



恒生銀行
HANG SENG BANK

Banking Disclosure Statement

30 September 2019

(Unaudited)

BANKING DISCLOSURE STATEMENT *(unaudited)*

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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 both 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 purposes is different from that for accounting purposes.

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

The Banking Disclosure Statement

The Group's Banking Disclosure Statement at 30 September 2019 comprises information required under the framework of the Basel Committee on Banking Supervision ("BCBS"). The disclosures are made in accordance with the latest BDR and LAC Rules issued by the Hong Kong Monetary Authority ("HKMA").

According to the BDR and 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.

Loss-absorbing capacity disclosures

The LAC Rules in Hong Kong were implemented in December 2018. Following classification under these rules by the HKMA, entities in Hong Kong are required to issue loss-absorbing capacity ("LAC") instruments that can be written down or converted in the event of failure.

On 1 April 2019, the Group was classified as a material subsidiary by the HKMA. Following this classification, the Group is required to publish LAC disclosures in accordance with the LAC Rules from 30 September 2019, following conformance with the LAC requirements from 1 July 2019. The basis of calculating the Group's LAC and RWA is in accordance with the LAC Rules. The disclosures are made in accordance with the standard disclosure templates as issued by the HKMA.

BANKING DISCLOSURE STATEMENT (unaudited) (continued)
Key metrics

Table 1: KM1 – Key prudential ratios

	a	b	c	d	e
	At				
	30 Sep 2019	30 Jun 2019	31 Mar 2019	31 Dec 2018	30 Sep 2018
	<i>Footnotes</i>				
Regulatory capital (HK\$m)	<i>1</i>				
1 Common Equity Tier 1 ("CET1")	107,781	105,945	102,947	101,724	100,320
2 Tier 1	119,525	117,689	109,928	108,705	107,301
3 Total capital	133,610	131,747	123,574	123,307	121,299
RWA (HK\$m)	<i>1</i>				
4 Total RWA	651,970	647,067	627,076	611,885	602,711
Risk-based regulatory capital ratios (as a percentage of RWA)	<i>1</i>				
5 CET1 ratio (%)	16.5	16.4	16.4	16.6	16.6
6 Tier 1 ratio (%)	18.3	18.2	17.5	17.8	17.8
7 Total capital ratio (%)	20.5	20.4	19.7	20.2	20.1
Additional CET1 buffer requirements (as a percentage of RWA)	<i>1, 2</i>				
8 Capital conservation buffer requirement (%)	2.500	2.500	2.500	1.875	1.875
9 Countercyclical capital buffer ("CCyB") requirement (%)	2.067	2.085	2.053	1.550	1.661
10 Higher loss absorbency requirements (%) (applicable only to Global systemically important authorised institutions ("G-SIBs") or Domestic systemically important authorised institutions ("D-SIBs"))	1.500	1.500	1.500	1.125	1.125
11 Total AI-specific CET1 buffer requirements (%)	6.067	6.085	6.053	4.550	4.661
12 CET1 available after meeting the AI's minimum capital requirements (%)	12.0	11.9	11.5	11.8	11.8
Basel III leverage ratio	<i>3</i>				
13 Total leverage ratio ("LR") exposure measure (HK\$m)	1,537,718	1,559,690	1,486,257	1,477,001	1,418,636
14 LR (%)	7.8	7.5	7.4	7.4	7.6
Liquidity Coverage Ratio ("LCR")	<i>4</i>				
15 Total high quality liquid assets ("HQLA") (HK\$m)	331,860	318,938	321,198	293,081	280,177
16 Total net cash outflows (HK\$m)	158,122	161,027	153,066	140,330	135,029
17 LCR (%)	210.5	198.5	210.8	209.1	208.2
Net Stable Funding Ratio ("NSFR")	<i>5</i>				
18 Total available stable funding (HK\$m)	1,115,891	1,127,803	1,076,544	1,076,646	1,038,035
19 Total required stable funding (HK\$m)	751,178	739,544	716,178	699,089	689,787
20 NSFR (%)	148.6	152.5	150.3	154.0	150.5

1 The regulatory capital, RWA, risk-based regulatory capital ratios and additional CET1 buffer requirements above are disclosed in accordance with the information contained in the "Capital Adequacy Ratio - (MA(BS)3)" return submitted to the HKMA on a consolidated basis under the requirements of section 3C(1) of the BCR.

2 As at 30 September 2019, the higher loss absorbency requirement was 1.5%. The capital conservation buffer requirement and the jurisdictional CCyB for Hong Kong used in calculation of the CCyB requirement were 2.5% in accordance with the arrangement set out by the HKMA. On 14 October 2019, the HKMA announced a reduction in the jurisdictional CCyB for Hong Kong to 2.0% from 2.5% with immediate effect.

