75 to < 2.50	155	1	100.0	157	1.38	36	17.8		32	20	-	
2.50 to < 10.00	480	1	100.0	480	5.62	173	6.2		45	9	2	
10.00 to < 100.00	-	-	-	-	-	-	-		-	-	-	
100.00 (Default)	-	-	-	-	-	-	-		-	-	-	
Sub-total	4,152	12	100.0	4,164	0.86	1,546	9.1		203	5	2	-
Other retail exposures to individuals												
0.00 to < 0.15	2,860	2,614	10.3	3,129	0.08	26,758	12.8		91	3	-	
0.15 to < 0.25	1,831	2,832	16.5	2,297	0.21	23,376	14.1		134	6	1	
0.25 to < 0.50	301	1,292	14.8	492	0.45	13,024	76.6		249	51	2	
0.50 to < 0.75	4,446	22	27.5	4,452	0.54	20,845	63.2		2,089	47	15	
0.75 to < 2.50	4,571	1,408	28.0	4,966	1.55	28,604	50.8		3,044	61	43	
2.50 to < 10.00	3,744	260	27.8	3,817	4.70	26,034	67.1		3,755	98	123	
10.00 to < 100.00	874	28	52.3	889	15.77	7,191	66.2		1,142	128	95	
100.00 (Default)	28	-	-	28	100.00	367	84.4		54	193	21	
Sub-total	18,655	8,456	16.7	20,070	2.28	146,199	47.9		10,558	53	300	418

Table 20.3: 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 2019	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)	1,234,701	458,825	34.1	1,391,152	0.66	2,601,829	36.9	1.81	395,001	28	4,146	6,260

*The average maturity is relevant to wholesale portfolios only.

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

BANKING DISCLOSURE STATEMENT (unaudited) (continued)

Table 21: CR10 – Specialised lending under supervisory slotting criteria approach – other than high-volatility commercial real estate ("HVCRE")

As at 30 Jun 2019

Supervisory Rating Grade	Remaining Maturity	a	b	c	d(i)	d(ii)	d(iii)	d(iv)	d(v)	e	f
		On-balance sheet exposure amount	Off-balance sheet exposure amount	Supervisory risk-weight ("SRW")	Project finance ("PF")	Object finance ("OF")	EAD amount		Total	RWA	Expected loss amount
		HK\$m	HK\$m	%	HK\$m	HK\$m	Commodities finance ("CF")	Income-producing real estate ("IPRE")			
Strong [^]	Less than 2.5 years	2,809	202	50%	-	-	-	2,913	2,913	1,457	-
Strong	Less than 2.5 years	2,530	953	70%	-	-	-	2,907	2,907	2,035	12
Strong	Equal to or more than 2.5 years	5,495	21	70%	-	-	-	5,507	5,507	3,855	22
Good [^]	Less than 2.5 years	860	227	70%	-	-	-	922	922	645	4
Good	Less than 2.5 years	2,896	318	90%	-	-	-	3,013	3,013	2,712	24
Good	Equal to or more than 2.5 years	1,580	1,608	90%	-	-	-	2,332	2,332	2,099	19
Satisfactory		243	150	115%	-	-	-	296	296	341	8
Weak		110	24	250%	-	-	-	120	120	299	9
Default		-	-	0%	-	-	-	-	-	-	-
Total		16,523	3,503		-	-	-	18,010	18,010	13,443	98

[^] Use of preferential risk-weights.

Table 22: CR10 – Equity exposures under the simple risk-weight method

As at 30 Jun 2019

Categories	a	b	c	d	e
	On-balance sheet exposure amount	Off-balance sheet exposure amount	SRW	EAD amount	RWA
	HK\$m	HK\$m	%	HK\$m	HK\$m
Publicly traded equity exposures	67	-	300%	67	202
All other equity exposures	5,010	-	400%	5,010	20,039
Total	5,077	-		5,077	20,241

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

Table 23: 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 2019											Total credit risk exposures amount (post CCF and post CRM)
Risk weight	0%	10%	20%	35%	50%	75%	100%	150%	250%	Others	
Exposure class	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m
1 Sovereign exposures	140	-	-	-	-	-	-	-	-	-	140
2 Public sector entity ("PSE") exposures	20,193	-	5,035	-	15	-	-	-	-	-	25,243
2a <i>Of which: Domestic PSEs</i>	-	-	693	-	-	-	-	-	-	-	693
2b <i>Of which: Foreign PSEs</i>	20,193	-	4,342	-	15	-	-	-	-	-	24,550
3 Multilateral development bank exposures	-	-	-	-	-	-	-	-	-	-	-
4 Bank exposures	-	-	39	-	112	-	-	-	-	-	151
5 Securities firm exposures	-	-	-	-	-	-	-	-	-	-	-
6 Corporate exposures	-	-	553	-	759	-	41,712	-	-	-	43,024
7 CIS exposures	-	-	-	-	-	-	-	-	-	-	-
8 Cash items	-	-	-	-	-	-	-	-	-	-	-
9 Exposures in respect of failed delivery on transactions entered into on a basis other than a delivery-versus-payment basis	-	-	-	-	-	-	-	-	-	-	-
10 Regulatory retail exposures	-	-	-	-	-	4,363	-	-	-	-	4,363
11 Residential mortgage loans	-	-	-	24,638	-	546	1,985	-	-	-	27,169
12 Other exposures which are not past due exposures	-	-	-	-	-	-	6,487	-	-	-	6,487
13 Past due exposures	1	-	-	-	-	-	37	277	-	-	315
14 Significant exposures to commercial entities	-	-	-	-	-	-	-	-	-	-	-
15 Total	20,334	-	5,627	24,638	886	4,909	50,221	277	-	-	106,892

