

Hang Seng Bank Limited  
Macau Branch

*Financial disclosure  
(unaudited)*

*for the six-month period ended 30 June 2018*

## Balance sheet as of 30 June 2018

(Expressed in thousands Macau Patacas)

<i>Assets</i>	<i>Assets gross amount</i>	<i>Provisions, amortisation and devaluation</i>	<i>Assets net amount</i>
Cash	15,060	-	15,060
Deposits with AMCM	166,849	-	166,849
Cheques and bills receivables	6,483	-	6,483
Current deposits with other local credit institutions	1,158,950	-	1,158,950
Current deposits with other overseas credit institutions	534,052	-	534,052
Gold and silver	-	-	-
Other current assets	-	-	-
Loans and advances to customers	14,116,929	-	14,116,929
Placement with local credit institutions	-	-	-
Call and time deposits with overseas credit institutions	2,522,378	-	2,522,378
Equity securities, bonds and shareholdings	-	-	-
Applications & resources consigned to the bank	-	-	-
Debtors	-	-	-
Other investment	-	-	-
Financial investment	-	-	-
Immovable properties	-	-	-
Equipments	21,630	11,571	10,059
Deferred expenses	-	-	-
Organisation costs	-	-	-
Immovable properties in progress	-	-	-
Other fixed assets	-	-	-
Internal and adjustment accounts	29,108	-	29,108
Total	18,571,439	11,571	18,559,868

## Balance sheet as of 30 June 2018 (continued)

(Expressed in thousands Macau Patacas)

<i>Liabilities</i>	<i>Sub-total</i>	<i>Total</i>
Current deposits	2,030,687	
Call deposits	-	
Time deposits	631,052	2,661,739
Deposits from public sector entities	-	
Placement from local credit institutions	-	
Placement from other local institutions	-	
Foreign currencies debts	14,636,260	
Bond debts	-	
Creditors of applications & resources consigned to the bank	-	
Cheques and bills payable	1,970	
Creditors	-	
Other liabilities	-	14,638,230
Internal and adjustment accounts	67,745	
Risk reserve	151,119	
Capital	52,300	
Legal reserve	-	
Self-constituted reserve	-	
Other reserves	-	
Revaluation reserve	-	271,164
Retained earnings	918,213	
Profit and loss for the year	70,522	988,735
<b>Total</b>		<b>18,559,868</b>

# Income statement

## for the six-month period ended 30 June 2018

### Operating account

(Expressed in thousands Macau Patacas)

<i>Debit</i>	<i>Amount</i>	<i>Credit</i>	<i>Amount</i>
Costs of credit operations	78,557	Income from credit operations	189,827
Personnel costs	-	Income from banking services	17,585
Directors and supervisory committee emoluments	-	Income from other banking services	-
Employee remuneration	14,997	Income from securities and equity investments	-
Staff benefit costs	1,042	Other banking income	-
Other personnel costs	-	Income from non-banking operations	-
Third party supply	99	Operation loss	-
Third party services	4,885		
Other banking costs	14,546		
Taxation	-		
Costs of non-banking operations	-		
Depreciation allowances	2,114		
Provision allowances	11,449		
Operating profit	79,723		
Total	207,412	Total	207,412

### Profit and loss account

(Expressed in thousands Macau Patacas)

<i>Debit</i>	<i>Amount</i>	<i>Credit</i>	<i>Amount</i>
Operating loss	-	Operating profit	79,723
Losses related to previous years	-	Profit related to previous years	-
Exceptional losses	-	Exceptional profits	-
Profit tax provision	9,201	Provision used up	-
Additional provision in accordance with Financial System Act	-	Profit and loss for the year (loss)	-
Profit and loss for the year (profit)	70,522		
Total	79,723	Total	79,723

# Cash flow statement

## for the six-month period ended 30 June 2018

(Expressed in thousands Macau Patacas)