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)

Table 2: KM2(A) – Key metrics – LAC requirements

	a	b	c	d	e
	At ¹				
	30 Sep 2019	30 Jun 2019	31 Mar 2019	31 Dec 2018	30 Sep 2018
Of the material entity at LAC consolidation group level					
1 Internal loss-absorbing capacity available (HK\$m)	153,126	N/A	N/A	N/A	N/A
2 Risk-weighted amount under the LAC Rules (HK\$m)	651,970	N/A	N/A	N/A	N/A
3 Internal LAC risk-weighted ratio (%)	23.5	N/A	N/A	N/A	N/A
4 Exposure measure under the LAC Rules (HK\$m)	1,536,803	N/A	N/A	N/A	N/A
5 Internal LAC leverage ratio (%)	10.0	N/A	N/A	N/A	N/A
6a Does the subordination exemption in the antepenultimate paragraph of Section 11 of the FSB TLAC Term Sheet apply?	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
6b Does the subordination exemption in the penultimate paragraph of Section 11 of the FSB TLAC Term Sheet apply?	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
6c If the capped subordination exemption applies, the amount of funding issued that ranks pari passu with excluded liabilities and that is recognised as external loss-absorbing capacity, divided by funding issued that ranks pari passu with excluded liabilities and that would be recognised as external loss-absorbing capacity if no cap was applied	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable

1 The LAC disclosures for the Group commences on 30 September 2019 in accordance with the LAC Rules, accordingly the prior periods' ratios are not available.

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

BANKING DISCLOSURE STATEMENT (unaudited) (continued)

Internal loss-absorbing capacity

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

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

Table 3: 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 September 2019

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	Common Equity Tier 1
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 Additional Tier 1 instruments (columns b and c)
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	N/A

Terms and conditions

[Terms and conditions - Ordinary shares](#)

Footnote:

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 the Financial Institutions (Resolution) Ordinance

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

		b	c
As at 30 September 2019		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	Additional Tier 1	Additional Tier 1
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 3: 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 September 2019			
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 3: CCA(A) – Main features of regulatory capital instruments and non-capital LAC debt instruments (continued)

		c	d
As at 30 September 2019		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\$ 3,136 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)

Capital and RWA

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 4: LR2 – Leverage ratio

	a	b
	30 Sep 2019	30 Jun 2019
	HK\$m	HK\$m
On-balance sheet exposures		
1 On-balance sheet exposures (excluding those arising from derivative contracts and securities financing transactions ("SFTs"), but including collateral)	1,461,694	1,488,858
2 Less: Asset amounts deducted in determining Tier 1 capital	(31,891)	(32,306)
3 Total on-balance sheet exposures (excluding derivative contracts and SFTs)	1,429,803	1,456,552
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)	4,519	3,153
5 Add-on amounts for potential future exposure ("PFE") associated with all derivative contracts	12,234	11,342
6 Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework	-	-
7 Less: Deductions of receivables assets for cash variation margin provided under derivative contracts	-	-
8 Less: Exempted central counterparty ("CCP") leg of client-cleared trade exposures	-	-
9 Adjusted effective notional amount of written credit derivative contracts	-	-
10 Less: Adjusted effective notional offsets and add-on deductions for written credit derivative contracts	-	-
11 Total exposures arising from derivative contracts	16,753	14,495
Exposures arising from SFTs		
12 Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	7,327	7,085
13 Less: Netted amounts of cash payables and cash receivables of gross SFT assets	-	-
14 Counterparty credit risk ("CCR") exposure for SFT assets	388	421
15 Agent transaction exposures	-	-
16 Total exposures arising from SFTs	7,715	7,506
Other off-balance sheet exposures		
17 Off-balance sheet exposure at gross notional amount	520,682	507,655
18 Less: Adjustments for conversion to credit equivalent amounts	(433,683)	(423,524)
19 Off-balance sheet items	86,999	84,131
Capital and total exposures		
20 Tier 1 capital	119,525	117,689
20a Total exposures before adjustments for specific and collective provisions	1,541,270	1,562,684
20b Adjustments for specific and collective provisions	(3,552)	(2,994)
21 Total exposures after adjustments for specific and collective provisions	1,537,718	1,559,690
Leverage ratio		
22 Leverage ratio	7.8%	7.5%

