



恒生銀行
HANG SENG BANK

Banking Disclosure Statement

30 June 2021

(Unaudited)

BANKING DISCLOSURE STATEMENT *(unaudited)*

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Prefixes contained in the table names, where applicable, represent the reference codes of the standard disclosure templates and tables issued by the HKMA. Where applicable, RWA in tables 1, 4, 5, 11 and 12 are applied with 1.06 scaling factor, while RWA in other tables are before such application.

BANKING DISCLOSURE STATEMENT *(unaudited) (continued)*

Introduction

Purpose

The information contained in this document is for Hang Seng Bank Limited ('the Bank') and its subsidiaries (together 'the Group') to comply with the Banking (Disclosure) Rules ('BDR') made under section 60A of the Banking Ordinance and the Financial Institutions (Resolution) (Loss-absorbing Capacity Requirements – Banking Sector) Rules ('LAC Rules') made under section 19(1) of the Financial Institutions (Resolution) Ordinance ('FIRO').

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

Basis of preparation

Except where indicated otherwise, the financial information contained in this Banking Disclosure Statement has been prepared on a consolidated basis. The basis of consolidation for regulatory capital purposes is different from that for accounting purposes. Information regarding subsidiaries that are not included in the consolidation for regulatory purposes is set out in the 'Basis of consolidation section' in this document.

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

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

The Banking Disclosure Statement

The Group's Banking Disclosure Statement at 30 June 2021 comprises Pillar 3 information required under the framework of the Basel committee on Banking Supervision ('BCBS'). The disclosures are made in accordance with the latest BDR and the LAC Rules issued by the Hong Kong Monetary Authority ('HKMA').

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

BANKING DISCLOSURE STATEMENT (unaudited) (continued)
Key metrics

Table 1: KM1 – Key prudential ratios

		a	b	c	d	e
		At				
	Footnotes	30 Jun 2021	31 Mar 2021	31 Dec 2020	30 Sep 2020	30 Jun 2020
Regulatory capital (HK\$m)	<i>1</i>					
1 Common Equity Tier 1 ('CET1')		116,224	117,488	118,609	114,467	112,308
2 Tier 1		127,968	129,232	130,353	126,211	124,052
3 Total capital		139,010	139,806	141,070	137,386	135,376
RWA (HK\$m)	<i>1</i>					
4 Total RWA		734,532	707,658	705,528	706,871	687,404
Risk-based regulatory capital ratios (as a percentage of RWA)	<i>1</i>					
5 CET1 ratio (%)		15.8	16.6	16.8	16.2	16.3
6 Tier 1 ratio (%)		17.4	18.3	18.5	17.9	18.0
7 Total capital ratio (%)		18.9	19.8	20.0	19.4	19.7
Additional CET1 buffer requirements (as a percentage of RWA)	<i>1</i>					
8 Capital conservation buffer requirement (%)		2.500	2.500	2.500	2.500	2.500
9 Countercyclical capital buffer ('CCyB') requirement (%)	<i>2</i>	0.821	0.824	0.829	0.836	0.830
10 Higher loss absorbency requirements (%) (applicable only to Global systemically important authorised institution (G-SIBs) or Domestic systemically important authorised institution (D- SIBs))		1.000	1.000	1.000	1.000	1.000
11 Total authorised institution ('AI')-specific CET1 buffer requirements (%)		4.321	4.324	4.329	4.336	4.330
12 CET1 available after meeting the AI's minimum capital requirements (%)		10.9	11.8	12.0	11.4	11.7
Basel III leverage ratio	<i>3</i>					
13 Total leverage ratio ('LR') exposure measure (HK\$m)		1,679,783	1,620,143	1,641,358	1,647,574	1,632,393
14 LR (%)		7.6	8.0	7.9	7.7	7.6
Liquidity Coverage Ratio ('LCR')	<i>4</i>					
15 Total high quality liquid assets ('HQLA') (HK\$m)		373,629	394,118	401,898	373,182	333,086
16 Total net cash outflows (HK\$m)		174,649	194,172	194,202	187,369	168,382
17 LCR (%)		214.4	204.0	207.8	199.4	198.0
Net Stable Funding Ratio ('NSFR')	<i>5</i>					
18 Total available stable funding (HK\$m)		1,151,904	1,146,675	1,165,359	1,144,760	1,159,538
19 Total required stable funding (HK\$m)		785,840	762,141	762,106	767,213	768,157
20 NSFR (%)		146.6	150.5	152.9	149.2	151.0

1 The regulatory capital, RWA, risk-based regulatory capital ratios and additional CET1 buffer requirements above are based on or derived from the information as contained in the 'Capital Adequacy Ratio - (MA(BS)3)' return submitted to the HKMA on a consolidated basis under the requirements of section 3C(1) of the Banking (Capital) Rules ('BCR').

2 The jurisdictional CCyB of other countries used in the calculation of the CCyB requirement at quarter end ranged from 0% to 1.0% at 30 June 2021.

3 The Basel III leverage ratios are disclosed in accordance with the information contained in the 'Leverage Ratio - (MA(BS)27)' return submitted to the HKMA under the requirements specified in Part 1C of the BCR.

4 The LCRs shown are the simple average values of all working days in the reporting periods and are made in accordance with the requirements specified in the 'Liquidity Position - (MA(BS)1E)' return submitted to the HKMA under rule 11(1) of the Banking (Liquidity) Rules ('BLR').

5 The NSFR disclosures are made in accordance with the information contained in the 'Stable Funding Position - (MA(BS)26)' return submitted to the HKMA under the requirements specified in rule 11(1) of the BLR.

BANKING DISCLOSURE STATEMENT (unaudited) (continued)

Structure of the regulatory group

Basis of consolidation

The basis of consolidation for financial accounting purposes is in accordance with Hong Kong Financial Reporting Standards ('HKFRS'), as described in note 3 on the condensed consolidated financial statements in the 2021 Interim Report.

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

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

For insurance entities, the present value of in-force long-term insurance business ('PVIF') asset of HK\$22,682m and the related deferred tax liability of HK\$3,743m are only recognised on consolidation in financial reporting and are therefore not included in the asset or equity positions for the stand-alone entities presented in the below table.

There are also no subsidiaries which are included within the regulatory scope of consolidation but not included within the accounting scope of consolidation as at 30 June 2021.

For all subsidiaries included in both the accounting and regulatory scope of consolidation, the same consolidation methodology is applied at 30 June 2021.

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 2021, the effect of this requirement is to restrict the amount of reserves which can be distributed to shareholders by HK\$1,997m.

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 2021.

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 2021	
		Total assets*	Total equity*
		HK\$m	HK\$m
Hang Seng Investment Management Ltd	Fund management	477	442
Hang Seng Investment Services Ltd	Provision of investment commentaries	9	9
Hang Seng Securities Ltd	Stockbroking	3,198	789
Hang Seng Insurance Co. Ltd and its subsidiaries	Retirement benefits and life assurance	180,312	14,512
Hang Seng Qianhai Fund Management Co. Ltd	Fund raising, fund sales and asset management	314	300

* 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 standardised (counterparty credit risk) ('SA-CCR') approach to calculate its default risk exposures. For market risk, the Group uses an internal models ('IMM') approach to calculate its general market risk for the risk categories of interest rate and foreign exchange (including gold) exposures and the standardised (market risk) ('STM') approach for calculating other market risk positions. For operational risk, the Group uses the standardised (operational risk) ('STO') approach to calculate its operational risk.

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

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

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

	a	b	c
	Balance sheet as in published financial statements As at 30 Jun 2021 HK\$m	Under regulatory scope of consolidation As at 30 Jun 2021 HK\$m	Cross-referenced to Definition of Capital Components
Assets			
Cash and balances at central banks	12,283	12,283	
Trading assets	32,299	32,277	
Derivative financial instruments	12,985	13,035	
Financial assets designated and otherwise mandatorily measured at fair value through profit or loss	25,783	77	
Reverse repurchase agreements – non-trading	14,733	22,711	
Placings with and advances to banks	61,791	56,776	
Loans and advances to customers	1,013,463	1,014,817	
<i>of which: Impairment allowances eligible for inclusion in Tier 2 capital</i>		733	(1)
Financial investments	499,236	367,635	
Investment in subsidiaries	-	7,344	
Subordinated loans to subsidiaries	-	1,045	(2)
Interest in associates	2,351	-	
Investment properties	9,808	6,741	
Premises, plant and equipment	30,566	30,559	
Intangible assets	25,189	2,174	(3)
Other assets	59,728	42,613	
<i>of which: Deferred tax assets ('DTAs')</i>		106	(4)
<i>Defined benefit pension fund net assets</i>		17	(5)
Total assets	1,800,215	1,610,087	
Liabilities			
Deposits from banks	22,196	22,196	
Current, savings and other deposit accounts	1,190,438	1,192,569	
Repurchase agreements – non-trading	20,405	16,705	
Trading liabilities	27,494	27,494	
Derivative financial instruments	12,780	13,085	
<i>of which: Gains and losses due to changes in own credit risk on fair valued liabilities</i>		10	(6)
Financial liabilities designated at fair value	35,809	35,400	
<i>of which: Gains and losses due to changes in own credit risk on fair valued liabilities</i>		(5)	(7)
Certificates of deposit and other debt securities in issue	79,418	79,418	
Other liabilities	51,563	43,110	
Liabilities under insurance contracts	148,475	-	
Current tax liabilities	923	519	
Deferred tax liabilities	7,461	3,660	
<i>of which: Deferred tax liabilities related to intangible assets</i>		336	(8)
<i>Deferred tax liabilities related to defined benefit pension fund</i>		3	(9)
Subordinated liabilities	19,486	19,486	
Total liabilities	1,616,448	1,453,642	
Equity			
Share capital	9,658	9,658	(10)
Retained profits	139,222	112,030	(11)
<i>of which: Revaluation gains of investment properties</i>		6,180	(12)
<i>Regulatory reserve for general banking risks</i>		1,997	(13)
<i>Regulatory reserve eligible for inclusion in Tier 2 capital</i>		401	(14)
<i>Valuation adjustments</i>		151	(15)
Other equity instruments	11,744	11,744	(16)
Other reserves	23,053	23,013	(17)
<i>of which: Cash flow hedge reserve</i>		25	(18)
<i>Valuation adjustments</i>		1	(19)
<i>Revaluation reserve of properties</i>		18,160	(20)
Total shareholders' equity	183,677	156,445	
Non-controlling interests	90	-	
Total equity	183,767	156,445	
Total equity and liabilities	1,800,215	1,610,087	

BANKING DISCLOSURE STATEMENT (unaudited) (continued)

Capital and RWA

Regulatory capital disclosures

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

Table 4: CC1 – Composition of regulatory capital

	a	b
	Component of regulatory capital HK\$m	Cross-referenced to Table 3 Source based on reference numbers/ letters of the balance sheet under the regulatory scope of consolidation
As at 30 June 2021		
CET1 capital: instruments and reserves		
1	9,658	(10)
2	112,030	(11)
3	23,013	(17)
4	Not applicable	Not applicable
5	-	
6	144,701	
CET1 capital: regulatory deductions		
7	152	(15) + (19)
8	-	
9	1,838	(3) - (8)
10	106	(4)
11	25	(18)
12	-	
13	-	
14	5	(6) + (7)
15	14	(5) - (9)
16	-	
17	-	
18	-	
19	-	
20	Not applicable	Not applicable
21	Not applicable	Not applicable
22	Not applicable	Not applicable
23	Not applicable	Not applicable
24	Not applicable	Not applicable
25	Not applicable	Not applicable
26	26,337	
26a	24,340	(12) + (20)
26b	1,997	(13)
26c	-	
26d	-	
26e	-	
26f	-	
27	-	
28	28,477	
29	116,224	