	<i>Amount</i>
<b>Cash flow from operating activities</b>	
Profit before income tax	79,723
Depreciation	2,114
Loan impairment charge	11,449
Interest income	(189,827)
Interest expense	78,557
Interest received	186,198
Interest paid	(69,409)
Decreased in minimum deposits with AMCM	3,103
Increase in gross loans and advances to customers	(1,097,888)
Increase in other assets	(1,677)
Decrease in balances with banks with original maturity more than three months	85,542
Decrease in deposits from customers	(171,632)
Increase in deposits and balances from banks	1,123,742
Decrease in other liabilities	(7,617)
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Cash inflow from operating activities before taxation	32,378
Macau complementary tax paid	-
Withholding tax refund received	-
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Cash inflow from operating activities	32,378
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<b>Cash flows from investing activities</b>	
Purchase of tangible fixed assets	-
Proceeds from redemption of investments	-
Payment for purchase of investments	-
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Cash flow from investing activities	-
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<b>Cash flows from financing activities</b>	
Capital contribution from Head Office	-
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<b>Increase in cash and cash equivalents</b>	32,378
Cash and cash equivalents at 1 January	3,346,745
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<b>Cash and cash equivalents at 30 June</b>	3,379,123
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<b>For the purpose of cash flow statement, cash and cash equivalents comprise the following balances with less than three months maturity from the date of acquisition</b>	
Cash and balances with banks	3,258,450
Deposit with AMCM in excess of minimum statutory requirement	116,160
Items in course of collection from other banks	6,483
Items in course of transmission to other banks	(1,970)
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	3,379,123
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## Off-balance sheet exposures

### (a) *Contingent liabilities and commitments*

(Expressed in thousands Macau Patacas)

As at 30 June 2018	Amounts
Bank guarantees	315,729
<b>Commitments:</b>	
Trade-related contingencies	647,447
Acceptance on the trade bills	666,661
Undrawn formal standby facilities, credit lines and other commitments to lend	4,162,076
	5,476,184

### (b) *Lease commitments*

The Branch leases a number of properties under operating leases. The leases typically run for a period of one to three years, with an option to renew the leases when all terms are renegotiated. None of the leases includes contingent rentals.

At 30 June 2018, the total future minimum lease payments under non-cancellable operating leases are as follows:

(Expressed in thousands Macau Patacas)

	Amounts
Not later than one year	6,302
Later than one year and not later than five years	11,484
	17,786

## Derivative transactions

The following table gives the notional contract amounts, marked to market value of assets and liabilities, credit equivalent amounts and risk-weighted amounts as at 30 June 2018.

(Expressed in thousands Macau Patacas)

	Contract amount	Derivative assets	Derivative liabilities	Credit equivalent amounts	Risk-weighted amounts
Exchange rate contracts					
– Forward contracts	228,657	2,930	2,930	5,216	1,043
Interest rate contracts	-	-	-	-	-
Equities contracts	-	-	-	-	-
Commodities contracts	-	-	-	-	-
Others	-	-	-	-	-

## Material related-party transactions

(a) **Transactions with Head Office, a subsidiary of Head Office and other related companies**

The aggregate amount of income and expenses arising from these transactions during the year, and the total contract sum of off-balance sheet transactions at 30 June 2018 are as follows:

*(Expressed in thousands Macau Patacas)*

	Amounts
Interest income from Head Office and a subsidiary of Head Office	20,698
Interest expenses to Head Office	(73,003)
Fee and commission paid to Head Office and a subsidiary of Head office	(4,495)
Management fee paid to Head Office	(5,637)
Operating expenses paid to other related companies	(2,464)
	<u>(64,901)</u>
Notional forward exchange rate contracts	<u>228,657</u>

The balances with Head Office and a subsidiary of Head office at 30 June 2018 are as follows:

(i) Assets

*(Expressed in thousands Macau Patacas)*

	Amounts
Cash and balances with banks	
- Demand deposits	533,922
- Placement	2,522,378
Other assets	
- Interest receivables	5,962
- Derivative financial instruments	25
	<u>3,062,287</u>

(ii) Liabilities

*(Expressed in thousands Macau Patacas)*

	Amounts
Deposits and balances from banks	
- Demand and placements from banks	14,636,260
- Other balances from banks	-
Other liabilities	
- Interest payable	22,627
- Derivative financial instruments	2,954
	<u>14,661,841</u>

## Material related-party transactions (continued)

(b) **Key management personnel remuneration**

During the first six-month period, the remuneration of Branch key management personnel, which is included in “staff” is as follows:

*(Expressed in thousands of Macau Patacas)*

	Amount
Executive officers	1,439

(c) **Material transaction with key management personnel**

During the first six-month period, the Branch did not provide credit facilities to key management personnel of the Branch and its Head Office, their close family members and companies controlled or significantly influenced by them.