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

Table 24: CR3 – Overview of recognised credit risk mitigation

	a	b1	b	d	f
	Exposures unsecured: carrying amount	Exposures to be secured	Exposures secured by recognised collateral	Exposures secured by recognised guarantees	Exposures secured by recognised credit derivative contracts
As at 30 Jun 2019	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m
1 Loans	334,092	689,094	518,548	141,896	-
2 Debt securities	338,952	1,972	-	1,936	-
3 Total	673,044	691,066	518,548	143,832	-
4 <i>of which: Defaulted</i>	<i>673</i>	<i>372</i>	<i>165</i>	<i>50</i>	-

Table 25: CR7 – Effects on RWA of recognised credit derivative contracts used as recognised credit risk mitigation – for IRB approach

	a	b
	Pre-credit derivatives RWA	Actual RWA
As at 30 Jun 2019	HK\$m	HK\$m
1 Corporate – Specialised lending under supervisory slotting criteria approach (project finance)	-	-
2 Corporate – Specialised lending under supervisory slotting criteria approach (object finance)	-	-
3 Corporate – Specialised lending under supervisory slotting criteria approach (commodities finance)	-	-
4 Corporate – Specialised lending under supervisory slotting criteria approach (income-producing real estate)	13,443	13,443
5 Corporate – Specialised lending (high-volatility commercial real estate)	-	-
6 Corporate – Small-and-medium sized corporates	60,160	60,160
7 Corporate – Other corporates	222,256	222,256
8 Sovereigns	8,050	8,050
9 Sovereign foreign public sector entities	-	-
10 Multilateral development banks	1,810	1,810
11 Bank exposures – Banks	16,388	16,388
12 Bank exposures – Securities firms	141	141
13 Bank exposures – Public sector entities (excluding sovereign foreign public sector entities)	-	-
14 Retail – Small business retail exposures	203	203
15 Retail – Residential mortgages to individuals	49,459	49,459
16 Retail – Residential mortgages to property-holding shell companies	1,254	1,254
17 Retail – Qualifying revolving retail exposures	24,722	24,722
18 Retail – Other retail exposures to individuals	10,558	10,558
19 Equity – Equity exposures under market-based approach (simple risk-weight method)	20,241	20,241
20 Equity – Equity exposures under market-based approach (internal models method)	-	-
21 Equity – Equity exposures under PD/LGD approach (publicly traded equity exposures held for long-term investment)	-	-
22 Equity – Equity exposures under PD/LGD approach (privately owned equity exposures held for long-term investment)	-	-
23 Equity – Equity exposures under PD/LGD approach (other publicly traded equity exposures)	-	-
24 Equity – Equity exposures under PD/LGD approach (other equity exposures)	-	-
25 Equity – Equity exposures associated with equity investments in funds (CIS exposures)	-	-
26 Other – Cash items	71	71
27 Other – Other items	43,124	43,124
28 Total (under the IRB calculation approaches)	471,880	471,880

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

BANKING DISCLOSURE STATEMENT (unaudited) (continued)

Table 26: CR4 – Credit risk exposures and effects of recognised credit risk mitigation – for STC approach

	a	b	c	d	e	f
	Exposures pre-CCF and pre-CRM		Exposures post-CCF and post-CRM		RWA and RWA density	
As at 30 Jun 2019	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	%
Exposure classes						
1 Sovereign exposures	-	-	139	1	-	-
2 PSE exposures	25,049	439	25,049	194	1,015	4
2a <i>Of which: Domestic PSEs</i>	499	439	499	194	139	20
2b <i>Of which: Foreign PSEs</i>	24,550	-	24,550	-	876	4
3 Multilateral development bank exposures	-	-	-	-	-	-
4 Bank exposures	40	-	151	-	64	42
5 Securities firm exposures	-	-	-	-	-	-
6 Corporate exposures	44,269	21,526	40,760	2,264	42,201	98
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	5,012	9,748	4,350	13	3,273	75
11 Residential mortgage loans	26,117	5,592	26,050	1,119	11,017	41
12 Other exposures which are not past due exposures	11,456	8,022	6,344	143	6,487	100
13 Past due exposures	315	-	315	-	453	144
14 Significant exposures to commercial entities	-	-	-	-	-	-
15 Total	112,258	45,327	103,158	3,734	64,510	60

