

Hang Seng Bank Limited  
Macau Branch

*Financial disclosure  
(unaudited)*

*for the six-month period ended 30 June 2017*

## Balance sheet as of 30 June 2017

(Expressed in Macau Patacas)

<i>Assets</i>	<i>Assets gross amount</i>	<i>Provisions, amortisation and devaluation</i>	<i>Assets net amount</i>
Cash	13,467,917	-	13,467,917
Deposits with AMCM	647,215,147	-	647,215,147
Cheques and bills receivables	9,339,013	-	9,339,013
Current deposits with other local credit institutions	859,783,619	-	859,783,619
Current deposits with other overseas credit institutions	775,869,635	-	775,869,635
Gold and silver	-	-	-
Other current assets	-	-	-
Loans and advances to customers	12,872,463,262	-	12,872,463,262
Placement with local credit institutions	50,000,000	-	50,000,000
Call and time deposits with overseas credit institutions	638,291,434	-	638,291,434
Equity securities, bonds and shareholdings	-	-	-
Applications & resources consigned to the bank	-	-	-
Debtors	-	-	-
Other investment	-	-	-
Financial investment	-	-	-
Immovable properties	-	-	-
Equipments	22,691,835	8,461,689	14,230,146
Deferred expenses	-	-	-
Organisation costs	-	-	-
Immovable properties in progress	-	-	-
Other fixed assets	-	-	-
Internal and adjustment accounts	34,516,997	-	34,516,997
Total	15,923,638,859	8,461,689	15,915,177,170

## Balance sheet as of 30 June 2017 (continued)

(Expressed in Macau Patacas)

<i>Liabilities</i>	<i>Sub-total</i>	<i>Total</i>
Current deposits	1,930,752,538	
Call deposits	-	
Time deposits	604,754,879	2,535,507,417
Deposits from public sector entities	-	
Placement from local credit institutions	-	
Placement from other local institutions	-	
Foreign currencies debts	12,275,594,951	
Bond debts	-	
Creditors of applications & resources consigned to the bank	-	
Cheques and bills payable	15,573,469	
Creditors	-	
Other liabilities	-	12,291,168,420
Internal and adjustment accounts	62,950,938	
Risk reserve	141,488,122	
Capital	52,300,000	
Legal reserve	-	
Self-constituted reserve	-	
Other reserves	-	
Revaluation reserve	34,229	256,773,289
Retained earnings	750,544,419	
Profit and loss for the year	81,183,625	831,728,044
<b>Total</b>		<b>15,915,177,170</b>

# Income statement

## for the six-month period ended 30 June 2017

### Operating account

(Expressed in Macau Patacas)

<i>Debit</i>	<i>Amount</i>	<i>Credit</i>	<i>Amount</i>
Costs of credit operations	33,810,518	Income from credit operations	143,571,341
Personnel costs	-	Income from banking services	17,558,713
Directors and supervisory committee emoluments	-	Income from other banking services	-
Employee remuneration	11,874,905	Income from securities and equity investments	-
Staff benefit costs	705,442	Other banking income	-
Other personnel costs	-	Income from non-banking operations	-
Third party supply	133,910	Operation loss	-
Third party services	4,742,626		
Other banking costs	13,812,438		
Taxation	-		
Costs of non-banking operations	-		
Depreciation allowances	2,016,098		
Provision allowances	4,306,111		
Operating profit	89,728,006		
<b>Total</b>	<b>161,130,054</b>	<b>Total</b>	<b>161,130,054</b>

### Profit and loss account

(Expressed in Macau Patacas)

<i>Debit</i>	<i>Amount</i>	<i>Credit</i>	<i>Amount</i>
Operating loss	-	Operating profit	89,728,006
Losses related to previous years	-	Profit related to previous years	2,142,719
Exceptional losses	-	Exceptional profits	-
Profit tax provision	10,687,100	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)	81,183,625		
<b>Total</b>	<b>91,870,725</b>	<b>Total</b>	<b>91,870,725</b>

# Cash flow statement

## for the six-month period ended 30 June 2017

(Expressed in Macau Patacas)