# Credit risk

## (a) Geographic distribution of exposures

(Expressed in thousands Macau Patacas)

	<i>Banks</i>	<i>Governments</i>	<i>Public sector entities</i>	<i>Others</i>	<i>Total exposures</i>	<i>Individually impaired loans and advances</i>	<i>Overdue loans and advances<sup>2</sup></i>	<i>Individually assessed allowances</i>	<i>Collectively assessed allowances</i>
Loans & commitments <sup>1</sup>									
– Macau	-	-	-	16,497,437	16,497,437	-	-	-	(132,397)
– Hong Kong	-	-	-	1,674,816	1,674,816	-	-	-	(17,580)
– Others	-	-	-	106,752	106,752	-	-	-	(1,142)
	-	-	-	18,279,005	18,279,005	-	-	-	(151,119)
Debt securities									
– Macau	-	-	-	-	-				
– Hong Kong	-	-	-	-	-				
– Others	-	-	-	-	-				
Financial derivatives									
– Macau	-	-	-	228,657	228,657				
– Hong Kong	-	-	-	228,657	228,657				
– Others	-	-	-	-	-				
	-	-	-	457,314	457,314				

<sup>1</sup> Undrawn formal standby facilities, credit lines and other commitments to lend are included.

<sup>2</sup> Loans and advances which have been overdue with respect to either principal or interest for periods of more than three months.

## Credit risk (continued)

### (b) Industry distribution of exposures of loans and advances

(Expressed in thousands Macau Patacas)

	Gross loans and advances	Individually impaired loans and advances	Overdue loans and advances <sup>1</sup>	Individually assessed allowances	Collectively assessed allowances
Manufacturing	34,243	-	-	-	(367)
Electricity, gas and water	-	-	-	-	-
Construction and public works	391,093	-	-	-	(4,187)
Trade (wholesale and retail)	4,920,303	-	-	-	(52,671)
Restaurants, hotels and related activities	18,217	-	-	-	(195)
Transport, warehouse and communications	-	-	-	-	-
Individuals for house purchases	3,141,797	-	-	-	(33,632)
Individuals for other purposes	173,936	-	-	-	(1,862)
Others	5,437,340	-	-	-	(58,205)
	<u>14,116,929</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(151,119)</u>

<sup>1</sup> Loans and advances which have been overdue with respect to either principal or interest for periods of more than three months.

### (c) Maturity analysis on assets and liabilities

(Expressed in thousands Macau Patacas)

	Repayable on demand	1 month or less but not repayable on demand	3 months or less but over 1 month	1 year or less but over 3 months	3 years or less but over 1 year	After 3 years	Indefinite period	Total
<b>Assets</b>								
Loans and advances to customers	14,467	2,595,800	526,765	1,742,907	1,970,343	7,115,528	-	13,965,810
Cash and balances with and loans and advances to banks	1,824,222	1,343,382	809,880	419,805	-	-	-	4,397,289
Certificates of deposits held	-	-	-	-	-	-	-	-
Securities issued by Macao SAR Government and/or AMCM	-	-	-	-	-	-	-	-
Other securities	-	-	-	-	-	-	-	-
<b>Liabilities</b>								
Deposits and balances of banks and financial institutions	1,252,845	3,022,212	755,199	9,606,004	-	-	-	14,636,260
Deposits from public sector entities	-	-	-	-	-	-	-	-
Deposits from holding and associated companies	-	-	-	-	-	-	-	-
Deposits from non-bank customers	2,029,185	293,272	330,259	9,023	-	-	-	2,661,739
Certificates of deposits issued	-	-	-	-	-	-	-	-
Other securities issued	-	-	-	-	-	-	-	-

## Credit risk (continued)

*(d) Overdue loans and advances to banks*

There were no overdue loans and advances to banks as at 30 June 2018.