Remark:

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

BANKING DISCLOSURE STATEMENT (unaudited) (continued)

Counterparty credit risk exposures

Counterparty default risk exposures

Counterparty credit risk ("CCR") arises for 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 27: CCR1 – Analysis of counterparty default risk exposures (other than those to CCPs) by approaches

	a	b	c	d	e	f
	Replacement cost ("RC")	Potential exposure ("PFE")	Effective expected positive exposure ("EPE")	Alpha (α) used for computing default risk exposure	Default risk exposure after CRM	RWA
As at 30 Jun 2019	HK\$m	HK\$m	HK\$m		HK\$m	HK\$m
1 SA-CCR (for derivative contracts)	-	-		1.4	-	-
1a CEM	1,856	7,642		N/A	9,498	2,413
2 IMM (CCR) approach			-	-	-	-
3 Simple Approach (for SFTs)					-	-
4 Comprehensive Approach (for SFTs)					488	20
5 VaR for SFTs					-	-
6 Total						2,433

Table 28: CCR2 – CVA capital charge

	a	b
	EAD post-CRM	RWA
As at 30 Jun 2019	HK\$m	HK\$m
Netting sets for which CVA capital charge is calculated by the advanced CVA method	-	-
1 (i) VaR (after application of multiplication factor if applicable)		-
2 (ii) Stressed VaR (after application of multiplication factor if applicable)		-
3 Netting sets for which CVA capital charge is calculated by the standardised CVA method	9,369	2,074
4 Total	9,369	2,074

BANKING DISCLOSURE STATEMENT (unaudited) (continued)

Table 29: 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		
As at 30 Jun 2019	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m
1 Cash – domestic currency	-	8	-	64	700	-
2 Cash – other currencies	-	179	-	97	5,964	-
3 Domestic sovereign debt	-	-	-	-	-	703
4 Other sovereign debt	-	-	-	-	-	6,449
5 Government agency debt	-	-	-	-	-	-
6 Corporate bonds	-	-	-	-	-	-
7 Equity securities	-	-	-	-	-	-
8 Other collateral	-	-	-	-	-	-
9 Total	-	187	-	161	6,664	7,152

Table 30: CCR8 – Exposures to CCPs

	a	b
	Exposure after CRM	RWA
	HK\$m	HK\$m
As at 30 Jun 2019		
1 Exposures of the AI as clearing member or client to qualifying CCPs (total)		29
2 Default risk exposures to qualifying CCPs (excluding items disclosed in rows 7 to 10), of which:	811	16
3 (i) <i>Over-the-counter ("OTC") derivative transactions</i>	811	16
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	161	3
9 Funded default fund contributions	177	10
10 Unfunded default fund contributions	-	-
11 Exposures of the AI as clearing member or client to non-qualifying CCPs (total)		-
12 Default risk exposures to non-qualifying CCPs (excluding items disclosed in rows 17 to 20), of which:	-	-
13 (i) <i>OTC derivative transactions</i>	-	-
14 (ii) <i>Exchange-traded derivative contracts</i>	-	-
15 (iii) <i>Securities financing transactions</i>	-	-
16 (iv) <i>Netting sets subject to valid cross-product netting agreements</i>	-	-
17 Segregated initial margin	-	
18 Unsegregated initial margin	-	-
19 Funded default fund contributions	-	-
20 Unfunded default fund contributions	-	-

BANKING DISCLOSURE STATEMENT (unaudited) (continued)
Counterparty default risk under internal ratings-based approach

