

Hang Seng Bank Limited  
Macau Branch

*Financial disclosure  
for the six-month period ended 30 June 2013*

The information in this financial disclosure is not audited.

# Balance sheet as of 30 June 2013

(Expressed in Macau Patacas)

<i>Assets</i>	<i>Assets gross amount</i>	<i>Provisions, amortisation and devaluation</i>	<i>Assets net amount</i>
Cash	17,195,314.18	-	17,195,314.18
Deposits with AMCM	467,223,850.53	-	467,223,850.53
Cheques and bills receivables	23,584,917.12	-	23,584,917.12
Current deposits with other local credit institutions	579,407,147.75	-	579,407,147.75
Current deposits with other overseas credit institutions	805,256,358.73	-	805,256,358.73
Gold and silver	-	-	-
Other current assets	-	-	-
Loans and advances to customers	6,115,857,130.49	72,311.98	6,115,784,818.51
Placement with local credit institutions	50,000,000.00	-	50,000,000.00
Call and time deposits with overseas credit institutions	439,279,447.68	-	439,279,447.68
Equity securities, bonds and shareholdings	-	-	-
Applications & resources consigned to the bank	-	-	-
Debtors	-	-	-
Other investment	-	-	-
Financial investment	-	-	-
Immovable properties	-	-	-
Equipments	9,081,261.70	8,174,212.73	907,048.97
Deferred expenses	-	-	-
Organisation costs	-	-	-
Immovable properties in progress	-	-	-
Other fixed assets	-	-	-
Internal and adjustment accounts	19,781,931.88	-	19,781,931.88
Total	8,526,667,360.06	8,246,524.71	8,518,420,835.35

## Balance sheet as of 30 June 2013 (continued)

(Expressed in Macau Patacas)

<i>Liabilities</i>	<i>Sub-total</i>	<i>Total</i>
Current deposits	1,440,435,701.90	
Call deposits	-	
Time deposits	217,101,533.16	1,657,537,235.06
Deposits from public sector entities	-	
Placement from local credit institutions	-	
Placement from other local institutions	-	
Foreign currencies debts	6,458,137,792.79	
Bond debts	-	
Creditors of applications & resources consigned to the bank	-	
Cheques and bills payable	10,400,453.48	
Creditors	-	
Other liabilities	-	6,468,538,246.27
Internal and adjustment accounts	28,510,302.70	
Risk reserve	11,986,123.15	
Capital	-	
Legal reserve	-	
Self-constituted reserve	-	
Other reserves	57,080,210.74	
Revaluation reserve	12,510.24	97,589,146.83
Retained earnings	250,664,573.55	
Profit and loss for the year	44,091,633.64	294,756,207.19
Total		8,518,420,835.35

## Profit and loss account for the six-month period ended 30 June 2013

### Operating account

(Expressed in Macau Patacas)

<i>Debit</i>	<i>Amount</i>	<i>Credit</i>	<i>Amount</i>
Costs of credit operations	13,479,583.52	Income from credit operations	72,935,920.09
Personnel costs	-	Income from banking services	11,907,053.30
Directors and supervisory committee emoluments	-	Income from other banking services	53,825.00
Employee remuneration	6,248,873.93	Income from securities and equity investments	-
Staff benefit costs	688,012.08	Other banking income	-
Other personnel costs	9,831.68	Income from non-banking operations	-
Third party supply	104,617.88	Operation loss	-
Third party services	2,130,510.13		
Other banking costs	9,024,065.27		
Taxation	-		
Costs of non-banking operations	-		
Depreciation allowances	225,097.83		
Provision allowances	-		
Operating profit	52,986,206.07		
Total	84,896,798.39	Total	84,896,798.39

### Profit and loss account

(Expressed in Macau Patacas)

<i>Debit</i>	<i>Amount</i>	<i>Credit</i>	<i>Amount</i>
Operating loss	-	Operating profit	52,986,206.07
Losses related to previous years	-	Profit related to previous years	-
Exceptional losses	-	Exceptional profits	-
Profit tax provision	6,101,000.00	Provision used up	-
Additional provision in accordance with Financial System Act	2,793,572.43	Profit and loss for the year (loss)	-
Profit and loss for the year (profit)	44,091,633.64		
Total	52,986,206.07	Total	52,986,206.07

# Cash flow statement

## for the six-month period ended 30 June 2013

(Expressed in Macau Patacas)