BANKING DISCLOSURE STATEMENT (unaudited) (continued)

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

	a	b
		Cross-referenced to Table 3
	Component of regulatory capital 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	127,968	
Tier 2 capital: instruments and provisions		
46	-	
47	-	
48	-	
49	-	
50	1,134	(1) + (14)
51	1,134	
Tier 2 capital: regulatory deductions		
52	-	
53	-	
54	-	
54a	-	
55	1,045	(2)
55a	-	
56	(10,953)	
56a	(10,953)	((12) + (20))*45%
56b	-	
57	(9,908)	
58	11,042	
59	139,010	
60	734,532	

BANKING DISCLOSURE STATEMENT (unaudited) (continued)

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

	a	b
	Component of regulatory capital HK\$m	Cross-referenced to Table 3 Source based on reference numbers/ letters of the balance sheet under the regulatory scope of consolidation
Capital ratios (as a percentage of RWA)		
61	15.8%	
62	17.4%	
63	18.9%	
64	4.321%	
65	2.500%	
66	0.821%	
67	1.000%	
68	10.9%	
National minima (if different from Basel 3 minimum)		
69	Not applicable	Not applicable
70	Not applicable	Not applicable
71	Not applicable	Not applicable
Amounts below the thresholds for deduction (before risk weighting)		
72	5,383	
73	7,675	
74	Not applicable	Not applicable
75	Not applicable	Not applicable
Applicable caps on the inclusion of provisions in Tier 2 capital		
76	480	
77	926	
78	654	
79	3,520	
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2018 and 1 Jan 2022)		
80	Not applicable	Not applicable
81	Not applicable	Not applicable
82	-	
83	-	
84	-	
85	-	

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

Notes to the template:

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

As at 30 Jun 2021	Hong Kong basis HK\$m	Basel III basis HK\$m
10 Deferred tax assets (net of associated deferred tax liabilities)	106	-

Explanation

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

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

Remarks:

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

BANKING DISCLOSURE STATEMENT (unaudited) (continued)

Countercyclical capital buffer ratio

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

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

As at 30 Jun 2021		a	c	d	e
Geographical breakdown by Jurisdiction ('J')		Applicable JCCyB ratio in effect	RWA used in computation of CCyB ratio	AI-specific CCyB ratio	CCyB amount
	Footnotes	%	HK\$m	%	HK\$m
1	Hong Kong SAR	1	1.000	505,410	
2	Luxembourg		0.500	187	
3	Norway		1.000	1	
	Sum	2		505,598	
	Total	3		615,585	0.821 6,031

- 1 The jurisdictional CCyB of Hong Kong used in the calculation of CCyB requirement at quarter end was 1.0% since 31 March 2020.
- 2 This represents the sum of RWA for the private sector credit exposures in jurisdictions with a non-zero countercyclical buffer rate.
- 3 The total RWA used in the computation of the CCyB ratio in column (c) represents the total RWA for the private sector credit exposures in all jurisdictions to which the bank is exposed, including jurisdictions with no countercyclical buffer rate or with a countercyclical buffer rate set at zero. The CCyB amount in column (e) represents the Group's total RWA multiplied by the AI-specific CCyB ratio in column (d).

BANKING DISCLOSURE STATEMENT (unaudited) (continued)
Leverage ratio

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

Table 6: LR2 – Leverage ratio

	a	b	
	30 Jun 2021 HK\$m	31 Mar 2021 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)	1,561,816	1,506,081
2	Less: Asset amounts deducted in determining Tier 1 capital	(28,472)	(27,412)
3	Total on-balance sheet exposures (excluding derivative contracts and SFTs)	1,533,344	1,478,669
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)	6,299	8,194
5	Add-on amounts for PFE associated with all derivative contracts	21,749	13,631
6	Gross-up for collateral provided in respect of derivative contracts where deducted from the balance sheet assets pursuant to the applicable accounting framework	-	-
7	Less: Deductions of receivables assets for cash variation margin provided under derivative contracts	-	-
8	Less: Exempted Central counterparty (CCP) leg of client-cleared trade exposures	-	-
9	Adjusted effective notional amount of written credit-related derivative contracts	-	-
10	Less: Adjusted effective notional offsets and add-on deductions for written credit-related derivative contracts	-	-
11	Total exposures arising from derivative contracts	28,048	21,825
Exposures arising from SFTs			
12	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	40,377	38,120
13	Less: Netted amounts of cash payables and cash receivables of gross SFT assets	-	-
14	Counterparty credit risk (CCR) exposure for SFT assets	544	645
15	Agent transaction exposures	-	-
16	Total exposures arising from SFTs	40,921	38,765
Other off-balance sheet exposures			
17	Off-balance sheet exposure at gross notional amount	521,762	525,941
18	Less: Adjustments for conversion to credit equivalent amounts	(439,017)	(439,821)
19	Off-balance sheet items	82,745	86,120
Capital and total exposures			
20	Tier 1 capital	127,968	129,232
20a	Total exposures before adjustments for specific and collective provisions	1,685,058	1,625,379
20b	Adjustments for specific and collective provisions	(5,275)	(5,236)
21	Total exposures after adjustments for specific and collective provisions	1,679,783	1,620,143
Leverage ratio			
22	Leverage ratio	7.6%	8.0%

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

As at 30 Jun 2021	a	
Item	Value under the LR framework HK\$m	
1	Total consolidated assets as per published financial statements	1,800,215
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	(180,069)
2a	Adjustment for securitised exposures that meet the operational requirements for the recognition of risk transference	-
3	Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting standard but excluded from the LR exposure measure	-
3a	Adjustments for eligible cash pooling transactions	-
4	Adjustments for derivative contracts	15,013
5	Adjustment for SFTs (i.e. repos and similar secured lending)	544
6	Adjustment for off-balance sheet (OBS) items (i.e. conversion to credit equivalent amounts of OBS exposures)	82,745
6a	Adjustments for prudent valuation adjustments and specific and collective provisions that are allowed to be excluded from exposure measure	(5,427)
7	Other adjustments	(33,238)
8	Leverage ratio exposure measure	1,679,783

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

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

Table 8: OV1 – Overview of RWA

	a	b	c
	RWA ¹		Minimum ² capital requirements
	30 Jun 2021	31 Mar 2021	30 Jun 2021
	HK\$m	HK\$m	HK\$m
1 Credit risk for non-securitisation exposures	579,790	552,306	48,815
2 <i>Of which: STC approach</i>	73,408	72,441	5,873
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>	22,194	19,277	1,882
5 <i>Of which: Advanced IRB approach</i>	484,188	460,588	41,060
6 Counterparty default risk and default fund contributions	6,975	4,473	588
7 <i>Of which: Standardised approach for counterparty credit risk ('SA-CCR')</i>	6,768	Not applicable	571
7a <i>Of which: Current exposure method ('CEM')</i>	-	4,190	-
8 <i>Of which: Internal models (counterparty credit risk) ('IMM(CCR)') approach</i>	-	-	-
9 <i>Of which: Others</i>	207	283	17
10 Credit valuation adjustment ('CVA') risk	6,718	3,883	537
11 Equity positions in banking book under the simple risk-weight method and internal models method	21,534	28,907	1,826
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	16,676	14,241	1,334
21 <i>Of which: STM approach</i>	194	304	15
22 <i>Of which: IMM approach</i>	16,482	13,937	1,319
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	63,833	65,878	5,107
24a Sovereign concentration risk	-	-	-
25 Amounts below the thresholds for deduction (subject to 250% Risk-weight ('RW'))	19,188	19,188	1,627
26 Capital floor adjustment	-	-	-
26a Deduction to RWA	(13,387)	(13,151)	(1,071)
26b <i>Of which: Portion of regulatory reserve for general banking risks and collective provisions which is not included in Tier 2 Capital</i>	-	-	-
26c <i>Of which: Portion of cumulative fair value gains arising from the revaluation of land and buildings which is not included in Tier 2 Capital</i>	(13,387)	(13,151)	(1,071)
27 Total	701,327	675,725	58,763

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

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

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

Total RWA (before any applicable scaling factor) increased by HK\$25.6bn since last quarter. Credit risk RWA for non-securitisation exposures was the key contributor which increased by HK\$27.5bn mainly driven by loan growth. Meanwhile, RWA on counterparty default risk and CVA was up by HK\$5.3bn mainly due to the implementation of SA-CCR approach to calculate default risk exposures starting from 30 June 2021. The movement was partly offset by the decrease in RWA on equity positions in banking book under the simple risk-weight method by HK\$7.4bn due to value depreciation on holding.

BANKING DISCLOSURE STATEMENT (unaudited) (continued)

RWA flow statements

RWA flow statement for credit risk

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

	a
	Amount
	HK\$m
1 RWA as at end of previous reporting period (31 Mar 2021)	479,865
2 Asset size	24,239
3 Asset quality	2,352
4 Model updates	-
5 Methodology and policy	-
6 Acquisitions and disposals	-
7 Foreign exchange movements	259
8 Other	(333)
9 RWA as at end of reporting period (30 Jun 2021)	506,382

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

RWA increased by HK\$26.5bn in the second quarter of 2021. It was mainly due to an increase of HK\$24.2bn in asset size driven by loan growth.

RWA flow statement for market risk

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

	a	b	c	d	e	f
	Value at risk ('VaR') HK\$m	Stressed VaR HK\$m	Incremental risk charge (‘IRC’) HK\$m	Comprehensive risk charge (‘CRC’) HK\$m	Other HK\$m	Total RWA HK\$m
1 RWA as at end of previous reporting period (31 Mar 2021)	5,642	8,295	-	-	-	13,937
2 Movement in risk levels	(444)	3,004	-	-	-	2,560
3 Model updates/changes	-	-	-	-	-	-
4 Methodology and policy	-	-	-	-	-	-
5 Acquisitions and disposals	-	-	-	-	-	-
6 Foreign exchange movements	(6)	(9)	-	-	-	(15)
7 Other	-	-	-	-	-	-
8 RWA as at end of reporting period (30 Jun 2021)	5,192	11,290	-	-	-	16,482

The increase in market risk RWA was mainly driven by changes in Offshore renminbi (‘CNH’) interest rate trading positions.