Table 31: 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 2019	EAD post-CRM	Average PD	Number of obligors	Average LGD	Average maturity	RWA	RWA density
PD scale	HK\$m	%		%	years	HK\$m	%
Sovereign							
0.00 to < 0.15	16	0.03	2	38.5	0.81	1	8
0.15 to < 0.25	-	-	-	-	-	-	-
0.25 to < 0.50	-	-	-	-	-	-	-
0.50 to < 0.75	-	-	-	-	-	-	-
0.75 to < 2.50	-	-	-	-	-	-	-
2.50 to < 10.00	-	-	-	-	-	-	-
10.00 to < 100.00	-	-	-	-	-	-	-
100.00 (Default)	-	-	-	-	-	-	-
Sub-total	16	0.03	2	38.5	0.81	1	8
Bank							
0.00 to < 0.15	8,191	0.05	103	36.7	1.52	1,142	14
0.15 to < 0.25	251	0.22	10	44.1	1.04	106	42
0.25 to < 0.50	150	0.37	7	45.0	1.09	89	59
0.50 to < 0.75	210	0.63	3	45.0	1.00	161	77
0.75 to < 2.50	2	1.65	1	45.0	1.00	2	112
2.50 to < 10.00	4	3.05	1	45.0	1.00	5	135
10.00 to < 100.00	-	-	-	-	-	-	-
100.00 (Default)	-	-	-	-	-	-	-
Sub-total	8,808	0.07	125	37.2	1.49	1,505	17
Corporates							
0.00 to < 0.15	371	0.11	18	47.1	4.10	175	47
0.15 to < 0.25	34	0.22	13	54.5	1.35	15	45
0.25 to < 0.50	77	0.37	19	52.2	1.40	43	56
0.50 to < 0.75	84	0.63	16	50.1	1.56	61	73
0.75 to < 2.50	258	1.36	50	57.0	1.47	282	109
2.50 to < 10.00	48	3.29	11	57.9	1.28	72	149
10.00 to < 100.00	-	-	-	-	-	-	-
100.00 (Default)	-	-	-	-	-	-	-
Sub-total	872	0.73	127	51.6	2.58	648	74
Retail							
0.00 to < 0.15	-	-	-	-	-	-	-
0.15 to < 0.25	-	-	-	-	-	-	-
0.25 to < 0.50	-	-	-	-	-	-	-
0.50 to < 0.75	-	-	-	-	-	-	-
0.75 to < 2.50	-	-	-	-	-	-	-
2.50 to < 10.00	-	-	-	-	-	-	-
10.00 to < 100.00	-	-	-	-	-	-	-
100.00 (Default)	-	-	-	-	-	-	-
Sub-total	-	-	-	-	-	-	-
Total (sum of all portfolios)	9,696	0.13	254	38.5	1.59	2,154	22

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

BANKING DISCLOSURE STATEMENT (unaudited) (continued)
Counterparty default risk under standardised approach

Table 32: CCR3 – Counterparty default risk exposures (other than those to CCPs) by asset classes and by risk weights – for STC approach

As at 30 Jun 2019		a	b	c	ca	d	e	f	g	ga	h	i
Risk weight		0%	10%	20%	35%	50%	75%	100%	150%	250%	Others	Total default risk exposure after CRM
Exposure class		HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m
1	Sovereign exposures	-	-	-	-	-	-	-	-	-	-	-
2	PSE exposures	-	-	3	-	-	-	-	-	-	-	3
2a	<i>Of which: Domestic PSEs</i>	-	-	3	-	-	-	-	-	-	-	3
2b	<i>Of which: Foreign PSEs</i>	-	-	-	-	-	-	-	-	-	-	-
3	Multilateral development bank exposures	-	-	-	-	-	-	-	-	-	-	-
4	Bank exposures	-	-	-	-	-	-	-	-	-	-	-
5	Securities firm exposures	-	-	-	-	-	-	-	-	-	-	-
6	Corporate exposures	-	-	-	-	-	-	253	-	-	-	253
7	CIS exposures	-	-	-	-	-	-	-	-	-	-	-
8	Regulatory retail exposures	-	-	-	-	-	34	-	-	-	-	34
9	Residential mortgage loans	-	-	-	-	-	-	-	-	-	-	-
10	Other exposures which are not past due exposures	-	-	-	-	-	-	-	-	-	-	-
11	Significant exposures to commercial entities	-	-	-	-	-	-	-	-	-	-	-
12	Total	-	-	3	-	-	34	253	-	-	-	290

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

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

Table 33: MR1 – Market risk under STM approach

		a
		RWA HK\$m
As at 30 Jun 2019		
Outright product exposures		
1	Interest rate exposures (general and specific risk)	121
2	Equity exposures (general and specific risk)	-
3	Foreign exchange (including gold) exposures	-
4	Commodity exposures	-
Option exposures		
5	Simplified approach	-
6	Delta-plus approach	-
7	Other approach	-
8	Securitisation exposures	-
9	Total	121

BANKING DISCLOSURE STATEMENT (unaudited) (continued)

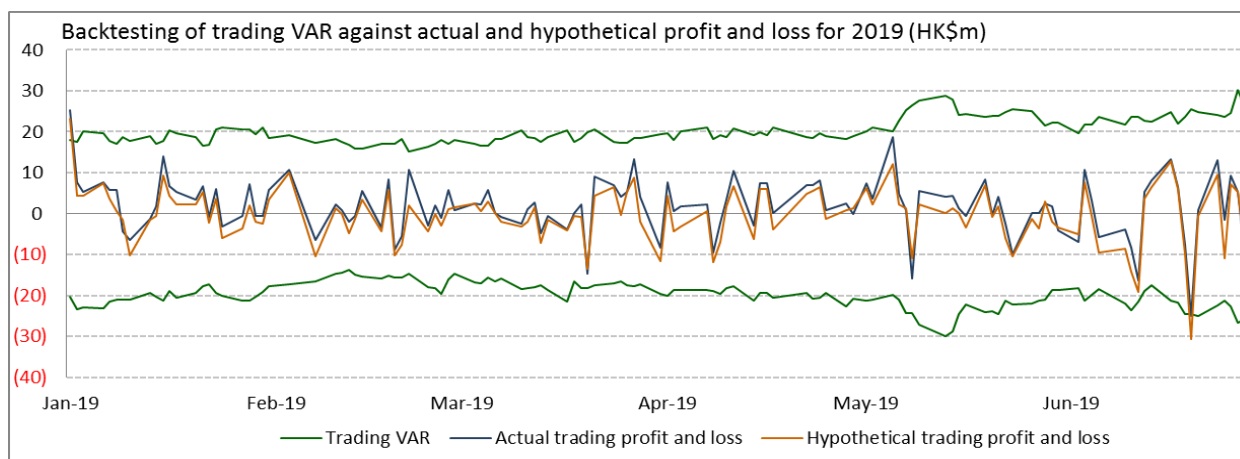
Analysis of VaR, stressed VaR and incremental risk charge measures