*(e) Overdue loans and advances to non-bank customers*

There were no overdue loans and advances to non-banks customers as at 30 June 2018.

*(f) Overdue other assets*

There were no overdue loans and advances to overdue other assets as at 30 June 2018.

## Foreign exchange risk

Net long or net short positions in foreign currencies at 30 June 2018 are as follows:

(Expressed in thousands Macau Patacas)

	<i>Spot assets</i>	<i>Spot liabilities</i>	<i>Forward purchases</i>	<i>Forward sales</i>	<i>Net options position</i>	<i>Net long (or net short) position</i>
Chinese renminbi	48,400	(48,310)	-	-	-	90
Hong Kong dollars	14,618,808	(14,615,215)	-	-	-	3,593
US dollars	1,891,134	(1,892,577)	36,045	(36,045)	-	(1,443)
Other foreign currencies	459,520	(459,395)	192,612	(192,612)	-	125
	<u>17,017,862</u>	<u>(17,015,497)</u>	<u>228,657</u>	<u>(228,657)</u>	<u>-</u>	<u>2,365</u>

## Liquidity risk

During the six-month period ended 30 June 2018:

(Expressed in thousands Macau Patacas)

The arithmetic mean of the minimum weekly amount of cash in hand that is required to be held	68,883
The arithmetic mean of the average weekly amount of cash in hand	225,900
The arithmetic mean of the specified liquid assets at the end of each month	1,388,491
The average ratio of specified liquid asset to total basic liabilities at the end of each month	52%
The arithmetic mean of one-month liquidity ratio in the last week of each month	117%
The arithmetic mean of three-month liquidity ratio in the last week of each month	107%

# List of the shareholders with qualifying holdings

## **Hang Seng Bank Limited**

### **Substantial Interests in Share Capital**

The register maintained by the Bank pursuant to the Securities and Futures Ordinance (“SFO”) recorded that, as at 30 June 2018, the following corporations had interests or short positions in the shares or underlying shares (as defined in the SFO) in the Bank set opposite their respective names:

<u>Name of Corporation</u>	<u>Number of Ordinary Shares in the Bank (Percentage of total)</u>
The Hongkong and Shanghai Banking Corporation Limited	1,188,057,371 (62.14%)
HSBC Asia Holdings BV	1,188,057,371 (62.14%)
HSBC Asia Holdings (UK) Limited	1,188,057,371 (62.14%)
HSBC Holdings BV	1,188,057,371 (62.14%)
HSBC Finance (Netherlands)	1,188,057,371 (62.14%)
HSBC Holdings plc	1,188,057,371 (62.14%)

The Hongkong and Shanghai Banking Corporation Limited is a wholly-owned subsidiary of HSBC Asia Holdings BV, which is a wholly-owned subsidiary of HSBC Asia Holdings (UK) Limited, which in turn is a wholly-owned subsidiary of HSBC Holdings BV. HSBC Holdings BV is a wholly-owned subsidiary of HSBC Finance (Netherlands), which in turn is a wholly-owned subsidiary of HSBC Holdings plc. Accordingly, the interest of The Hongkong and Shanghai Banking Corporation Limited are recorded as the interests of HSBC Asia Holdings BV, HSBC Asia Holdings (UK) Limited, HSBC Holdings BV, HSBC Finance (Netherlands) and HSBC Holdings plc.

The Directors regard HSBC Holdings plc to be the beneficial owner of 1,188,057,371 ordinary shares in the Bank (62.14%).

All the interests stated above represented long positions. As at 30 June 2018, no short positions were recorded in the Register of Interests in Shares and Short Positions required to be kept under section 336 of the SFO.

# Names of the members of the company boards

## **Hang Seng Bank Limited**

### **List of Directors**

At 6 August 2018, the members of the board of Directors of Hang Seng Bank Limited are set out below.