BANKING DISCLOSURE STATEMENT (unaudited) (continued)

Loss-absorbing Capacity

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

	a	b	c	d	e
	At				
	30 Jun	31 Mar	31 Dec	30 Sep	30 Jun
	2021	2021	2020	2020	2020
Of the material entity at LAC consolidation group level					
1 Internal loss-absorbing capacity available (HK\$m)	158,496	159,296	160,551	156,866	154,856
2 Risk-weighted amount under the LAC Rules (HK\$m)	734,532	707,658	705,528	706,871	687,404
3 Internal LAC risk-weighted ratio (%)	21.6	22.5	22.8	22.2	22.5
4 Exposure measure under the LAC Rules (HK\$m)	1,678,738	1,619,098	1,640,313	1,646,529	1,631,348
5 Internal LAC leverage ratio (%)	9.4	9.8	9.8	9.5	9.5
6a Does the subordination exemption in the antepenultimate paragraph of Section 11 of the FSB TLAC Term Sheet apply?	<i>1</i> Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
6b Does the subordination exemption in the penultimate paragraph of Section 11 of the FSB TLAC Term Sheet apply?	<i>1</i> Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
6c If the capped subordination exemption applies, the amount of funding issued that ranks pari passu with excluded liabilities and that is recognised as external loss-absorbing capacity, divided by funding issued that ranks pari passu with excluded liabilities and that would be recognised as external loss-absorbing capacity if no cap was applied	<i>1</i> Not applicable	Not applicable	Not applicable	Not applicable	Not applicable

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

BANKING DISCLOSURE STATEMENT (unaudited) (continued)

Table 12: TLAC1(A) – TLAC composition

As at 30 Jun 2021		a
		Amount
Regulatory capital elements of internal loss-absorbing capacity and adjustments (HK\$m)		
1	Common Equity Tier 1 ('CET1') capital	116,224
2	Additional Tier 1 ('AT1') capital before LAC adjustments	11,744
3	AT1 capital instruments ineligible as internal loss-absorbing capacity as not issued directly or indirectly to, and held directly or indirectly by, the resolution entity or non-HK resolution entity in the material subsidiary's resolution group	-
4	Other adjustments	-
5	AT1 capital eligible under the LAC Rules	11,744
6	Tier 2 ('T2') capital before LAC adjustments	11,042
7	Amortised portion of T2 capital instruments that are internal LAC debt instruments issued directly or indirectly to, and held directly or indirectly by, the resolution entity or non-HK resolution entity in the material subsidiary's resolution group	-
8	T2 capital instruments ineligible as internal loss-absorbing capacity as not issued directly or indirectly to, and held directly or indirectly by, the resolution entity or non-HK resolution entity in the material subsidiary's resolution group	-
9	Other adjustments	-
10	T2 capital eligible under the LAC Rules	11,042
11	Internal loss-absorbing capacity arising from regulatory capital	139,010
Non-regulatory capital elements of internal loss-absorbing capacity (HK\$m)		
12	Internal non-capital LAC debt instruments issued directly or indirectly to, and held indirectly or indirectly by, the resolution entity or non-HK resolution entity in the material subsidiary's resolution group	19,486
17	Internal loss-absorbing capacity arising from non-capital LAC debt instruments before adjustments	19,486
Non-regulatory capital elements of internal loss-absorbing capacity: adjustments (HK\$m)		
18	Internal loss-absorbing capacity before deductions	158,496
19	Deductions of exposures between the material subsidiary's LAC consolidation group and group companies outside that group that correspond to non-capital items eligible for internal loss-absorbing capacity	-
20	Deduction of holdings of its own non-capital LAC liabilities	-
21	Other adjustments to internal loss-absorbing capacity	-
22	Internal loss-absorbing capacity after deductions	158,496
Risk-weighted amount and exposure measure under the LAC Rules for internal loss-absorbing capacity purposes (HK\$m)		
23	Risk-weighted amount under the LAC Rules	734,532
24	Exposure measure under the LAC Rules	1,678,738
Internal LAC ratios and buffers (%)		
25	Internal LAC risk-weighted ratio	21.6
26	Internal LAC leverage ratio	9.4
27	CET1 capital (as a percentage of RWA under the BCR) available after meeting the LAC consolidation group's minimum capital and LAC requirements	9.6
28	Institution-specific buffer requirement (capital conservation buffer plus countercyclical capital buffer requirements plus higher loss absorbency requirement, expressed as a percentage of RWA under the BCR)	4.321
29	<i>Of which: capital conservation buffer requirement</i>	2.500
30	<i>Of which: institution-specific countercyclical capital buffer requirement</i>	0.821
31	<i>Of which: higher loss absorbency requirement</i>	1.000

BANKING DISCLOSURE STATEMENT (unaudited) (continued)

Table 13: TLAC2 – Hang Seng Bank Limited creditor ranking

	Creditor ranking (HK\$m)				Sum of values in columns 1 to 3
	1 (most junior)	1 (most junior)	2 (most senior)	3 (most senior)	
1 Is the resolution entity or a non-HK resolution entity the creditor/investor? (yes or no) ¹	No	Yes	Yes	Yes	
2 Description of creditor ranking	Ordinary shares ²	Ordinary shares ²	AT1 instruments	LAC loans	
3 Total capital and liabilities net of credit risk mitigation	3,657	6,001	11,744	19,486	40,888
4 Subset of row 3 that is excluded liabilities	-	-	-	-	-
5 Total capital and liabilities less excluded liabilities	3,657	6,001	11,744	19,486	40,888
6 Subset of row 5 that are eligible as internal loss-absorbing capacity	3,657	6,001	11,744	19,486	40,888
7 Subset of row 6 with 1 year ≤ residual maturity < 2 years	-	-	-	-	-
8 Subset of row 6 with 2 years ≤ residual maturity < 5 years	-	-	-	6,240	6,240
9 Subset of row 6 with 5 years ≤ residual maturity < 10 years	-	-	-	13,246	13,246
10 Subset of row 6 with residual maturity ≥ 10 years, but excluding perpetual securities	-	-	-	-	-
11 Subset of row 6 that is perpetual securities	3,657	6,001	11,744	-	21,402

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

2 Excludes the value of reserves attributable to ordinary shareholders.

BANKING DISCLOSURE STATEMENT (unaudited) (continued)

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

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

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

(i) Instruments that meet both regulatory capital and LAC requirements		a
As at 30 Jun 2021		Quantitative / qualitative information
		Ordinary shares
1	Issuer	Hang Seng Bank Limited
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	HK0011000095
3	Governing law(s) of the instrument	Laws of Hong Kong
3a	Means by which enforceability requirement of Section 13 of the TLAC Term Sheet is achieved (for non-capital LAC debt instruments governed by non-Hong Kong law)	N/A
	<i>Regulatory treatment</i>	
4	Transitional Basel III rules ¹	N/A
5	Post-transitional Basel III rules ²	CET1
6	Eligible at solo / group / solo and group (for regulatory capital purposes)	Solo and Group
6a	Eligible at solo / LAC consolidation group / solo and LAC consolidation group (for LAC purposes)	Solo and LAC consolidation group
7	Instrument type (types to be specified by each jurisdiction)	Ordinary shares
8	Amount recognised in regulatory capital (currency in millions, as of most recent reporting date)	HK\$ 9,658 million
8a	Amount recognised in loss-absorbing capacity (currency in millions, as of most recent reporting date)	HK\$ 9,658 million
9	Par value of instrument	No par value (Total amount HK\$ 9,658 million)
10	Accounting classification	Shareholders' equity
11	Original date of issuance	Various
12	Perpetual or dated	Perpetual
13	Original maturity date	No maturity
14	Issuer call subject to prior supervisory approval	N/A
15	Optional call date, contingent call dates and redemption price	N/A
16	Subsequent call dates, if applicable	N/A
	<i>Coupons / dividends</i>	
17	Fixed or floating dividend/coupon	N/A
18	Coupon rate and any related index	N/A
19	Existence of a dividend stopper	N/A
20	Fully discretionary, partially discretionary or mandatory	Fully discretionary
21	Existence of step up or other incentive to redeem	N/A
22	Non-cumulative or cumulative	Non-cumulative
23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, specify instrument type convertible into	N/A
29	If convertible, specify issuer of instrument it converts into	N/A
30	Write-down feature	No
31	If write-down, write-down trigger(s)	N/A
32	If write-down, full or partial	N/A
33	If write-down, permanent or temporary	N/A
34	If temporary write-down, description of write-up mechanism	N/A
34a	Type of subordination	Contractual
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument in the insolvency creditor hierarchy of the legal entity concerned)	Immediately subordinate to AT1 instruments (columns b and c)
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	N/A
	Terms and conditions	Terms and conditions - Ordinary shares

Footnotes:

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

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

³ Subject to FIRO

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

[Master terms and conditions](#)

BANKING DISCLOSURE STATEMENT (unaudited) (continued)

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

		b	c
As at 30 Jun 2021		Quantitative / qualitative information	
		Perpetual subordinated loan (US\$ 900 million)	Perpetual subordinated loan (US\$ 600 million)
1	Issuer	Hang Seng Bank Limited	Hang Seng Bank Limited
2	Unique identifier	N/A	N/A
3	Governing law(s) of the instrument	Laws of Hong Kong	Laws of Hong Kong
3a	Means by which enforceability requirement of Section 13 of the TLAC Term Sheet is achieved	N/A	N/A
	<i>Regulatory treatment</i>		
4	Transitional Basel III rules ¹	N/A	N/A
5	Post-transitional Basel III rules ²	AT1	AT1
6	Eligible at solo / group / solo and group	Solo and Group	Solo and Group
6a	Eligible at solo / LAC consolidation group / solo and LAC consolidation group	Solo and LAC consolidation group	Solo and LAC consolidation group
7	Instrument type (types to be specified by each jurisdiction)	Perpetual debt instrument	Perpetual debt instrument
8	Amount recognised in regulatory capital	HK\$ 7,044 million	HK\$ 4,700 million
8a	Amount recognised in loss-absorbing capacity	HK\$ 7,044 million	HK\$ 4,700 million
9	Par value of instrument	US\$ 900 million	US\$ 600 million
10	Accounting classification	Shareholders' equity	Shareholders' equity
11	Original date of issuance	14 June 2019	18 June 2019
12	Perpetual or dated	Perpetual	Perpetual
13	Original maturity date	No maturity	No maturity
14	Issuer call subject to prior supervisory approval	Yes	Yes
15	Optional call date, contingent call dates and redemption price	17 September 2024 at par value	18 June 2024 at par value
16	Subsequent call dates, if applicable	Callable on any interest payment date after first call date	Callable on any interest payment date after first call date
	<i>Coupons / dividends</i>		
17	Fixed or floating dividend/coupon	Fixed until 17 September 2024 and thereafter floating	Fixed until 18 June 2024 and thereafter floating
18	Coupon rate and any related index	6.030% until 17 September 2024, and thereafter 3-month US\$ LIBOR + 4.020%	6.000% until 18 June 2024, and thereafter 3-month US\$ LIBOR + 4.060%
19	Existence of a dividend stopper	No	No
20	Fully discretionary, partially discretionary or mandatory	Fully discretionary	Fully discretionary
21	Existence of step up or other incentive to redeem	No	No
22	Non-cumulative or cumulative	Non-cumulative	Non-cumulative
23	Convertible or non-convertible	Non-convertible ³	Non-convertible ³
24	If convertible, conversion trigger(s)	N/A	N/A
25	If convertible, fully or partially	N/A	N/A
26	If convertible, conversion rate	N/A	N/A
27	If convertible, mandatory or optional conversion	N/A	N/A
28	If convertible, specify instrument type convertible into	N/A	N/A
29	If convertible, specify issuer of instrument it converts into	N/A	N/A
30	Write-down feature	Yes	Yes
31	If write-down, write-down trigger(s)	Contractual write-down at point of non-viability of borrower. Contractual recognition of HKMA statutory powers under FIRO	Contractual write-down at point of non-viability of borrower. Contractual recognition of HKMA statutory powers under FIRO
32	If write-down, full or partial	May be written down partially	May be written down partially
33	If write-down, permanent or temporary	Permanent	Permanent
34	If temporary write-down, description of write-up mechanism	N/A	N/A
34a	Type of subordination	Contractual	Contractual
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument in the insolvency creditor hierarchy of the legal entity concerned)	Immediately subordinate to non-capital LAC debt instruments (columns a to d under ii)	Immediately subordinate to non-capital LAC debt instruments (columns a to d under ii)
36	Non-compliant transitioned features	No	No
37	If yes, specify non-compliant features	N/A	N/A
	Terms and conditions	Individual loan agreement⁴	Individual loan agreement⁴