Table 34: MR3 – IMM approach values for market risk exposures

As at 30 Jun 2019	Footnote	Value HK\$m
VaR (10 days – one-tailed 99% confidence interval)		
1 Maximum Value	<i>1</i>	95
2 Average Value		63
3 Minimum Value		43
4 Period End		90
Stressed VaR (10 days – one-tailed 99% confidence interval)		
5 Maximum Value	<i>1</i>	207
6 Average Value		115
7 Minimum Value		56
8 Period End		166
Incremental risk charge ("IRC") (99.9% confidence interval)		
9 Maximum value		-
10 Average value		-
11 Minimum value		-
12 Period end		-
Comprehensive risk charge ("CRC") (99.9% confidence interval)		
13 Maximum value		-
14 Average value		-
15 Minimum value		-
16 Period end		-
17 Floor		-

1 The total VaR excludes VaR RNIV

Table 35: MR4 – Comparison of VaR estimates with gains or losses



While comparing the daily VaR measures to the actual and hypothetical profit and loss for the backtesting in Group, one loss side exception and one profit side exception were observed in the first half of 2019 for both of the actual and hypothetical profit and loss at the Group consolidated level, which were due to exceptional market volatility.

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

BANKING DISCLOSURE STATEMENT (unaudited) (continued)

Liquidity information

The Group is required to calculate its LCR on a consolidated basis in accordance with rule 11(1) of the BLR. The Group is required to maintain an LCR of not less than 100% from 1 January 2019.

Table 36: Average liquidity coverage ratio

	Quarter ended
	30 Jun
	2019
	%
Average liquidity coverage ratio	198.5

The liquidity position of the Group remained strong for the first half of 2019. The average LCR decreased from 210.8% for the quarter ended 31 March 2019 to 198.5% for the quarter ended 30 June 2019.

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 37: Total weighted amount of high quality liquid assets

	Weighted amount
	(average) for
	the quarter ended
	30 Jun
	2019
	HK\$m
Level 1 assets	305,849
Level 2A assets	12,539
Level 2B assets	550
Total weighted amount of HQLA	318,938

In accordance with the BLR, the NSFR was implemented in Hong Kong with effect from 1 January 2018 and the Group is required to calculate its NSFR on a consolidated basis. The Group is required to maintain a NSFR of not less than 100%.

Table 38: Net stable funding ratio

	Quarter ended
	30 Jun
	2019
	%
Net stable funding ratio	152.5

The funding position of the Group remained strong for the first half of 2019. The NSFR were 152.5% and 150.3% for the quarters ended 30 June and 31 March 2019, 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

The Group allows currency mismatches to provide some flexibility in managing the balance sheet structure and to carry out foreign exchange trading, on the basis that there is sufficient liquidity in the swap market to support currency conversion in periods of stress. The Group sets limits on LCR by currency for all material currencies based on liquidity in the swap markets. These limits are approved and monitored by Asset and Liability Management Committee ("ALCO").

Additional contractual obligations

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

A summary of the Group's current policies and practices for the management of liquidity and funding risk is set out in "Liquidity and funding risk" section on pages 69 to 73 of the Group's 2018 Annual Report.

BANKING DISCLOSURE STATEMENT (unaudited) (continued)

The following table sets out the required disclosure items under the Liquidity Coverage Ratio Standard Disclosure Template as specified by the HKMA. The number of data points used in calculating the average value of the LCR and related components set out in this table for the quarter ended on 30 June 2019 was 71.