### **Independent Non-executive Chairman**

Raymond CH'EN Kuo Fung

### **Executive Directors**

Louisa CHEANG (Vice-Chairman and Chief Executive)

Margaret KWAN Wing Han

### **Non-executive Directors**

Nixon CHAN Lik Sang

Sarah Catherine LEGG

Vincent LO Hong Sui

Kenneth NG Sing Yip

Peter WONG Tung Shun

### **Independent Non-executive Directors**

John CHAN Cho Chak

CHIANG Lai Yuen

Irene LEE Yun Lien

Eric LI Ka Cheung

Michael WU Wei Kuo

# Consolidated capital ratios

## **Hang Seng Bank Limited**

The following tables show the capital base, risk-weighted assets and capital ratios on a consolidated basis that is specified by the Hong Kong Monetary Authority ('HKMA') under the requirements of section 3C(1) of the Banking (Capital) Rules.

The Group uses the advanced internal ratings-based approach to calculate its credit risk for the majority of its non-securitisation 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 basis of consolidation for the calculation of capital ratios under the HKMA Banking (Capital) Rules follows the basis of consolidation for financial reporting with the exclusion of subsidiaries which are 'regulated financial entities' (e.g. insurance and securities companies) as defined by the HKMA Banking (Capital) Rules. The investment cost of these unconsolidated regulated financial entities is deducted from the capital base subject to certain thresholds as determined in accordance with Part 3 of the HKMA Banking (Capital) Rules.

## Consolidated capital ratios (continued)

### Capital base

(Figures in HK\$ million)

**At 30 June 2018**

#### Common Equity Tier 1 (“CET1”) Capital

Shareholders' equity	128,732
- Shareholders' equity per condensed consolidated balance sheet	155,635
- Additional Tier 1 (“AT1”) perpetual capital instrument	(6,981)
- Unconsolidated subsidiaries	(19,922)

Non-controlling interests	-
- Non-controlling interests per condensed consolidated balance sheet	39
- Non-controlling interests in unconsolidated subsidiaries	(39)

Regulatory deductions to CET1 capital	(31,190)
- Cash flow hedging reserve	81
- Changes in own credit risk on fair valued liabilities	6
- Property revaluation reserves <sup>1</sup>	(25,487)
- Regulatory reserve	(4,871)
- Intangible assets	(454)
- Defined benefit pension fund assets	(48)
- Deferred tax assets net of deferred tax liabilities	(145)
- Valuation adjustments	(272)

**Total CET1 Capital** **97,542**

#### AT1 Capital

Total AT1 capital before and after regulatory deductions	6,981
- Perpetual capital instrument	6,981

**Total AT1 Capital** **6,981**

**Total Tier 1 (“T1”) Capital** **104,523**

#### Tier 2 (“T2”) Capital

Total T2 capital before regulatory deductions	14,492
- Property revaluation reserves <sup>1</sup>	11,469
- Impairment allowances and regulatory reserve eligible for inclusion in T2 capital	3,023

Regulatory deductions to T2 capital	(915)
- Significant capital investments in unconsolidated financial sector entities	(915)

**Total T2 Capital** **13,577**

**Total Capital** **118,100**

<sup>1</sup> Includes the revaluation surplus on investment properties which is reported as part of retained profits and related adjustments made in accordance with the Banking (Capital) Rules issued by the HKMA.



## Consolidated capital ratios (continued)

*(Figures in HK\$ million)*

At 30 June 2018

**Total Risk-weighted assets**

**601,549**

**Capital ratios**

CET1 capital ratio

16.2%

Tier1 capital ratio

17.4%

Total capital ratio

19.6%

## Consolidated assets, liabilities and profits positions

### Hang Seng Bank Limited

*(Figures in HK\$ million)*

**At 30 June 2018**

Total assets	1,534,622
Total liabilities	1,378,948
Total loans and advances	855,237
Total customer deposits including current, savings and other deposit accounts and certificates of deposit and other debt securities in issue	1,162,351
Pre-tax profit	14,864