BANKING DISCLOSURE STATEMENT (unaudited) (continued)

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

(ii) Instruments that meet only LAC (but not regulatory capital) requirements		a	b
As at 30 Jun 2021			
Quantitative / qualitative information			
		Subordinated loan (HK\$ 5,460 million)	Subordinated loan (HK\$ 4,680 million)
1	Issuer	Hang Seng Bank Limited	Hang Seng Bank Limited
2	Unique identifier	N/A	N/A
3	Governing law(s) of the instrument	Laws of Hong Kong	Laws of Hong Kong
3a	Means by which enforceability requirement of Section 13 of the TLAC Term Sheet is achieved	N/A	N/A
	<i>Regulatory treatment</i>		
4	Transitional Basel III rules ¹	N/A	N/A
5	Post-transitional Basel III rules ²	Ineligible	Ineligible
6	Eligible at solo / group / solo and group	Ineligible	Ineligible
6a	Eligible at solo / LAC consolidation group / solo and LAC consolidation group	Solo and LAC consolidation group	Solo and LAC consolidation group
7	Instrument type (types to be specified by each jurisdiction)	Non-capital LAC debt instrument	Non-capital LAC debt instrument
8	Amount recognised in regulatory capital	N/A	N/A
8a	Amount recognised in loss-absorbing capacity	HK\$ 5,460 million	HK\$ 4,680 million
9	Par value of instrument	HK\$ 5,460 million	HK\$ 4,680 million
10	Accounting classification	Liability – amortised cost	Liability – amortised cost
11	Original date of issuance	30 May 2019	10 June 2019
12	Perpetual or dated	Dated	Dated
13	Original maturity date	Interest payment date falling in May 2028	Interest payment date falling in June 2029
14	Issuer call subject to prior supervisory approval	Yes	Yes
15	Optional call date, contingent call dates and redemption price	Interest payment date falling in May 2027 at par value	Interest payment date falling in June 2028 at par value
16	Subsequent call dates, if applicable	Callable on any interest payment date after first call date	Callable on any interest payment date after first call date
	<i>Coupons / dividends</i>		
17	Fixed or floating dividend/coupon	Floating	Floating
18	Coupon rate and any related index	3-month HK\$ HIBOR + 1.425%	3-month HK\$ HIBOR + 1.564%
19	Existence of a dividend stopper	No	No
20	Fully discretionary, partially discretionary or mandatory	Mandatory	Mandatory
21	Existence of step up or other incentive to redeem	No	No
22	Non-cumulative or cumulative	Non-cumulative	Non-cumulative
23	Convertible or non-convertible	Non-convertible ³	Non-convertible ³
24	If convertible, conversion trigger(s)	N/A	N/A
25	If convertible, fully or partially	N/A	N/A
26	If convertible, conversion rate	N/A	N/A
27	If convertible, mandatory or optional conversion	N/A	N/A
28	If convertible, specify instrument type convertible into	N/A	N/A
29	If convertible, specify issuer of instrument it converts into	N/A	N/A
30	Write-down feature	Yes	Yes
31	If write-down, write-down trigger(s)	Contractual write-down at point of non-viability of borrower. Contractual recognition of HKMA statutory powers under FIRO	Contractual write-down at point of non-viability of borrower. Contractual recognition of HKMA statutory powers under FIRO
32	If write-down, full or partial	May be written down partially	May be written down partially
33	If write-down, permanent or temporary	Permanent	Permanent
34	If temporary write-down, description of write-up mechanism	N/A	N/A
34a	Type of subordination	Contractual	Contractual
35	Position in subordination hierarchy in liquidation	Immediately subordinate to the claims of all unsubordinated creditors	Immediately subordinate to the claims of all unsubordinated creditors
36	Non-compliant transitioned features	No	No
37	If yes, specify non-compliant features	N/A	N/A
	Terms and conditions	Individual loan agreement⁴	Individual loan agreement⁴

BANKING DISCLOSURE STATEMENT (unaudited) (continued)

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

		c	d
As at 30 Jun 2021		Quantitative / qualitative information	
		Subordinated loan (US\$ 400 million)	Subordinated loan (HK\$ 6,240 million)
1	Issuer	Hang Seng Bank Limited	Hang Seng Bank Limited
2	Unique identifier	N/A	N/A
3	Governing law(s) of the instrument	Laws of Hong Kong	Laws of Hong Kong
3a	Means by which enforceability requirement of Section 13 of the TLAC Term Sheet is achieved	N/A	N/A
	<i>Regulatory treatment</i>		
4	Transitional Basel III rules ¹	N/A	N/A
5	Post-transitional Basel III rules ²	Ineligible	Ineligible
6	Eligible at solo / group / solo and group	Ineligible	Ineligible
6a	Eligible at solo / LAC consolidation group / solo and LAC consolidation group	Solo and LAC consolidation group	Solo and LAC consolidation group
7	Instrument type (types to be specified by each jurisdiction)	Non-capital LAC debt instrument	Non-capital LAC debt instrument
8	Amount recognised in regulatory capital	N/A	N/A
8a	Amount recognised in loss-absorbing capacity	HK\$ 3,106 million	HK\$ 6,240 million
9	Par value of instrument	US\$ 400 million	HK\$ 6,240 million
10	Accounting classification	Liability – amortised cost	Liability – amortised cost
11	Original date of issuance	10 June 2019	13 June 2019
12	Perpetual or dated	Dated	Dated
13	Original maturity date	Interest payment date falling in June 2030	Interest payment date falling in June 2026
14	Issuer call subject to prior supervisory approval	Yes	Yes
15	Optional call date, contingent call dates and redemption price	Interest payment date falling in June 2029 at par value	Interest payment date falling in June 2025 at par value
16	Subsequent call dates, if applicable	Callable on any interest payment date after first call date	Callable on any interest payment date after first call date
	<i>Coupons / dividends</i>		
17	Fixed or floating dividend/coupon	Floating	Floating
18	Coupon rate and any related index	3-month US\$ LIBOR + 1.789%	3-month HK\$ HIBOR + 1.342%
19	Existence of a dividend stopper	No	No
20	Fully discretionary, partially discretionary or mandatory	Mandatory	Mandatory
21	Existence of step up or other incentive to redeem	No	No
22	Non-cumulative or cumulative	Non-cumulative	Non-cumulative
23	Convertible or non-convertible	Non-convertible ³	Non-convertible ³
24	If convertible, conversion trigger(s)	N/A	N/A
25	If convertible, fully or partially	N/A	N/A
26	If convertible, conversion rate	N/A	N/A
27	If convertible, mandatory or optional conversion	N/A	N/A
28	If convertible, specify instrument type convertible into	N/A	N/A
29	If convertible, specify issuer of instrument it converts into	N/A	N/A
30	Write-down feature	Yes	Yes
31	If write-down, write-down trigger(s)	Contractual write-down at point of non-viability of borrower. Contractual recognition of HKMA statutory powers under FIRO	Contractual write-down at point of non-viability of borrower. Contractual recognition of HKMA statutory powers under FIRO
32	If write-down, full or partial	May be written down partially	May be written down partially
33	If write-down, permanent or temporary	Permanent	Permanent
34	If temporary write-down, description of write-up mechanism	N/A	N/A
34a	Type of subordination	Contractual	Contractual
35	Position in subordination hierarchy in liquidation	Immediately subordinate to the claims of all unsubordinated creditors	Immediately subordinate to the claims of all unsubordinated creditors
36	Non-compliant transitioned features	No	No
37	If yes, specify non-compliant features	N/A	N/A
	Terms and conditions	Individual loan agreement⁴	Individual loan agreement⁴

BANKING DISCLOSURE STATEMENT (unaudited) (continued)

Credit Risk

Credit quality of assets

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

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

Table 15: CR1 – Credit quality of exposures

	a	b	c	d	e	f	g
	Gross carrying amounts of			Of which Expected Credit Loss ('ECL') accounting provisions¹ for credit losses on STC approach exposures		Of which ECL accounting provisions for credit losses on IRB approach exposures	
	Defaulted exposures	Non-defaulted exposures	Allowances/ impairments	Allocated in regulatory category of specific provisions	Allocated in regulatory category of collective provisions	IRB approach	Net values (a + b - c)
As at 30 Jun 2021	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m
1 Loans	7,011	1,080,533	5,133	247	250	4,636	1,082,411
2 Debt securities	-	363,205	7	-	-	7	363,198
3 Off-balance sheet exposures	-	521,762	135	-	7	128	521,627
4 Total	7,011	1,965,500	5,275	247	257	4,771	1,967,236

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

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

	a
	Amount
	Footnote
	HK\$m
1 Defaulted loans and debt securities at end of the previous reporting period (31 Dec 2020)	5,724
2 Loans and debt securities that have defaulted since the last reporting period	1,699
3 Returned to non-defaulted status	(30)
4 Amounts written off	(419)
5 Other changes	37
6 Defaulted loans and debt securities at end of the current reporting period (30 Jun 2021)	7,011

¹ Other changes included repayment and foreign exchange movements.

The increase in defaulted loans and debts securities in the first half of 2021 was mainly due to downgrade of certain loans.

BANKING DISCLOSURE STATEMENT (unaudited) (continued)

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

Table 17: Impaired exposures and related allowances by industry

As at 30 Jun 2021	<i>Footnotes</i>	Gross loans and advances to customers ¹ HK\$m	Gross impaired loans and advances HK\$m	Specific provisions ² HK\$m	Collective provisions ² HK\$m	Overdue loans and advances ³ HK\$m
Residential mortgages		291,111	502	(49)	(5)	165
Real estate		270,911	989	(15)	(360)	815
Others	4	457,927	5,520	(2,314)	(2,389)	3,213
Total		1,019,949	7,011	(2,378)	(2,754)	4,193

- 1 The amounts shown in column 'Gross loans and advances to customers' represent loans and advances to customers gross of provisions in the financial statements under the regulatory consolidation scope and therefore is different from the 'Gross loans and advances to customers' shown in table 19 which is prepared on accounting consolidation basis. The difference of total gross loans of HK\$1,354m represents the Bank's loans and advances to the Group's subsidiaries which are outside the regulatory scope of consolidation.
- 2 The classification of specific and collective provisions follows the treatment specified in the completion instruction of the HKMA 'Capital Adequacy Ratio – (MA(BS)3)' return. Details can be found in footnote 1 under table 15 of this document.
- 3 The amounts shown in column 'Overdue loans and advances' represent gross loans and advances to customers that were overdue for more than 3 months as at 30 June 2021.
- 4 Any segment which constitutes less than 10% of total gross loans and advances to customers is disclosed on an aggregated basis under the category 'Others'.