Table 39: LIQ1 – Liquidity coverage ratio – for category 1 institution

		Quarter ended 30 Jun 2019 (71 data points)	
		a	b
Basis of disclosure: consolidated		Unweighted value (average) HK\$m	Weighted value (average) HK\$m
A	High quality liquid assets		
1	Total high quality liquid assets		318,938
B	Cash outflows		
2	Retail deposits and small business funding, of which:	851,724	69,886
3	<i>Stable retail deposits and stable small business funding</i>	218,385	6,552
4	<i>Less stable retail deposits and less stable small business funding</i>	633,339	63,334
4a	<i>Retail term deposits and small business term funding</i>	-	-
5	Unsecured wholesale funding (other than small business funding) and debt securities and prescribed instruments issued by the institution, of which:	282,064	127,442
6	<i>Operational deposits</i>	38,722	9,007
7	<i>Unsecured wholesale funding (other than small business funding) not covered in Row 6</i>	242,887	117,980
8	<i>Debt securities and prescribed instruments issued by the institution and redeemable within the LCR period</i>	455	455
9	Secured funding transactions (including securities swap transactions)		-
10	Additional requirements, of which:	72,637	9,855
11	<i>Cash outflows arising from derivative contracts and other transactions, and additional liquidity needs arising from related collateral requirements</i>	2,973	2,973
12	<i>Cash outflows arising from obligations under structured financing transactions and repayment of funding obtained from such transactions</i>	268	268
13	<i>Potential drawdown of undrawn committed facilities (including committed credit facilities and committed liquidity facilities)</i>	69,396	6,614
14	Contractual lending obligations (not otherwise covered in Section B) and other contractual cash outflows	22,434	22,434
15	Other contingent funding obligations (whether contractual or non-contractual)	431,167	2,229
16	Total cash outflows		231,846
C	Cash inflows		
17	Secured lending transactions (including securities swap transactions)	-	-
18	Secured and unsecured loans (other than secured lending transactions covered in Row 17) and operational deposits placed at other financial institutions	108,550	56,187
19	Other cash inflows	25,209	14,632
20	Total cash inflows	133,759	70,819
D	Liquidity coverage ratio (adjusted value)		
21	Total HQLA		318,938
22	Total net cash outflows		161,027
23	LCR (%)		198.5%

BANKING DISCLOSURE STATEMENT (unaudited) (continued)

Table 40: LIQ2 – Net stable funding ratio – for category 1 institution

Basis of disclosure: consolidated		Quarter ended 30 Jun 2019				Weighted amount HK\$m
		Unweighted value by residual maturity				
	Footnote	No specified term to maturity HK\$m	<6 months or repayable on demand HK\$m	6 months to < 12 months HK\$m	12 months or more HK\$m	
A. Available stable funding ("ASF") item						
1	Capital:	152,107	-	-	-	152,107
2	Regulatory capital	152,107	-	-	-	152,107
2a	Minority interests not covered by row 2	-	-	-	-	-
3	Other capital instruments	-	-	-	-	-
4	Retail deposits and small business funding:	-	865,178	-	-	789,717
5	Stable deposits		221,140	-	-	210,083
6	Less stable deposits		644,038	-	-	579,634
7	Wholesale funding:	-	399,902	5,633	1,099	162,080
8	Operational deposits		32,163	-	-	16,082
9	Other wholesale funding	-	367,739	5,633	1,099	145,998
10	Liabilities with matching interdependent assets	-	-	-	-	-
11	Other liabilities:	21,237	30,841	5,494	21,152	23,899
12	Net derivative liabilities	-				
13	All other funding and liabilities not included in the above categories	21,237	30,841	5,494	21,152	23,899
14	Total ASF					1,127,803
B. Required stable funding ("RSF") item						
15	Total HQLA for NSFR purposes	1	343,476			10,103
16	Deposits held at other financial institutions for operational purposes	-	-	-	-	-
17	Performing loans and securities:	40,165	318,035	93,678	617,932	664,360
18	Performing loans to financial institutions secured by Level 1 HQLA	-	-	-	-	-
19	Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	6	93,147	3,195	5,436	21,011
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:	36,661	181,392	74,206	335,940	443,961
21	With a risk-weight of less than or equal to 35% under the STC approach	29	3,978	108	2,665	3,783
22	Performing residential mortgages, of which:	-	6,589	6,504	268,064	187,856
23	With a risk-weight of less than or equal to 35% under the STC approach	-	5,654	5,624	232,727	156,912
24	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	3,498	36,907	9,773	8,492	11,532
25	Assets with matching interdependent liabilities	-	-	-	-	-
26	Other assets:	68,775	18,486	42	1,114	61,480
27	Physical traded commodities, including gold	3,591				3,053
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs	1,295				1,101
29	Net derivative assets	542				542
30	Total derivative liabilities before deduction of variation margin posted	2,596				N/A
31	All other assets not included in the above categories	60,751	18,486	42	1,114	56,784
32	Off-balance sheet items	1		507,725		3,601
33	Total RSF					739,544
34	Net Stable Funding Ratio (%)					152.5%

BANKING DISCLOSURE STATEMENT (unaudited) (continued)

Table 40: LIQ2 – Net stable funding ratio – for category 1 institution (continued)