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

Table 5: OV1 – Overview of RWA

	a	b	c
	Minimum capital requirements ²		
	RWA ¹		
	30 Sep 2019 HK\$m	30 Jun 2019 HK\$m	30 Sep 2019 HK\$m
1 Credit risk for non-securitisation exposures	517,038	516,149	43,550
2 <i>Of which: Standardised credit risk ("STC") approach</i>	61,306	64,510	4,904
2a <i>Of which: Basic ("BSC") approach</i>	-	-	-
3 <i>Of which: Foundation internal ratings-based ("IRB") approach</i>	-	-	-
4 <i>Of which: Supervisory slotting criteria approach</i>	12,989	13,443	1,101
5 <i>Of which: Advanced IRB approach</i>	442,743	438,196	37,545
6 Counterparty default risk and default fund contributions	2,668	2,462	225
7 <i>Of which: Standardised approach for counterparty credit risk ("SA-CCR")*</i>	Not applicable	Not applicable	Not applicable
7a <i>Of which: Current exposure method ("CEM")</i>	2,582	2,413	218
8 <i>Of which: Internal models (counterparty credit risk) ("IMM(CCR)") approach</i>	-	-	-
9 <i>Of which: Others</i>	86	49	7
10 Credit valuation adjustment ("CVA") risk	2,273	2,074	182
11 Equity positions in banking book under the simple risk-weight method and internal models method	18,852	20,241	1,599
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	12,412	8,522	993
21 <i>Of which: Standardised market risk ("STM") approach</i>	112	121	9
22 <i>Of which: Internal models ("IMM") approach</i>	12,300	8,401	984
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	64,644	63,546	5,172
24a Sovereign concentration risk*	-	Not applicable	-
25 Amounts below the thresholds for deduction (subject to 250% Risk-Weight ("RW"))	19,132	19,404	1,622
26 Capital floor adjustment	-	-	-
26a Deduction to RWA	(14,816)	(14,938)	(1,185)
26b <i>Of which: Portion of regulatory reserve for general banking risks and collective provisions which is not included in Tier 2 Capital</i>	-	-	-
26c <i>Of which: Portion of cumulative fair value gains arising from the revaluation of land and buildings which is not included in Tier 2 Capital</i>	(14,816)	(14,938)	(1,185)
27 Total	622,203	617,460	52,158

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

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

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

Total RWA increased by HK\$4.7bn since last quarter. Market risk RWA increased by HK\$3.9bn mainly due to changes in foreign exchange and offshore Renminbi ("CNH") interest rate trading positions. Meanwhile, credit risk RWA for non-securitisation exposures increased by HK\$0.9bn mainly driven by the combined effect of loan growth and the decrease in bank exposures.

BANKING DISCLOSURE STATEMENT (unaudited) (continued)

RWA flow statements

RWA flow statement for credit risk

Table 6: CR8 – RWA flow statement of credit risk¹ exposures under IRB approach

	a
	Amount HK\$m
1 RWA as at end of previous reporting period (30 Jun 2019)	451,639
2 Asset size	10,598
3 Asset quality	(4,355)
4 Model updates	-
5 Methodology and policy	-
6 Acquisitions and disposals	-
7 Foreign exchange movements	(1,212)
8 Other	(938)
9 RWA as at end of reporting period (30 Sep 2019)	455,732

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

RWA increased by HK\$4.1bn during the third quarter of 2019. It was mainly due to an increase of HK\$10.6bn from asset size driven by loan growth and partly offset by a decrease of HK\$4.4bn from the change in asset quality.

RWA flow statement for market risk

Table 7: 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 (30 Jun 2019)	2,661	5,740	-	-	-	8,401
2 Movement in risk levels	983	2,910	-	-	-	3,893
3 Model updates/changes	(5)	(21)	-	-	-	(26)
4 Methodology and policy	-	-	-	-	-	-
5 Acquisitions and disposals	-	-	-	-	-	-
6 Foreign exchange movements	10	22	-	-	-	32
7 Other	-	-	-	-	-	-
8 RWA as at end of reporting period (30 Sep 2019)	3,649	8,651	-	-	-	12,300

The increase in market risk RWA was mainly driven by changes in foreign exchange and CNH interest rate trading positions.

BANKING DISCLOSURE STATEMENT (unaudited) (continued)

Liquidity information

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

Table 8: Average liquidity coverage ratio

	Quarter ended
	30 Sep
	2019
	%
Average liquidity coverage ratio	210.5

The liquidity position of the Group remained strong for the third quarter of 2019. The average LCR increased from 198.5% for the quarter ended 30 June 2019 to 210.5% for the quarter ended 30 September 2019.

The composition of the Group's high quality liquid assets ("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 9: Total weighted amount of high quality liquid assets

	Weighted amount
	(average) for the
	quarter ended
	30 Sep
	2019
	HK\$m
Level 1 assets	319,073
Level 2A assets	12,230
Level 2B assets	557
Total weighted amount of HQLA	331,860

Sources of funding

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

Currency mismatch

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

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), in the event of one-notch and two-notch downgrade in credit ratings, the additional collateral required to post is immaterial.