The geographical information shown below has been classified by the location of the principal operations of the subsidiary and by the location of the branch responsible for advancing the funds.

Table 18: Impaired exposures and related allowances by geographical location

As at 30 Jun 2021	<i>Footnotes</i>	Gross loans and advances to customers ¹ HK\$m	Gross impaired loans and advances HK\$m	Specific provisions ² HK\$m	Collective provisions ² HK\$m	Overdue loans and advances ³ HK\$m
Hong Kong SAR		918,218	5,898	(1,601)	(2,538)	3,412
China		83,500	1,077	(741)	(213)	740
Others	4	18,231	36	(36)	(3)	41
Total		1,019,949	7,011	(2,378)	(2,754)	4,193

- 1 The amounts shown in column 'Gross loans and advances to customers' represent loans and advances to customers gross of provisions in the financial statements under the regulatory consolidation scope and therefore is different from the 'Gross loans and advances to customers' shown in table 19 which is prepared on accounting consolidation basis. The difference of total gross loans of HK\$1,354m represents the Bank's loans and advances to the Group's subsidiaries which are outside the regulatory scope of consolidation.
- 2 The classification of specific and collective provisions follows the treatment specified in the completion instruction of the HKMA 'Capital Adequacy Ratio – (MA(BS)3)' return. Details can be found in footnote 1 under table 15 of this document.
- 3 The amounts shown in column 'Overdue loans and advances' represent gross loans and advances to customers that were overdue for more than 3 months as at 30 June 2021.
- 4 Any segment which constitutes less than 10% of total gross loans and advances to customers is disclosed on an aggregated basis under the category 'Others'.

BANKING DISCLOSURE STATEMENT (unaudited) (continued)

Loans and advances to customers

Tables 19 to 21 analyse the loans and advances to customers by geographical locations, by industries, and by which are overdue and rescheduled on an accounting consolidation basis. The accounting consolidation basis is different from the regulatory consolidation basis as explained in the 'Basis of consolidation' section of this document.

The following analysis of loans and advances to customers by geographical areas is in accordance with the location of counterparties, after recognised risk transfer.

Table 19: Loans and advances to customers by geographical location

As at 30 Jun 2021		Hong Kong SAR HK\$m	China HK\$m	Others HK\$m	Total HK\$m
Gross loans and advances to customers	<i>Footnote 1</i>	871,711	117,572	29,312	1,018,595

1 The amounts 'Gross loans and advances to customers' represent loans and advances to customers gross of provisions in the financial statements on the accounting consolidation basis and therefore is different from the 'Gross loans and advances to customers' shown in tables 17 and 18 which are prepared under the regulatory consolidation scope. The difference of total gross loans of HK\$1,354m represents the Bank's loans and advances to the Group's subsidiaries which are outside the regulatory scope of consolidation.

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

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

As at 30 Jun 2021	Gross loans and advances HK\$m	% of gross advances covered by collateral %
Industrial, commercial and financial sectors		
- property development	71,113	38.8%
- property investment	155,364	87.9%
- financial concerns	4,524	39.0%
- stockbrokers	31,043	0.0%
- wholesale and retail trade	29,264	59.7%
- manufacturing	23,037	37.9%
- transport and transport equipment	15,687	56.6%
- recreational activities	902	57.2%
- information technology	10,249	5.9%
- other	98,934	75.1%
Individuals		
- loans and advances for the purchase of flats under the Government Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme	34,095	100.0%
- loans and advances for the purchase of other residential properties	234,528	100.0%
- credit card loans and advances	26,753	0.0%
- other	30,690	57.0%
Gross loans and advances for use in Hong Kong	766,183	73.4%
Trade finance	40,839	20.7%
Gross loans and advances for use outside Hong Kong	211,573	32.6%
Gross loans and advances to customers	1,018,595	62.8%

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 21: Overdue loans and advances to customers

As at 30 Jun 2021	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	997	0.10%
- more than six months but not more than one year	1,713	0.17%
- more than one year	1,483	0.15%
Total	4,193	0.42%
of which:		
- specific provision	(1,485)	
- covered portion of overdue loans and advances	2,679	
- uncovered portion of overdue loans and advances	1,514	
- current market value of collateral held against the covered portion of overdue loans and advances	5,408	
Rescheduled loans and advances to customers	228	0.02%

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\$4,242m and HK\$1,016m 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 2021 was HK\$39m.

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 2021.

BANKING DISCLOSURE STATEMENT (unaudited) (continued)

Off-balance sheet exposures other than derivative transactions

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

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

Table 22: Off-balance sheet exposures other than derivative transactions

	30 Jun 2021 HK\$m
Contract amounts	
Direct credit substitutes	2,707
Transaction-related contingencies	11,444
Trade-related contingencies	19,732
Commitments that are unconditionally cancellable without prior notice	432,799
Commitments which have an original maturity of not more than one year	1,499
Commitments which have an original maturity of more than one year	53,581
Total	521,762
RWA	52,570

BANKING DISCLOSURE STATEMENT (unaudited) (continued)

Credit risk under internal ratings-based approach

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

	a	b	c	d	e	f	g	h	i	j	k	l
As at 30 Jun 2021	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	337,959	-	-	337,959	0.01	43	27.8	1.27	11,905	4	14	
0.15 to < 0.25	-	-	-	-	-	-	-	-	-	-	-	
0.25 to < 0.50	-	-	-	-	-	-	-	-	-	-	-	
0.50 to < 0.75	-	-	-	-	-	-	-	-	-	-	-	
0.75 to < 2.50	-	-	-	-	-	-	-	-	-	-	-	
2.50 to < 10.00	-	-	-	-	-	-	-	-	-	-	-	
10.00 to < 100.00	-	-	-	-	-	-	-	-	-	-	-	
100.00 (Default)	-	-	-	-	-	-	-	-	-	-	-	
Sub-total	337,959	-	-	337,959	0.01	43	27.8	1.27	11,905	4	14	8
Bank												
0.00 to < 0.15	70,368	51	53.0	70,395	0.04	862	40.7	1.13	8,593	12	12	
0.15 to < 0.25	19,505	3,120	54.3	21,199	0.22	93	47.6	0.98	8,962	42	22	
0.25 to < 0.50	2,398	-	-	2,398	0.37	53	47.4	0.96	1,451	61	4	
0.50 to < 0.75	1,526	11	50.7	1,532	0.63	31	47.5	0.95	1,219	80	5	
0.75 to < 2.50	2,199	-	-	2,199	1.17	16	48.0	1.00	2,319	105	12	
2.50 to < 10.00	-	-	-	-	-	-	-	-	-	-	-	
10.00 to < 100.00	-	-	-	-	-	-	-	-	-	-	-	
100.00 (Default)	-	-	-	-	-	-	-	-	-	-	-	
Sub-total	95,996	3,182	54.3	97,723	0.12	1,055	42.6	1.09	22,544	23	55	5
Corporate – small-and-medium sized corporates												
0.00 to < 0.15	3,444	3,191	26.0	4,171	0.12	100	18.4	1.91	450	11	1	
0.15 to < 0.25	2,913	1,652	29.6	3,402	0.22	119	20.6	1.89	514	15	2	
0.25 to < 0.50	7,560	3,332	30.9	8,591	0.37	257	27.3	2.62	2,677	31	9	
0.50 to < 0.75	18,391	4,500	34.3	19,935	0.63	403	25.7	2.42	7,128	36	32	
0.75 to < 2.50	57,973	21,746	31.1	64,741	1.35	1,195	26.4	2.08	30,257	47	233	
2.50 to < 10.00	12,739	4,174	25.5	13,802	3.78	239	37.3	1.66	11,837	86	194	
10.00 to < 100.00	236	40	13.7	241	10.40	8	23.7	2.41	229	95	6	
100.00 (Default)	1,175	-	-	1,175	100.00	22	26.6	1.27	2,319	197	170	
Sub-total	104,431	38,635	30.4	116,058	2.38	2,343	27.2	2.11	55,411	48	647	1,120
Corporate – others												
0.00 to < 0.15	109,434	50,621	32.8	126,151	0.09	399	45.6	2.13	31,604	25	52	
0.15 to < 0.25	47,441	22,391	31.2	54,420	0.22	287	42.2	1.93	21,037	39	51	
0.25 to < 0.50	47,394	18,606	29.5	52,891	0.37	307	41.2	1.85	26,196	50	81	
0.50 to < 0.75	55,643	35,602	25.8	64,828	0.63	462	36.1	1.85	35,862	55	147	
0.75 to < 2.50	131,613	62,506	24.8	147,129	1.31	1,327	33.7	1.74	104,292	71	661	
2.50 to < 10.00	23,160	14,768	20.2	26,149	4.20	335	35.8	1.56	26,924	103	396	
10.00 to < 100.00	1,404	199	14.3	1,432	18.71	15	31.3	1.88	2,264	158	87	
100.00 (Default)	4,912	-	-	4,912	100.00	82	40.1	1.05	7,409	151	1,886	
Sub-total	421,001	204,693	27.8	477,912	1.89	3,214	39.1	1.88	255,588	53	3,361	3,481

BANKING DISCLOSURE STATEMENT (unaudited) (continued)