	<i>Amount</i>
<b>Operating activities</b>	
Profit before taxation	52,986,206
Adjustments for:	
Interest income	(72,935,920)
Interest expense	13,479,584
Interest received	70,121,311
Interest paid	(13,244,931)
Depreciation	225,098
	<hr/>
<b>Operating profit before changes in working capital</b>	50,631,348
Increase in loans and advances to customers	(234,074,448)
Increase in amounts due from Head Office and other branch with original maturity more than three months	(114,114,672)
Increase in other assets	(3,218,850)
Decrease in current, savings and other deposits from customers	(387,850,604)
Increase in amounts due to Head Office and other branch	5,452,684
Decrease in other liabilities	(4,253,209)
	<hr/>
<b>Cash outflow from operating activities</b>	(687,427,751)
Macau profits tax paid	-
	<hr/>
<b>Net cash outflow from operating activities</b>	(687,427,751)
	<hr style="border-top: 1px dashed black;"/>
<b>Investing activities</b>	
Purchase of fixed assets	(89,804)
Proceeds from redemption of available-for-sale investments	50,000,000
Payment for purchase of available-for-sale investments	(49,893,600)
	<hr/>
<b>Net cash flows from investing activities</b>	16,596
	<hr style="border-top: 1px dashed black;"/>
<b>Net decrease in cash and cash equivalents</b>	(687,411,155)
<b>Cash and cash equivalents at 1 January</b>	2,840,396,034
	<hr/>
<b>Cash and cash equivalents at 30 June</b>	2,152,984,879
	<hr style="border-top: 1px dashed black;"/>
<b>Cash and cash equivalents in the cash flow statement</b>	
Cash	1,063,906,210
Amount due from Head Office and other branch with original maturity within three months	1,089,078,669
	<hr/>
	<u>2,152,984,879</u>

## Off-balance sheet exposures

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

(Expressed in Macau Patacas)

As at 30 June 2013	Contractual amounts
Bank guarantees	29,130,090
<b>Commitments:</b>	
Documentary credits and short-term trade-related transactions	725,590,668
Acceptance on the trade bills	434,291,920
Undrawn formal standby facilities, credit lines and other commitments to lend	3,480,878,224
	<u>4,640,760,812</u>

### (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 2013, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

(Expressed in Macau Patacas)

	Contractual amounts
Within one year	1,653,741
After one year but within five years	694,491
	<u>2,348,232</u>

## 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 2013.

(Expressed in Macau Patacas)

	Contract amount	Derivative assets	Derivative liabilities	Credit equivalent amounts	Risk-weighted amounts
Exchange rate contracts					
– Forward contracts	<u>1,225,802,056</u>	<u>6,749,566</u>	<u>6,749,566</u>	<u>24,516,041</u>	<u>8,580,614</u>
Interest rate contracts	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Equities contracts	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Commodities contracts	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Others	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

## Material related-party transactions

(a) **Transactions with Head Office, fellow subsidiaries, immediate holding company and its subsidiaries**

The aggregate amount of income and expenses arising from these transactions during the six-month period, and the total contract sum of off-balance sheet transactions at 30 June 2013 are as follows:

*(Expressed in Macau Patacas)*

	Amount
Interest income from Head Office and other branch	2,447,625
Interest expenses to Head Office	(11,741,604)
Fee and commission paid to Head Office	(4,493,085)
Management fee paid to Head Office	(1,637,345)
Operating expenses paid to immediate holding company and its subsidiaries	(1,204,770)
Forward exchange rate contracts (nominal contract amount)	612,901,028
	<u>612,901,028</u>

The balances of amounts due from and to Head Office and other branch at 30 June 2013 are as follows:

(i) Amounts due from Head Office and other branch

*(Expressed in Macau Patacas)*

	Amount
Placement with Head Office and other branch with remaining maturity:	
- within one month	219,772,601
- three months or less but over one month	144,129,020
- over three months but less than one year	75,377,827
Interest-bearing deposits receivable on demand	805,176,462
Interest receivable	695,651
	<u>1,245,151,561</u>

(ii) Amounts due to Head Office and other branch

*(Expressed in Macau Patacas)*

	Amount
Deposits repayable on demand	1,011,881,842
Placement from Head Office	5,393,955,951
Interest payable	2,149,471
Interest-free deposits with no fixed term of repayment	52,300,000
Others	130,011
	<u>6,460,417,275</u>

## Material related-party transactions (continued)

(b) *Key management personnel remuneration*

The remuneration of key management personnel, which is included in “staff cost”, is MOP 954,917.