Basis of disclosure: consolidated		Quarter ended 31 Mar 2019				Weighted amount HK\$m
		Unweighted value by residual maturity				
	Footnote	No specified term to maturity HK\$m	<6 months or repayable on demand HK\$m	6 months to < 12 months HK\$m	12 months or more HK\$m	
A. Available stable funding ("ASF") item						
1	Capital:	143,251	-	-	-	143,251
2	Regulatory capital	143,251	-	-	-	143,251
2a	Minority interests not covered by row 2	-	-	-	-	-
3	Other capital instruments	-	-	-	-	-
4	Retail deposits and small business funding:	-	848,453	-	-	774,572
5	Stable deposits		219,305	-	-	208,339
6	Less stable deposits		629,148	-	-	566,233
7	Wholesale funding:	-	379,332	8,768	860	155,351
8	Operational deposits		57,105	-	-	28,552
9	Other wholesale funding	-	322,227	8,768	860	126,799
10	Liabilities with matching interdependent assets	-	-	-	-	-
11	Other liabilities:	21,036	21,227	920	2,909	3,370
12	Net derivative liabilities	-				
13	All other funding and liabilities not included in the above categories	21,036	21,227	920	2,909	3,370
14	Total ASF					1,076,544
B. Required stable funding ("RSF") item						
15	Total HQLA for NSFR purposes	1	322,243	-	-	8,648
16	Deposits held at other financial institutions for operational purposes		-	-	-	-
17	Performing loans and securities:	38,719	289,030	78,215	606,605	642,781
18	Performing loans to financial institutions secured by Level 1 HQLA	-	-	-	-	-
19	Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	9	64,690	1,993	8,199	18,907
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:	35,144	186,057	61,792	324,214	428,828
21	With a risk-weight of less than or equal to 35% under the STC approach	21	4,086	1,165	2,676	4,365
22	Performing residential mortgages, of which:	-	6,486	6,368	260,496	183,362
23	With a risk-weight of less than or equal to 35% under the STC approach	-	5,480	5,443	222,432	150,043
24	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	3,566	31,797	8,062	13,696	11,684
25	Assets with matching interdependent liabilities	-	-	-	-	-
26	Other assets:	69,386	18,511	51	1,066	61,181
27	Physical traded commodities, including gold	3,905				3,320
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs	1,199				1,020
29	Net derivative assets	295				295
30	Total derivative liabilities before deduction of variation margin posted	2,684				N/A
31	All other assets not included in the above categories	61,303	18,511	51	1,066	56,546
32	Off-balance sheet items	1		496,639		3,568
33	Total RSF					716,178
34	Net Stable Funding Ratio (%)					150.3%

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

BANKING DISCLOSURE STATEMENT (unaudited) (continued)

Other disclosures

Mainland activities exposures

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

Table 41: Mainland activities exposures

	On-balance sheet exposure	Off-balance sheet exposure	Total exposures
As at 30 Jun 2019	HK\$m	HK\$m	HK\$m
Type of Counterparties			
1 Central government, central government-owned entities and their subsidiaries and joint ventures ("JVs")	49,998	1,424	51,422
2 Local governments, local government-owned entities and their subsidiaries and JVs	18,736	3,698	22,434
3 PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	89,190	28,260	117,450
4 Other entities of central government not reported in item 1 above	8,491	1,637	10,128
5 Other entities of local governments not reported in item 2 above	3,333	11	3,344
6 PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	33,399	2,637	36,036
7 Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	13,529	447	13,976
Total	216,676	38,114	254,790
Total assets after provision	1,508,940		
On-balance sheet exposures as percentage of total assets	14.36%		

On-balance sheet exposures as percentage of total assets remained stable as compared with 2018 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 42: International claims

	Banks	Official Sector	Non Bank Financial Institution	Non-Financial Private Sector	Others	Total
As at 30 Jun 2019	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m
Developed countries	41,590	56,331	14,489	56,629	-	169,039
Offshore centres	11,553	11,210	3,978	117,538	-	144,279
of which : Hong Kong SAR	5,582	1,476	3,575	98,785	-	109,418
Developing Asia and Pacific	91,797	20,852	12,672	75,906	-	201,227
of which : China	59,413	20,818	11,588	68,743	-	160,562

At 30 June 2019, only claims on Hong Kong SAR and China were the individual countries and territories or areas, which were not less than 10% of the Group's total international claims.

BANKING DISCLOSURE STATEMENT (unaudited) (continued)

Foreign exchange exposures

The Group's foreign exchange exposures mainly comprise foreign exchange dealing by Global Markets and currency exposures originated by its banking business. The latter are transferred to Global Markets where they are centrally managed within foreign exchange position limits approved by the Group's Chief Risk Officer, noting the support of Risk Management Meeting ("RMM"). The net options position is calculated on the basis of delta-weighted positions of all foreign exchange options contracts.

The Group's structural foreign exchange exposure, monitored using sensitivity analysis, represents the Group's foreign currency investments in subsidiaries, branches and associates, and the fair value of the Group's long-term foreign currency equity investments. The Group's structural foreign exchange exposures are managed by the Group's ALCO with the primary objective of ensuring, where practical, that the Group's and the Bank's capital ratios are largely protected from the effect of changes in exchange rates.