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

	a	b	c	d	e	f	g	h	i	j	k	l
As at 30 Jun 2021	Original on-balance sheet gross exposure	Off-balance sheet exposures pre-CCF	Average CCF	EAD post CRM and post-CCF	Average PD	Number of obligors	Average LGD	Average maturity	RWA	RWA density	EL	Provisions [^]
PD scale	HK\$m	HK\$m	%	HK\$m	%		%	years	HK\$m	%	HK\$m	HK\$m
Retail – qualifying revolving retail exposures ('QRRE')												
0.00 to < 0.15	9,963	162,609	39.2	73,664	0.07	1,790,175	105.4		3,370	5	53	
0.15 to < 0.25	1,892	11,984	47.0	7,522	0.22	175,770	104.8		919	12	18	
0.25 to < 0.50	3,614	18,469	35.1	10,089	0.40	193,502	102.8		1,935	19	42	
0.50 to < 0.75	2,045	3,857	54.0	4,128	0.60	56,107	101.8		1,081	26	25	
0.75 to < 2.50	5,437	10,649	36.8	9,358	1.43	89,752	101.1		4,668	50	135	
2.50 to < 10.00	3,304	2,810	67.2	5,192	4.72	48,696	100.8		6,023	116	247	
10.00 to < 100.00	1,241	337	166.9	1,804	32.03	15,200	99.2		3,437	191	555	
100.00 (Default)	81	-	-	81	100.00	871	94.0		124	153	67	
Sub-total	27,577	210,715	40.0	111,838	1.05	2,370,073	104.3		21,557	19	1,142	1,596
Retail – residential mortgage exposures												
0.00 to < 0.15	194,657	1,554	100.0	196,211	0.08	57,895	19.8		43,821	22	32	
0.15 to < 0.25	29,721	237	100.0	29,958	0.18	24,935	17.3		6,113	20	9	
0.25 to < 0.50	517	4	100.0	521	0.34	115	18.8		108	21	-	
0.50 to < 0.75	20,824	165	100.0	20,989	0.54	9,063	16.7		4,261	20	19	
0.75 to < 2.50	13,467	106	100.0	13,573	0.93	13,156	16.1		2,911	21	20	
2.50 to < 10.00	4,719	37	100.0	4,756	4.74	3,345	15.7		2,392	50	35	
10.00 to < 100.00	4,133	31	100.0	4,164	19.03	2,678	15.7		3,637	87	124	
100.00 (Default)	325	-	-	325	100.00	145	15.5		587	181	4	
Sub-total	268,363	2,134	100.0	270,497	0.67	111,332	18.9		63,830	24	243	-
Retail – small business retail exposures												
0.00 to < 0.15	2,329	8	100.0	2,337	0.08	966	8.6		42	2	-	
0.15 to < 0.25	385	2	100.0	387	0.19	111	17.6		26	7	-	
0.25 to < 0.50	-	-	-	-	-	-	-		-	-	-	
0.50 to < 0.75	578	2	100.0	580	0.55	206	5.8		25	4	-	
0.75 to < 2.50	373	2	100.0	375	1.24	75	23.8		98	26	1	
2.50 to < 10.00	450	1	100.0	451	5.01	170	9.2		62	14	3	
10.00 to < 100.00	-	-	-	-	-	-	-		-	-	-	
100.00 (Default)	4	-	-	4	100.00	2	12.0		5	125	-	
Sub-total	4,119	15	100.0	4,134	0.88	1,530	10.5		258	6	4	-
Other retail exposures to individuals												
0.00 to < 0.15	3,197	2,319	11.2	3,457	0.08	25,240	14.4		116	3	1	
0.15 to < 0.25	1,510	2,503	15.2	1,892	0.21	23,338	15.7		122	6	1	
0.25 to < 0.50	6,642	1,359	18.5	6,894	0.38	49,223	67.5		2,608	38	15	
0.50 to < 0.75	1,670	15	144.0	1,691	0.60	8,215	71.6		968	57	7	
0.75 to < 2.50	6,337	1,168	31.2	6,700	1.36	29,869	60.9		4,615	69	58	
2.50 to < 10.00	2,500	179	41.2	2,574	4.58	14,161	76.5		2,876	112	91	
10.00 to < 100.00	610	42	44.3	629	17.67	4,947	83.3		1,082	172	97	
100.00 (Default)	42	-	-	42	100.00	448	63.5		111	264	19	
Sub-total	22,508	7,585	18.1	23,879	1.70	155,441	55.5		12,498	52	289	250

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

	a	b	c	d	e	f	g	h	i	j	k	l
As at 30 Jun 2021	Original on-balance sheet gross exposure	Off-balance sheet exposures pre-CCF	Average CCF	EAD post CRM and post-CCF	Average PD	Number of obligors	Average LGD	Average maturity*	RWA	RWA density	EL	Provisions [^]
	HK\$m	HK\$m	%	HK\$m	%		%	years	HK\$m	%	HK\$m	HK\$m
Total (all portfolios)	1,281,954	466,959	33.9	1,440,000	1.07	2,645,031	37.2	1.63	443,591	31	5,755	6,460

*The average maturity is relevant to wholesale portfolios only.

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

BANKING DISCLOSURE STATEMENT (unaudited) (continued)

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

As at 30 Jun 2021

		a	b	c	d(i)	d(ii)	d(iii)	d(iv)	d(v)	e	f	
		EAD amount										
Supervisory Rating	Grade	Remaining Maturity	On-balance sheet exposure amount	Off-balance sheet exposure amount	Supervisory risk-weight ('SRW')	Project finance ('PF')	Object finance ('OF')	Commodities finance ('CF')	Income-producing real estate ('IPRE')	Total	RWA	Expected loss amount
			HK\$m	HK\$m	%	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m
Strong [^]		Less than 2.5 years	12,211	829	50%	-	-	-	12,586	12,586	6,293	-
Strong		Less than 2.5 years	2,896	522	70%	-	-	-	3,090	3,090	2,163	12
Strong		Equal to or more than 2.5 years	9,345	1,814	70%	-	-	-	10,014	10,014	7,010	40
Good [^]		Less than 2.5 years	2,365	101	70%	-	-	-	2,421	2,421	1,695	10
Good		Less than 2.5 years	2,870	1,122	90%	-	-	-	3,296	3,296	2,966	26
Good		Equal to or more than 2.5 years	1,334	883	90%	-	-	-	1,625	1,625	1,462	13
Satisfactory			387	398	115%	-	-	-	526	526	605	15
Weak			-	-	250%	-	-	-	-	-	-	-
Default			-	-	0%	-	-	-	-	-	-	-
Total			31,408	5,669		-	-	-	33,558	33,558	22,194	116

[^] Use of preferential risk-weights.

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

As at 30 Jun 2021

	a	b	c	d	e
Categories	On-balance sheet exposure amount	Off-balance sheet exposure amount	SRW	EAD amount	RWA
	HK\$m	HK\$m	%	HK\$m	HK\$m
Publicly traded equity exposures	-	-	300%	-	-
All other equity exposures	5,383	-	400%	5,383	21,534
Total	5,383	-		5,383	21,534

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

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

	a	b	c	d	e	f	g	h	ha	i	j
As at 30 Jun 2021											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	3,417	-	-	-	-	-	-	-	-	-	3,417
2 Public sector entity ('PSE') exposures	22,368	-	7,677	-	8	-	-	-	-	-	30,053
2a Of which: Domestic PSEs	-	-	3,847	-	-	-	-	-	-	-	3,847
2b Of which: Foreign PSEs	22,368	-	3,830	-	8	-	-	-	-	-	26,206
3 Multilateral development bank exposures	-	-	-	-	-	-	-	-	-	-	-
4 Bank exposures	-	-	46	-	-	-	-	-	-	-	46
5 Securities firm exposures	-	-	-	-	2,579	-	-	-	-	-	2,579
6 Corporate exposures	-	-	1,672	-	755	-	49,409	-	-	-	51,836
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	-	-	-	-	-	3,932	-	-	-	-	3,932
11 Residential mortgage loans	-	-	-	24,719	-	814	2,333	-	-	-	27,866
12 Other exposures which are not past due exposures	-	-	-	-	-	-	5,581	-	-	-	5,581
13 Past due exposures	1	-	-	-	-	-	22	202	-	-	225
14 Significant exposures to commercial entities	-	-	-	-	-	-	-	-	-	-	-
15 Total	25,786	-	9,395	24,719	3,342	4,746	57,345	202	-	-	125,535

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

Table 27: CR3 – Overview of recognised credit risk mitigation

	a	b1	b	d	f
	Exposures unsecured: carrying amount	Exposures to be secured	Exposures secured by recognised collateral	Exposures secured by recognised guarantees	Exposures secured by recognised credit derivative contracts
As at 30 Jun 2021	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m
1 Loans	362,909	719,502	589,358	130,144	-
2 Debt securities	361,944	1,254	-	1,254	-
3 Total	724,853	720,756	589,358	131,398	-
4 <i>of which: Defaulted</i>	<i>1,592</i>	<i>3,041</i>	<i>2,953</i>	<i>88</i>	-

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

	a	b
	Pre-credit derivatives RWA	Actual RWA
As at 30 Jun 2021	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)	22,194	22,194
5 Corporate – Specialised lending (high-volatility commercial real estate)	-	-
6 Corporate – Small-and-medium sized corporates	55,411	55,411
7 Corporate – Other corporates	255,588	255,588
8 Sovereigns	9,875	9,875
9 Sovereign foreign public sector entities	-	-
10 Multilateral development banks	2,030	2,030
11 Bank exposures – Banks	7,991	7,991
12 Bank exposures – Securities firms	14,553	14,553
13 Bank exposures – Public sector entities (excluding sovereign foreign public sector entities)	-	-
14 Retail – Small business retail exposures	258	258
15 Retail – Residential mortgages to individuals	62,776	62,776
16 Retail – Residential mortgages to property-holding shell companies	1,054	1,054
17 Retail – Qualifying revolving retail exposures	21,557	21,557
18 Retail – Other retail exposures to individuals	12,498	12,498
19 Equity – Equity exposures under market-based approach (simple risk-weight method)	21,534	21,534
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	907	907
27 Other – Other items	39,690	39,690
28 Total (under the IRB calculation approaches)	527,916	527,916

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

BANKING DISCLOSURE STATEMENT (unaudited) (continued)

Table 29: CR4 – Credit risk exposures and effects of recognised credit risk mitigation – for STC approach

	a	b	c	d	e	f
	Exposures pre-CCF and pre-CRM		Exposures post-CCF and post-CRM		RWA and RWA density	
As at 30 Jun 2021	On-balance sheet amount HK\$m	Off-balance sheet amount HK\$m	On-balance sheet amount HK\$m	Off-balance sheet amount HK\$m	RWA HK\$m	RWA density %
Exposure classes						
1 Sovereign exposures	-	-	3,165	252	-	-
2 PSE exposures	29,878	400	29,878	175	1,539	5
2a <i>Of which: Domestic PSEs</i>	3,672	400	3,672	175	769	20
2b <i>Of which: Foreign PSEs</i>	26,206	-	26,206	-	770	3
3 Multilateral development bank exposures	-	-	-	-	-	-
4 Bank exposures	46	-	46	-	9	20
5 Securities firm exposures	2,579	-	2,579	-	1,290	50
6 Corporate exposures	56,429	25,463	50,039	1,797	50,121	97
7 CIS exposures	-	-	-	-	-	-
8 Cash items	-	-	-	-	-	-
9 Exposures in respect of failed delivery on transactions entered into on a basis other than a delivery-versus-payment basis	-	-	-	-	-	-
10 Regulatory retail exposures	4,876	9,492	3,927	6	2,949	75
11 Residential mortgage loans	27,931	5,584	27,865	-	11,595	42
12 Other exposures which are not past due exposures	12,935	8,195	5,409	172	5,581	100
13 Past due exposures	225	-	225	-	324	144
14 Significant exposures to commercial entities	-	-	-	-	-	-
15 Total	134,899	49,134	123,133	2,402	73,408	58

Remark:

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

BANKING DISCLOSURE STATEMENT (unaudited) (continued)

Counterparty credit risk exposures

Counterparty default risk exposures

Counterparty credit risk ('CCR') arises from derivatives and SFTs. It is calculated in both the trading and non-trading books, and is the risk that a counterparty may default before settlement of the transaction. An economic loss occurs if the transaction or portfolio of transactions with the counterparty has a positive economic value at the time of default. CCR is generated primarily in our wholesale global businesses.

The Banking (Capital) (Amendment) Rules 2020 came into effect on 30 June 2021 and the Group replaces the current exposure method ('CEM') with standardised (counterparty credit risk) ('SA-CCR') approach to calculate its default risk exposures accordingly. The change resulted in an increase of default risk exposures generally. This is the key driver for the material movement of default risk exposures and RWA on tables 30, 31 and 34 compared with previous reporting period.