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

BANKING DISCLOSURE STATEMENT (unaudited) (continued)

The following table sets out the required disclosure items under the Liquidity Coverage Ratio Standard Disclosure Template as specified by the HKMA. 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 September 2019 was 77.

Table 10: LIQ1 – Liquidity coverage ratio – for category 1 institution

		Quarter ended 30 Sep 2019 (77 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 ("HQLA")		331,860
B	Cash outflows		
2	Retail deposits and small business funding, of which:	849,266	69,640
3	<i>Stable retail deposits and stable small business funding</i>	218,373	6,551
4	<i>Less stable retail deposits and less stable small business funding</i>	630,893	63,089
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:	278,033	127,703
6	<i>Operational deposits</i>	31,214	7,180
7	<i>Unsecured wholesale funding (other than small business funding) not covered in Row 6</i>	242,811	116,515
8	<i>Debt securities and prescribed instruments issued by the institution and redeemable within the LCR period</i>	4,008	4,008
9	Secured funding transactions (including securities swap transactions)		9
10	Additional requirements, of which:	79,909	10,651
11	<i>Cash outflows arising from derivative contracts and other transactions, and additional liquidity needs arising from related collateral requirements</i>	2,846	2,846
12	<i>Cash outflows arising from obligations under structured financing transactions and repayment of funding obtained from such transactions</i>	582	582
13	<i>Potential drawdown of undrawn committed facilities (including committed credit facilities and committed liquidity facilities)</i>	76,481	7,223
14	Contractual lending obligations (not otherwise covered in Section B) and other contractual cash outflows	17,450	17,450
15	Other contingent funding obligations (whether contractual or non-contractual)	435,194	2,073
16	Total cash outflows		227,526
C	Cash inflows		
17	Secured lending transactions (including securities swap transactions)	2,000	113
18	Secured and unsecured loans (other than secured lending transactions covered in Row 17) and operational deposits placed at other financial institutions	100,407	53,670
19	Other cash inflows	24,385	15,621
20	Total cash inflows	126,792	69,404
D	Liquidity coverage ratio (adjusted value)		
21	Total HQLA		331,860
22	Total net cash outflows		158,122
23	LCR (%)		210.5%

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

B		L	
Bank	Hang Seng Bank Limited	LAC Rules	Financial Institutions (Resolution) (Loss-absorbing Capacity Requirements - Banking Sector) Rules
BCBS	Basel Committee on Banking Supervision	LAC	Loss-absorbing Capacity
BCR	Banking (Capital) Rules	LCR	Liquidity coverage ratio
BDR	Banking (Disclosure) Rules	LR	Leverage ratio
BLR	Banking (Liquidity) Rules	LTA	Look through approach
BSC	Basic approach	M	
C		MBA	Mandate-based approach
CCP	Central counterparty	N	
CCR	Counterparty credit risk	N/A	Not applicable
CCyB	Countercyclical capital buffer	NSFR	Net stable funding ratio
CEM	Current exposure method	P	
CET1	Common equity tier 1	PFE	Potential future exposure
CIS	Collective investment scheme	R	
CNH	Offshore Renminbi	RW	Risk-weight
CRC	Comprehensive risk charge	RWA	Risk-weighted asset(s)/risk-weighted amount(s)
CSA	Credit Support Annex	S	
CVA	Credit valuation adjustment	SA-CCR	Standardised approach for counterparty credit risk
D		SEC-ERBA	Securitisation external ratings-based approach
D-SIB	Domestic systemically important authorised institution	SEC-FBA	Securitisation fall-back approach
F		SEC-IRBA	Securitisation internal ratings-based approach
FBA	Fall-back approach	SEC-SA	Securitisation standardised approach
FIRO	Financial Institutions (Resolution) Ordinance	SFT	Securities financing transaction
FSB	Financial Stability Board	STC	Standardised (credit risk) approach
G		STM	Standardised (market risk) approach
G-SIB	Global systemically important authorised institution	T	
Group	Hang Seng Bank Limited together with its subsidiaries	TLAC Term Sheet	Total Loss-absorbing Capacity Term Sheet
H		V	
HK\$bn	Billions (thousands of millions) of Hong Kong dollars	VaR	Value at risk
HK\$m	Millions of Hong Kong dollars		
HKFRS	Hong Kong Financial Reporting Standards		
HKMA	Hong Kong Monetary Authority		
Hong Kong	The Hong Kong Special Administrative Region of the People's Republic of China		
HQLA	High quality liquid assets		
I			
IAA	Internal assessment approach		
IMM	Internal models approach		
IMM(CCR)	Internal models (counterparty credit risk) approach		
IRB	Internal ratings-based approach		
IRC	Incremental risk charge		
ISDA	International Swaps and Derivatives Association		