(c) *Material transaction with key management personnel*

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



# Credit risk

## (a) Geographic distribution of exposures

(Expressed in 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>#</sup></i>	<i>Individually assessed allowances</i>	<i>Collectively assessed allowances</i>
Loans & commitments*									
– Macau	-	-	-	7,661,082,005	7,661,082,005	72,312	72,312	(72,312)	(9,157,493)
– Hong Kong	-	-	-	1,126,761,260	1,126,761,260	-	-	-	(2,023,531)
– Others	-	-	-	808,892,090	808,892,090	39,948,322	-	-	(805,099)
	-	-	-	9,596,735,355	9,596,735,355	40,020,634	72,312	(72,312)	(11,986,123)
Debt securities									
– Macau	-	-	-	-	-	-	-	-	-
– Hong Kong	-	-	-	-	-	-	-	-	-
– Others	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-
Financial derivatives									
– Macau	-	-	-	612,901,028	612,901,028				
– Hong Kong	-	-	-	612,901,028	612,901,028				
– Others	-	-	-	-	-				
	-	-	-	1,225,802,056	1,225,802,056				

\* Undrawn formal standby facilities, credit lines and other commitments to lend are included.

# 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 Macau Patacas)

	Gross loans and advances	Individually impaired loans and advances	Overdue loans and advances <sup>#</sup>	Individually assessed allowances	Collectively assessed allowances
Manufacturing	1,271,896,626	39,948,322	-	-	(2,430,329)
Electricity, gas and water	-	-	-	-	-
Construction and public works	-	-	-	-	-
Trade (wholesale and retail)	473,980,184	72,312	72,312	(72,312)	(934,903)
Restaurants, hotels and related activities	-	-	-	-	-
Transport, warehouse and communications	-	-	-	-	-
Individuals for house purchases	1,698,876,941	-	-	-	(3,351,464)
Individuals for other purposes	-	-	-	-	-
Others	2,671,103,379	-	-	-	(5,269,427)
	<u>6,115,857,130</u>	<u>40,020,634</u>	<u>72,312</u>	<u>(72,312)</u>	<u>(11,986,123)</u>

<sup>#</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 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	7,778,853	1,245,517,344	454,680,059	639,824,614	1,108,613,410	2,659,370,538	72,312	6,115,857,130
Cash and balances with and loans and advances to banks	1,869,082,671	219,772,601	144,129,020	75,377,827	-	-	-	2,308,362,119
Certificates of deposits held	-	-	-	-	-	-	-	-
Securities issued by Macao SAR Government and/or AMCM	-	-	50,000,000	-	-	-	-	50,000,000
Other securities	-	-	-	-	-	-	-	-
<b>Liabilities</b>								
Deposits and balances of banks and financial institutions	1,011,881,842	1,576,808,475	620,579,349	3,196,568,127	-	-	52,300,000	6,458,137,793
Deposits from public sector entities	-	-	-	-	-	-	-	-
Deposits from holding and associated companies	-	-	-	-	-	-	-	-
Deposits from non-bank customers	1,440,435,702	131,107,600	74,299,042	11,694,891	-	-	-	1,657,537,235
Certificates of deposits issued	-	-	-	-	-	-	-	-
Other securities issued	-	-	-	-	-	-	-	-

## Credit risk (continued)

### (d) *Overdue loans and advances to banks*

(Expressed in Macau Patacas)

	<i>Gross loans and advances</i>	<i>% of total loans and advances to banks</i>	<i>Collateral value</i>	<i>Individually impaired allowances</i>
Loans and advances to banks which have been overdue with respect to either principal or interest for periods of:				
- more than three months but not more than six months	-	-	-	-
- more than six months but not more than one year	-	-	-	-
- more than one year	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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

(Expressed in Macau Patacas)

	<i>Gross loans and advances</i>	<i>% of total loans and advances to non-bank customers</i>	<i>Collateral value</i>	<i>Individually impaired allowances</i>
Loans and advances to non-bank customers which have been overdue with respect to either principal or interest for periods of:				
- more than three months but not more than six months	-	-	-	-
- more than six months but not more than one year	-	-	-	-
- more than one year	72,312	-	-	(72,312)
	<u>72,312</u>	<u>-</u>	<u>-</u>	<u>(72,312)</u>
	<u>72,312</u>	<u>-</u>	<u>-</u>	<u>(72,312)</u>

### (f) *Overdue other assets*

(Expressed in Macau Patacas)

	<i>Trade bills</i>	<i>Debt securities</i>	<i>Others</i>	<i>Total</i>
Other assets which have been overdue with respect to either principal or interest for periods of:				
- more than three months but not more than six months	-	-	-	-
- more than six months but not more than one year	-	-	-	-
- more than one year	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

## Foreign exchange risk

Net long or net short positions in foreign currencies at 30 June 2013 are as follows:

(Expressed in 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	149,892,215	(148,097,025)	-	-	-	1,795,190
Hong Kong dollars	6,123,070,934	(6,122,223,210)	614,915,436	(614,915,436)	-	847,724
US dollars	1,563,481,413	(1,561,491,036)	-	-	-	1,990,377
Other foreign currencies	103,743,565	(103,577,071)	610,886,620	(610,886,620)	-	166,494
	<u>7,940,188,127</u>	<u>(7,935,388,342)</u>	<u>1,225,802,056</u>	<u>(1,225,802,056)</u>	<u>-</u>	<u>4,799,785</u>

## Liquidity risk

During the six-month period ended 30 June 2013:

The arithmetic mean of the minimum weekly amount of cash in hand that is required to be held	MOP 53,422,407
The arithmetic mean of the average weekly amount of cash in hand	MOP 479,115,913
The arithmetic mean of the specified liquid assets at the end of each month	MOP 794,850,930
The average ratio of specified liquid asset to total basic liabilities at the end of each month	44%
The arithmetic mean of one-month liquidity ratio in the last week of each month	88%
The arithmetic mean of three-month liquidity ratio in the last week of each month	89%

# 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 2013, 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:

Name of Corporation	Number of Ordinary Shares of HK\$5 each in the Bank (Percentage of total)
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 Hongkong and Shanghai Banking Corporation Limited's interests 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 represent long positions. As at 30 June 2013, 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**

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**

Rose LEE Wai Mun (*Vice-Chairman and Chief Executive*)

Andrew FUNG Hau Chung

### **Non-executive Directors**

Anita FUNG Yuen Mei

Sarah Catherine LEGG

Vincent LO Hong Sui

Dorothy SIT KWAN Yin Ping

Peter WONG Tung Shun

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

John CHAN Cho Chak

Marvin CHEUNG Kin Tung

CHIANG Lai Yuen

HU Zulu, Fred

Eric LI Ka Cheung

Richard TANG Yat Sun

Michael WU Wei Kuo

# Consolidated capital ratios

## **Hang Seng Bank Limited**

The capital ratios as at 30 June 2013 were prepared under Basel III requirements following the Hong Kong Monetary Authority's implementation of the first phase of Basel III capital framework in Hong Kong effective on 1 January 2013. The definition of regulatory capital under Basel III is different from that under Basel II which was used at 31 December 2012. The capital disclosures for June 2013 under Basel III are therefore not directly comparable with the disclosures for December 2012 prepared under Basel II basis.

The Bank uses the advanced internal ratings-based approach to calculate its credit risk for the majority of its non-securitisation exposures. For market risk, the Bank 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 Bank uses the standardised (operational risk) approach to calculate its operational risk.

## Consolidated capital ratios (continued)

### Capital structure

(Figures in HK\$ million)

**At 30 June 2013**

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

Shareholders' equity

- Share capital

- Total reserves

- Unconsolidated subsidiaries

93,464

9,559

92,522

(8,617)

Regulatory deductions to CET1 capital

- Cash flow hedging reserve

- Changes in own credit risk on fair valued liabilities

- Goodwill and intangible assets

- Regulatory reserve

- Reserves arising from revaluation of property

- Valuation adjustments

- Excess AT1 deductions

(40,027)

(3)

(109)

(565)

(5,213)

(20,019)

(219)

(13,899)

#### Total CET1 Capital

**53,437**

#### Additional Tier 1 (“AT1”) Capital

Total AT1 capital before regulatory deductions

-

Regulatory deductions to AT1 capital

- Significant capital investments in unconsolidated financial sector entities

- Excess AT1 deductions

-

(13,899)

13,899

#### Total AT1 Capital

-

#### Total Tier 1 (“T1”) Capital

**53,437**

#### Tier 2 (“T2”) Capital

Total T2 capital before regulatory deductions

- Term subordinated debt

- Property revaluation reserves

- Impairment allowances and regulatory reserve eligible for inclusion in T2 capital

22,344

10,880

9,009

2,455

Regulatory deductions to T2 capital

- Significant capital investments in unconsolidated financial sector entities

(13,899)

(13,899)

#### Total T2 Capital

**8,445**

#### Total Capital

**61,882**



## Consolidated capital ratios (continued)

*(Figures in HK\$ million)*

At 30 June 2013

**Risk-weighted assets**

**392,511**

**Capital ratios**

CET1 capital ratio

13.6%

Tier 1 capital ratio

13.6%

Total capital ratio

15.8%

## Consolidated assets, liabilities and profits positions

### Hang Seng Bank Limited

*(Figures in HK\$ million)*

**At 30 June 2013**

Total assets	1,106,657
Total liabilities	1,004,576
Total loans and advances	579,705
Total customer deposits including current, savings and other deposit accounts and certificates of deposit and other debt securities in issue	832,208
Pre-tax profit (including a non-distributable accounting gain on reclassification of Industrial Bank from an associate to a financial investment of HK\$8,454 million)	18,773