	<i>Amount</i>
<b>Cash flow from operating activities</b>	
Profit before income tax	89,728,006
Depreciation	2,016,098
Loan impairment charge	4,306,111
Interest income	(143,571,341)
Interest expense	33,810,518
Interest received	151,679,556
Interest paid	(47,479,131)
Decreased in minimum deposits with AMCM	2,666,731
Increase in gross loans and advances to customers	(809,676,801)
Increase in other assets	(1,978,613)
Decrease in balances with banks with original maturity more than three months	654,096,552
Decrease in deposits from customers	(473,802,243)
Decrease in deposits and balances from banks	(737,859,679)
Decrease in other liabilities	(8,063,580)
	<hr/>
Cash outflow from operating activities before taxation	(1,284,127,816)
Macau complementary tax paid	-
Withholding tax refund received	2,142,719
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Cash outflow from operating activities	(1,281,985,097)
	<hr/>
<b>Cash flows from investing activities</b>	
Purchase of tangible fixed assets	(6,643)
Proceeds from redemption of investments	50,000,000
Payment for purchase of investments	(49,759,350)
	<hr/>
Cash inflow from investing activities	234,007
	<hr/>
<b>Cash flows from financing activities</b>	
Capital contribution from Head Office	-
	<hr/>
<b>Decrease in cash and cash equivalents</b>	(1,281,751,090)
Cash and cash equivalents at 1 January	4,024,287,682
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<b>Cash and cash equivalents at 30 June</b>	2,742,536,592
	<hr/> <hr/>
<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	2,149,075,167
Deposit with AMCM in excess of minimum statutory requirement	599,695,881
Items in course of collection from other banks	9,339,013
Items in course of transmission to other banks	(15,573,469)
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	2,742,536,592
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## Off-balance sheet exposures

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

(Expressed in Macau Patacas)

As at 30 June 2017	Amounts
Bank guarantees	430,967,548
<b>Commitments:</b>	
Trade-related contingencies	805,197,099
Acceptance on the trade bills	833,648,042
Undrawn formal standby facilities, credit lines and other commitments to lend	4,355,067,109
	5,993,912,250

### (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 2017, the total future minimum lease payments under non-cancellable operating leases are as follows:

(Expressed in Macau Patacas)

	Amounts
Not later than one year	5,247,106
Later than one year and not later than five years	28,200
	5,275,306

## 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 2017.

(Expressed in Macau Patacas)

	Contract amount	Derivative assets	Derivative liabilities	Credit equivalent amounts	Risk-weighted amounts
Exchange rate contracts					
– Forward contracts	278,480,193	13,772,571	13,772,571	16,557,373	3,311,475
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 2017 are as follows:

*(Expressed in Macau Patacas)*

	Amounts
Interest income from Head Office and a subsidiary of Head Office	6,279,718
Interest expenses to Head Office	(30,937,990)
Fee and commission paid to Head Office and a subsidiary of Head office	(5,330,502)
Management fee paid to Head Office	(5,531,172)
Operating expenses paid to other related companies	(1,040,194)
	<u>(36,560,140)</u>
Notional forward exchange rate contracts	<u>278,480,193</u>

The balances with Head Office and a subsidiary of Head office at 30 June 2017 are as follows:

(i) Assets

*(Expressed in Macau Patacas)*

	Amounts
Cash and balances with banks	
- Demand deposits	775,742,896
- Placement	638,291,434
Other assets	
- Interest receivables	561,873
- Derivative financial instruments	13,772,571
	<u>1,428,368,774</u>

(ii) Liabilities

*(Expressed in Macau Patacas)*

	Amounts
Deposits and balances from banks	
- Demand and placements from banks	12,275,594,951
- Other balances from banks	509
Other liabilities	
- Interest payable	8,752,041
- Derivative financial instruments	-
	<u>12,284,347,501</u>

## Material related-party transactions (continued)

(b) *Key management personnel remuneration*

During the six-month period, the remuneration of Branch key management personnel, which is included in “staff cost”, is MOP 1,348,274:

(c) *Material transaction with key management personnel*

During the 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 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	-	-	-	16,307,986,275	16,307,986,275	-	-	-	(131,803,585)
– Hong Kong	-	-	-	725,631,953	725,631,953	-	-	-	(7,906,820)
– Others	-	-	-	193,912,142	193,912,142	-	-	-	(1,777,717)
	-	-	-	17,227,530,370	17,227,530,370	-	-	-	(141,488,122)
Debt securities									
– Macau	-	-	-	-	-				
– Hong Kong	-	-	-	-	-				
– Others	-	-	-	-	-				
Financial derivatives									
– Macau	-	-	-	278,480,193	278,480,193				
– Hong Kong	-	-	-	278,480,193	278,480,193				
– Others	-	-	-	-	-				
	-	-	-	556,960,386	556,960,386				