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

	a	b	c	d	e	f
	Replacement cost ('RC')	Potential future exposure ('PFE')	Effective expected positive exposure ('EPE')	Alpha (α) used for computing default risk exposure	Default risk exposure after CRM	RWA
As at 30 Jun 2021	HK\$m	HK\$m	HK\$m		HK\$m	HK\$m
1 SA-CCR approach (for derivative contracts)	4,598	13,679		1.4	25,588	6,768
1a CEM (for derivative contracts)	-	-		1.4	-	-
2 IMM (CCR) approach			-	-	-	-
3 Simple approach (for SFTs)					-	-
4 Comprehensive approach (for SFTs)					2,213	196
5 VaR for SFTs					-	-
6 Total						6,964

Table 31: CCR2 – CVA capital charge

	a	b
	EAD post-CRM	RWA
As at 30 Jun 2021	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	25,654	6,718
4 Total	25,654	6,718

BANKING DISCLOSURE STATEMENT (unaudited) (continued)

Table 32: CCR5 – Composition of collateral for counterparty default risk exposures (including those for contracts or transactions cleared through CCPs)

	a	b	c	d	e	f
	Derivative contracts				SFTs	
	Fair value of recognised collateral received		Fair value of posted collateral		Fair value of recognised collateral received	Fair value of posted collateral
	Segregated HK\$m	Unsegregated HK\$m	Segregated HK\$m	Unsegregated HK\$m	HK\$m	HK\$m
As at 30 Jun 2021						
1 Cash – domestic currency	-	-	-	232	-	783
2 Cash – other currencies	-	1,815	-	661	16,215	23,035
3 Domestic sovereign debt	-	-	-	-	-	-
4 Other sovereign debt	-	-	-	-	6,843	17,203
5 Government agency debt	-	-	-	-	-	-
6 Corporate bonds	-	-	-	-	12,991	48
7 Equity securities	-	-	-	-	-	-
8 Other collateral	-	-	-	-	5,366	2,559
9 Total	-	1,815	-	893	41,415	43,628

Table 33: CCR8 – Exposures to CCPs

	a	b
	Exposure after CRM HK\$m	RWA HK\$m
As at 30 Jun 2021		
1 Exposures of the AI as clearing member or clearing client to qualifying CCPs (total)		11
2 Default risk exposures to qualifying CCPs (excluding items disclosed in rows 7 to 10), of which:	279	5
3 (i) <i>Over-the-counter ('OTC') derivative transactions</i>	279	5
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	-	-
9 Funded default fund contributions	77	6
10 Unfunded default fund contributions	-	-
11 Exposures of the AI as clearing member or clearing client to non-qualifying CCPs (total)		-
12 Default risk exposures to non-qualifying CCPs (excluding items disclosed in rows 17 to 20), of which:	-	-
13 (i) <i>OTC derivative transactions</i>	-	-
14 (ii) <i>Exchange-traded derivative contracts</i>	-	-
15 (iii) <i>Securities financing transactions</i>	-	-
16 (iv) <i>Netting sets subject to valid cross-product netting agreements</i>	-	-
17 Segregated initial margin	-	
18 Unsegregated initial margin	-	-
19 Funded default fund contributions	-	-
20 Unfunded default fund contributions	-	-

BANKING DISCLOSURE STATEMENT (unaudited) (continued)

Counterparty default risk under internal ratings-based approach

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

	a	b	c	d	e	f	g
As at 30 Jun 2021	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	13	0.02	1	45.0	1.00	1	6
0.15 to < 0.25	-	-	-	-	-	-	-
0.25 to < 0.50	-	-	-	-	-	-	-
0.50 to < 0.75	-	-	-	-	-	-	-
0.75 to < 2.50	-	-	-	-	-	-	-
2.50 to < 10.00	-	-	-	-	-	-	-
10.00 to < 100.00	-	-	-	-	-	-	-
100.00 (Default)	-	-	-	-	-	-	-
Sub-total	13	0.02	1	45.0	1.00	1	6
Bank							
0.00 to < 0.15	21,085	0.04	106	36.8	1.86	3,188	15
0.15 to < 0.25	886	0.22	15	45.0	0.95	368	42
0.25 to < 0.50	942	0.37	5	45.0	1.00	544	58
0.50 to < 0.75	33	0.63	1	45.0	1.00	25	77
0.75 to < 2.50	2	0.87	1	45.0	1.00	2	88
2.50 to < 10.00	4	4.20	1	45.0	1.00	6	149
10.00 to < 100.00	-	-	-	-	-	-	-
100.00 (Default)	-	-	-	-	-	-	-
Sub-total	22,952	0.07	129	37.5	1.79	4,133	18
Corporates							
0.00 to < 0.15	2,251	0.08	23	30.8	1.51	385	17
0.15 to < 0.25	128	0.22	19	54.2	1.29	60	46
0.25 to < 0.50	268	0.37	17	53.4	1.75	170	64
0.50 to < 0.75	434	0.63	33	53.2	2.03	361	83
0.75 to < 2.50	914	1.68	57	58.2	1.32	1,069	117
2.50 to < 10.00	89	3.64	16	57.3	1.02	131	148
10.00 to < 100.00	-	-	-	-	-	-	-
100.00 (Default)	-	-	-	-	-	-	-
Sub-total	4,084	0.60	165	42.1	1.52	2,176	53
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)	27,049	0.15	295	38.2	1.75	6,310	23

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

At 30 June 2021, the percentage of total RWAs covered by IRB models is 100% for sovereign exposures, 100% for bank exposures and 84% for corporate exposures. Details on the scope of models for each of the regulatory portfolios can be found in the 'Credit risk under internal ratings-based approach' section from pages 35 to 38 of the Banking Disclosure Statement at 31 December 2020.

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

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

As at 30 Jun 2021		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	-	-	95	-	-	-	-	-	-	-	95
2a	<i>Of which: Domestic PSEs</i>	-	-	95	-	-	-	-	-	-	-	95
2b	<i>Of which: Foreign PSEs</i>	-	-	-	-	-	-	-	-	-	-	-
3	Multilateral development bank exposures	-	-	-	-	-	-	-	-	-	-	-
4	Bank exposures	-	-	-	-	-	-	-	-	-	-	-
5	Securities firm exposures	-	-	-	-	-	-	-	-	-	-	-
6	Corporate exposures	-	-	-	-	-	-	420	-	-	-	420
7	CIS exposures	-	-	-	-	-	-	-	-	-	-	-
8	Regulatory retail exposures	-	-	-	-	-	72	-	-	-	-	72
9	Residential mortgage loans	-	-	-	-	-	-	-	-	-	-	-
10	Other exposures which are not past due exposures	-	-	-	-	-	-	153	-	-	-	153
11	Significant exposures to commercial entities	-	-	-	-	-	-	-	-	-	-	-
12	Total	-	-	95	-	-	72	573	-	-	-	740

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

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

Market risk under standardised approach

Table 36: MR1 – Market risk under STM approach

		a
		RWA HK\$m
As at 30 Jun 2021		
Outright product exposures		
1	Interest rate exposures (general and specific risk)	193
2	Equity exposures (general and specific risk)	-
3	Foreign exchange (including gold) exposures	-
4	Commodity exposures	1
Option exposures		
5	Simplified approach	-
6	Delta-plus approach	-
7	Other approach	-
8	Securitisation exposures	-
9	Total	194

BANKING DISCLOSURE STATEMENT (unaudited) (continued)

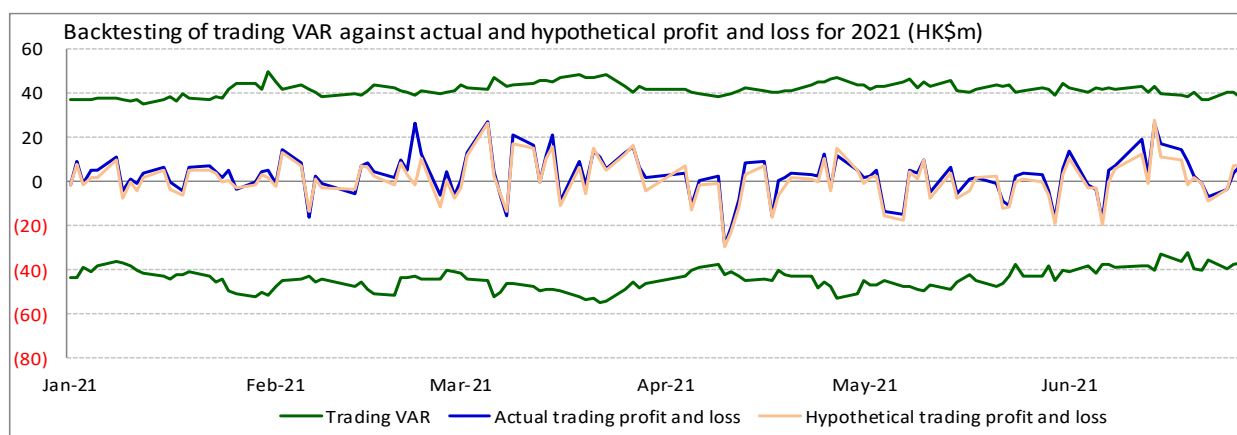
Analysis of VaR, stressed VaR and incremental risk charge measures

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

As at 30 Jun 2021	Footnote	a	Value HK\$m
VaR (10 days – one-tailed 99% confidence interval)			
1 Maximum Value	1		174
2 Average Value			140
3 Minimum Value			103
4 Period End			106
Stressed VaR (10 days – one-tailed 99% confidence interval)			
5 Maximum Value	1		372
6 Average Value			248
7 Minimum Value			176
8 Period End			247
Incremental risk charge ('IRC') (99.9% confidence interval)			
9 Maximum value			-
10 Average value			-
11 Minimum value			-
12 Period end			-
Comprehensive risk charge ('CRC') (99.9% confidence interval)			
13 Maximum value			-
14 Average value			-
15 Minimum value			-
16 Period end			-
17 Floor			-

1 The total VaR excludes Risk not in VaR.

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



While comparing the daily VaR measures to the actual and hypothetical profit and loss for the backtesting in Group, there is no exception observed in the first half of 2021.

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

BANKING DISCLOSURE STATEMENT (unaudited) (continued)

Liquidity information

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

Table 39: Average liquidity coverage ratio

	Quarter ended
	30 Jun
	2021
	%
Average liquidity coverage ratio	214.4

The liquidity position of the Group remained strong for the first half of 2021. The average LCR increased from 204.0% for the quarter ended 31 March 2021 to 214.4% for the quarter ended 30 June 2021.

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

Table 40: Total weighted amount of high quality liquid assets

	Weighted amount
	(average) for
	the quarter ended
	30 Jun
	2021
	HK\$m
Level 1 assets	355,092
Level 2A assets	15,464
Level 2B assets	3,073
Total weighted amount of HQLA	373,629

Table 41: Net stable funding ratio

	Quarter ended
	30 Jun
	2021
	%
Net stable funding ratio	146.6

The funding position of the Group remained strong for the first half of 2021. The period end NSFR were 146.6% and 150.5% for the quarters ended 30 June and 31 March 2021 respectively.

Sources of funding

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

Currency mismatch

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

Additional contractual obligations

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

A summary of the Group's current policies and practices for the management of liquidity and funding risk is set out in 'Liquidity and funding risk' section on pages 89 to 93 of the Group's 2020 Annual Report*.

* Refers to printed version. The page reference of Annual Report (text version) is page 73 to 76.

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 2021 was 71.