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

At 30 June 2019, the US dollars ("USD"), Chinese renminbi ("RMB"), New Zealand dollars ("NZD"), Gold ("GOL"), Australian dollars ("AUD") and Euro ("EUR") were the currencies in which the Group had non-structural foreign currency positions that were not less than 10% of the total net position in all foreign currencies. The Group also had a RMB structural foreign currency position, which was not less than 10% of the total net structural position in all foreign currencies.

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

Table 43: Foreign exchange exposures

As at 30 Jun 2019	USD HK\$m	RMB HK\$m	NZD HK\$m	GOL HK\$m	AUD HK\$m	EUR HK\$m	Other foreign currencies HK\$m	Total foreign currencies HK\$m
Non-structural position								
Spot assets	235,244	118,904	3,385	3,611	26,766	18,076	65,526	471,512
Spot liabilities	(220,282)	(120,161)	(4,466)	(4,034)	(21,025)	(12,543)	(33,642)	(416,153)
Forward purchases	450,669	151,301	4,481	2,154	13,965	9,736	26,138	658,444
Forward sales	(463,431)	(151,317)	(3,681)	(1,595)	(20,024)	(15,193)	(57,932)	(713,173)
Net options position	(330)	(48)	66	-	438	24	(35)	115
Net long/(short) non-structural position	1,870	(1,321)	(215)	136	120	100	55	745
Structural position	-	15,934	-	-	-	-	1,290	17,224

BANKING DISCLOSURE STATEMENT (unaudited) (continued)

Other information

Abbreviations

A		ISDA	International Swaps and Derivatives Association
AI	Authorised institution	J	Jurisdiction
ALCO	Asset and Liability Management Committee	JCCyB	Jurisdictional countercyclical capital buffer
ASF	Available stable funding	JVs	Joint ventures
AT1	Additional tier 1	L	
AUD	Australian dollars	LAC	Loss-absorbing capacity
B		LCR	Liquidity coverage ratio
Bank	Hang Seng Bank Limited	LGD	Loss given default
BCBS	Basel Committee on Banking Supervision	LR	Leverage ratio
BCR	Banking (Capital) Rules	LTA	Look through approach
BDR	Banking (Disclosure) Rules	M	
BLR	Banking (Liquidity) Rules	MBA	Mandate-based approach
BSC	Basic approach	MSRs	Mortgage servicing rights
C		N	
CCF	Credit conversion factor	N/A	Not applicable
CCP	Central counterparty	NSFR	Net stable funding ratio
CCR	Counterparty credit risk	NZD	New Zealand dollars
CCyB	Countercyclical capital buffer	O	
CEM	Current exposure method	OBS	Off-balance sheet
CET1	Common equity tier 1	OF	Object finance
CF	Commodities finance	OTC	Over-the-counter
CIS	Collective investment scheme	P	
CRC	Comprehensive risk charge	PD	Probability of default
CRM	Credit risk mitigation	PF	Project finance
CSA	Credit support annex	PFE	Potential future exposure
CVA	Credit valuation adjustment	PRC	People's Republic of China
D		PSE	Public sector entity
D-SIB	Domestic systemically important authorised institution	PVIF	Present value of in-force long-term insurance business
DTAs	Deferred tax assets	Q	
E		QRRE	Qualifying revolving retail exposures
EAD	Exposure at default	R	
ECL	Expected credit loss	RC	Replacement cost
EL	Expected loss	RMB	Renminbi
EPE	Expected positive exposure	RMM	Risk Management Meeting
EUR	Euro	RW	Risk-weight
F		RWA	Risk-weighted asset/risk-weighted amount
FBA	Fall-back approach	S	
G		SA-CCR	Standardised approach for counterparty credit risk
G-SIB	Global systemically important authorised institution	SEC-ERBA	Securitisation external ratings-based approach
GOL	Gold	SEC-FBA	Securitisation fall-back approach
Group	Hang Seng Bank Limited together with its subsidiaries	SEC-IRBA	Securitisation internal ratings-based approach
H		SEC-SA	Securitisation standardised approach
HK\$bn	Billions (thousands of millions) of Hong Kong dollars	SFT	Securities financing transaction
HK\$m	Millions of Hong Kong dollars	SRW	Supervisory risk-weight
HKFRS	Hong Kong Financial Reporting Standards	STC	Standardised (credit risk) approach
HKMA	Hong Kong Monetary Authority	STM	Standardised (market risk) approach
Hong Kong	The Hong Kong Special Administrative Region of the People's Republic of China	STO	Standardised (operational risk) approach
HQLA	High quality liquid assets	T	
HVCRE	High-volatility commercial real estate	T1	Tier1
I		T2	Tier2
IAA	Internal assessment approach	U	
IMM	Internal models approach	USD	US dollars
IMM(CCR)	Internal models (counterparty credit risk) approach	V	
IPRE	Income-producing real estate	VaR	Value at risk
IRB	Internal ratings-based approach		
IRC	Incremental risk charge		