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

		Quarter ended 30 Jun 2021 (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		373,629
B	Cash outflows		
2	Retail deposits and small business funding, of which:	876,703	71,087
3	<i>Stable retail deposits and stable small business funding</i>	236,904	7,107
4	<i>Less stable retail deposits and less stable small business funding</i>	639,799	63,980
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:	310,830	142,803
6	<i>Operational deposits</i>	38,054	8,876
7	<i>Unsecured wholesale funding (other than small business funding) not covered in Row 6</i>	260,086	121,237
8	<i>Debt securities and prescribed instruments issued by the institution and redeemable within the LCR period</i>	12,690	12,690
9	Secured funding transactions (including securities swap transactions)		26
10	Additional requirements, of which:	71,908	12,793
11	<i>Cash outflows arising from derivative contracts and other transactions, and additional liquidity needs arising from related collateral requirements</i>	5,929	5,892
12	<i>Cash outflows arising from obligations under structured financing transactions and repayment of funding obtained from such transactions</i>	471	471
13	<i>Potential drawdown of undrawn committed facilities (including committed credit facilities and committed liquidity facilities)</i>	65,508	6,430
14	Contractual lending obligations (not otherwise covered in Section B) and other contractual cash outflows	23,562	23,562
15	Other contingent funding obligations (whether contractual or non-contractual)	457,623	2,106
16	Total cash outflows		252,377
C	Cash inflows		
17	Secured lending transactions (including securities swap transactions)	9,646	4,821
18	Secured and unsecured loans (other than secured lending transactions covered in Row 17) and operational deposits placed at other financial institutions	93,886	51,946
19	Other cash inflows	31,681	20,961
20	Total cash inflows	135,213	77,728
D	Liquidity coverage ratio (adjusted value)		
21	Total HQLA		373,629
22	Total net cash outflows		174,649
23	LCR (%)		214.4%

BANKING DISCLOSURE STATEMENT (unaudited) (continued)

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

Basis of disclosure: consolidated	Footnote	Quarter ended 30 Jun 2021				Weighted amount HK\$m
		Unweighted value by residual maturity				
		No specified term to maturity HK\$m	< 6 months or repayable on demand HK\$m	6 months to < 12 months HK\$m	12 months or more HK\$m	
A. Available stable funding ('ASF') item						
1 Capital:		159,343	-	-	-	159,343
2 Regulatory capital		159,343	-	-	-	159,343
2a Minority interests not covered by row 2		-	-	-	-	-
3 Other capital instruments		-	-	-	-	-
4 Retail deposits and small business funding:		-	875,949	-	-	800,340
5 Stable deposits			239,728	-	-	227,741
6 Less stable deposits			636,221	-	-	572,599
7 Wholesale funding:		-	379,583	5,059	732	162,634
8 Operational deposits			43,082	-	-	21,541
9 Other wholesale funding		-	336,501	5,059	732	141,093
10 Liabilities with matching interdependent assets		-	-	-	-	-
11 Other liabilities:		51,468	98,689	18,591	20,292	29,587
12 Net derivative liabilities		503				
13 All other funding and liabilities not included in the above categories		50,965	98,689	18,591	20,292	29,587
14 Total ASF						1,151,904
B. Required stable funding ('RSF') item						
15 Total HQLA for NSFR purposes	1		354,090			10,369
16 Deposits held at other financial institutions for operational purposes		-	-	-	-	-
17 Performing loans and securities:		37,604	324,669	116,905	662,922	706,477
18 Performing loans to financial institutions secured by Level 1 HQLA		-	6,705	-	-	670
19 Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions		7	87,111	5,027	15,307	30,894
20 Performing loans, other than performing residential mortgage, to non-financial corporate clients, retail and small business customers, sovereigns, the Monetary Authority for the account of the Exchange Fund, central banks and PSEs, of which:		33,437	192,131	100,308	332,591	456,814
21 With a risk-weight of less than or equal to 35% under the STC approach		32	5,272	122	2,594	4,400
22 Performing residential mortgages, of which:		-	7,562	7,601	298,736	208,593
23 With a risk-weight of less than or equal to 35% under the STC approach		-	6,611	6,609	264,573	178,583
24 Securities that are not in default and do not qualify as HQLA, including exchange-traded equities		4,160	31,160	3,969	16,288	9,506
25 Assets with matching interdependent liabilities		-	-	-	-	-
26 Other assets:		79,674	24,432	6	1,045	65,928
27 Physical traded commodities, including gold		8,940				7,599
28 Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs		1,764				1,499
29 Net derivative assets		-				-
30 Total derivative liabilities before adjustments for deduction of variation margin posted		3,353				168
31 All other assets not included in the above categories		65,617	24,432	6	1,045	56,662
32 Off-balance sheet items	1			521,812		3,066
33 Total RSF						785,840
34 Net Stable Funding Ratio (%)						146.6%

BANKING DISCLOSURE STATEMENT (unaudited) (continued)

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

Basis of disclosure: consolidated		Quarter ended 31 Mar 2021					Weighted amount HK\$m
		Unweighted value by residual maturity					
		No specified term to maturity HK\$m	< 6 months or repayable on demand HK\$m	6 months to < 12 months HK\$m	12 months or more HK\$m		
	<i>Footnote</i>						
A. Available stable funding ('ASF') item							
1	Capital:	159,756	-	-	-	159,756	
2	Regulatory capital	159,756	-	-	-	159,756	
2a	Minority interests not covered by row 2	-	-	-	-	-	
3	Other capital instruments	-	-	-	-	-	
4	Retail deposits and small business funding:	-	881,119	-	-	804,935	
5	Stable deposits		238,546	-	-	226,619	
6	Less stable deposits		642,573	-	-	578,316	
7	Wholesale funding:	-	345,127	4,425	999	154,576	
8	Operational deposits		38,374	-	-	19,187	
9	Other wholesale funding	-	306,753	4,425	999	135,389	
10	Liabilities with matching interdependent assets	-	-	-	-	-	
11	Other liabilities:	49,784	75,176	13,902	20,456	27,408	
12	Net derivative liabilities	96					
13	All other funding and liabilities not included in the above categories	49,688	75,176	13,902	20,456	27,408	
14	Total ASF					1,146,675	
B. Required stable funding ('RSF') item							
15	Total HQLA for NSFR purposes	<i>1</i>	376,154			12,422	
16	Deposits held at other financial institutions for operational purposes	-	-	-	-	-	
17	Performing loans and securities:	37,239	293,453	106,733	642,619	678,137	
18	Performing loans to financial institutions secured by Level 1 HQLA	-	5,918	-	-	592	
19	Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	6	60,930	2,945	12,252	22,870	
20	Performing loans, other than performing residential mortgage, to non-financial corporate clients, retail and small business customers, sovereigns, the Monetary Authority for the account of the Exchange Fund, central banks and PSEs, of which:	32,430	192,943	87,006	324,435	441,300	
21	With a risk-weight of less than or equal to 35% under the STC approach	30	8,508	109	2,504	4,453	
22	Performing residential mortgages, of which:	-	7,379	7,334	292,150	203,581	
23	With a risk-weight of less than or equal to 35% under the STC approach	-	6,492	6,502	260,515	175,831	
24	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	4,803	26,283	9,448	13,782	9,794	
25	Assets with matching interdependent liabilities	-	-	-	-	-	
26	Other assets:	77,298	16,703	51	1,272	68,124	
27	Physical traded commodities, including gold	5,623				4,780	
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs	1,946				1,654	
29	Net derivative assets	-				-	
30	Total derivative liabilities before adjustments for deduction of variation margin posted	3,786				189	
31	All other assets not included in the above categories	65,943	16,703	51	1,272	61,501	
32	Off-balance sheet items	<i>1</i>		524,009		3,458	
33	Total RSF					762,141	
34	Net Stable Funding Ratio (%)					150.5%	

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

BANKING DISCLOSURE STATEMENT (unaudited) (continued)

Other disclosures

Mainland activities exposures

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

Table 44: Mainland activities exposures

	On-balance sheet exposure	Off-balance sheet exposure	Total exposures
As at 30 Jun 2021	HK\$m	HK\$m	HK\$m
Type of Counterparties			
1 Central government, central government-owned entities and their subsidiaries and joint ventures (JVs)	75,891	2,583	78,474
2 Local governments, local government-owned entities and their subsidiaries and JVs	30,233	4,356	34,589
3 People's Republic of China ('PRC') nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	111,011	22,158	133,169
4 Other entities of central government not reported in item 1 above	8,157	1,706	9,863
5 Other entities of local governments not reported in item 2 above	4,166	100	4,266
6 PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	32,164	1,479	33,643
7 Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	13,756	600	14,356
Total	275,378	32,982	308,360
Total assets after provision	1,659,500		
On-balance sheet exposures as percentage of total assets	16.59%		

On-balance sheet exposures as percentage of total assets remained stable as compared with 2020 year-end.

International claims

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

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

Table 45: International claims

	Banks	Official Sector	Non Bank Financial Institution	Non-Financial Private Sector	Others	Total
As at 30 Jun 2021	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m
Developed countries	34,995	64,350	19,959	83,945	-	203,249
Offshore centres	8,306	21,166	6,560	148,229	-	184,261
<i>of which : Hong Kong SAR</i>	7,250	420	6,328	126,437	-	140,435
Developing Asia and Pacific	55,398	20,257	10,192	72,105	-	157,952
<i>of which : China</i>	39,528	20,218	9,282	65,803	-	134,831

At 30 June 2021, only claims on Hong Kong SAR and China were the individual countries and territories or areas, which were not less than 10% of the Group's total international claims.

BANKING DISCLOSURE STATEMENT *(unaudited) (continued)*

Foreign exchange exposures

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

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

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

At 30 June 2021, the US dollars ('USD'), Chinese renminbi ('RMB'), Pound sterling ('GBP'), Japanese yen ('JPY'), Euro ('EUR'), Canadian dollars ('CAD'), Swiss francs ('CHF'), Australian dollars ('AUD'), Singapore dollars ('SGD'), New Zealand dollars ('NZD'), Gold ('GOL'), other foreign currencies were the currencies in which the Group had non-structural foreign currency positions that were not less than 10% of the total net position in all foreign currencies. The Group also had a RMB structural foreign currency position, which was not less than 10% of the total net structural position in all foreign currencies. The net options position is calculated on the basis of delta-weighted positions of all foreign exchange options contracts.

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

Table 46: Foreign exchange exposures

	USD	RMB	GBP	JPY	EUR	CAD	CHF	AUD	SGD	NZD	GOL	Other foreign currencies	Total foreign currencies
As at 30 Jun 2021	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m
Non-structural position													
Spot assets	235,725	194,628	19,803	23,397	18,127	20,815	9,774	26,614	21,901	3,637	8,974	1,953	585,348
Spot liabilities	(225,508)	(184,007)	(14,767)	(4,858)	(11,657)	(10,782)	(766)	(20,987)	(2,025)	(3,952)	(8,210)	(2,119)	(489,638)
Forward purchases	578,026	281,690	7,123	4,641	9,377	513	1,445	27,308	2,729	3,274	798	410	917,334
Forward sales	(586,138)	(294,067)	(12,036)	(23,382)	(15,684)	(10,441)	(10,446)	(32,892)	(22,615)	(2,882)	(1,586)	(217)	(1,012,386)
Net options position	(2,215)	1,826	(94)	62	(23)	(99)	1	(66)	-	(27)	-	-	(635)
Net long/(short) non-structural position	(110)	70	29	(140)	140	6	8	(23)	(10)	50	(24)	27	23
Structural position	-	19,160	-	-	-	-	-	-	58	-	-	1,509	20,727

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

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