<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 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	1,742,131,183	-	-	-	(19,148,695)
Electricity, gas and water	-	-	-	-	-
Construction and public works	26,726,168	-	-	-	(293,762)
Trade (wholesale and retail)	2,597,276,671	-	-	-	(28,548,056)
Restaurants, hotels and related activities	19,984,540	-	-	-	(219,661)
Transport, warehouse and communications	-	-	-	-	-
Individuals for house purchases	3,117,477,900	-	-	-	(34,265,865)
Individuals for other purposes	170,387,804	-	-	-	(1,872,823)
Others	5,198,478,996	-	-	-	(57,139,260)
	<u>12,872,463,262</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(141,488,122)</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 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	14,346,561	2,405,571,048	476,961,901	509,450,277	2,318,240,504	7,006,404,849	-	12,730,975,140
Cash and balances with and loans and advances to banks	2,248,155,164	348,220,092	310,081,412	28,171,084	-	-	-	2,934,627,752
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	2,115,040,735	1,663,376,235	948,682,738	7,548,495,752	-	-	-	12,275,595,460
Deposits from public sector entities	-	-	-	-	-	-	-	-
Deposits from holding and associated companies	-	-	-	-	-	-	-	-
Deposits from non-bank customers	1,923,464,495	288,279,432	304,213,281	19,550,209	-	-	-	2,535,507,417
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	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</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 2017 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	5,917,517	(5,146,813)	-	-	-	770,704
Hong Kong dollars	12,451,430,145	(12,450,571,081)	-	-	-	859,064
US dollars	2,076,627,373	(2,076,312,147)	-	-	-	315,226
Other foreign currencies	45,651,138	(45,525,854)	278,480,193	(278,480,193)	-	125,284
	<u>14,579,626,173</u>	<u>(14,577,555,895)</u>	<u>278,480,193</u>	<u>(278,480,193)</u>	<u>-</u>	<u>2,070,278</u>

## Liquidity risk

During the six-month period ended 30 June 2017:

The arithmetic mean of the minimum weekly amount of cash in hand that is required to be held	MOP 68,959,199
The arithmetic mean of the average weekly amount of cash in hand	MOP 1,550,188,496
The arithmetic mean of the specified liquid assets at the end of each month	MOP 1,006,890,886
The average ratio of specified liquid asset to total basic liabilities at the end of each month	41%
The arithmetic mean of one-month liquidity ratio in the last week of each month	114%
The arithmetic mean of three-month liquidity ratio in the last week of each month	118%

# 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 2017, 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 2017, 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 31 July 2017, 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 Wai Wan (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

Henry CHENG Kar Shun

CHIANG Lai Yuen

HU Zulu, Fred

Irene LEE Yun Lien

Eric LI Ka Cheung

Richard TANG Yat Sun

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 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 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 Banking (Capital) Rules.

## Consolidated capital ratios (continued)

### Capital base

(Figures in HK\$ million)

**At 30 June 2017**

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

Shareholders' equity	120,166
- Shareholders' equity per condensed consolidated balance sheet	144,840
- Additional Tier 1 (“AT1”) perpetual capital instrument	(6,981)
- Unconsolidated subsidiaries	(17,693)

#### Non-controlling interests

- Non-controlling interests per condensed consolidated balance sheet	57
- Non-controlling interests in unconsolidated subsidiaries	(57)

#### Regulatory deductions to CET1 capital

- Cash flow hedging reserve	2
- Changes in own credit risk on fair valued liabilities	(2)
- Property revaluation reserves <sup>1</sup>	(23,984)
- Regulatory reserve	(5,479)
- Intangible assets	(398)
- Defined benefit pension fund assets	(40)
- Deferred tax assets net of deferred tax liabilities	(192)
- Valuation adjustments	(275)

#### Total CET1 Capital

**89,798**

#### 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

**96,779**

#### Tier 2 (“T2”) Capital

Total T2 capital before regulatory deductions	16,498
- Term subordinated debt	2,342
- Property revaluation reserves <sup>1</sup>	10,793
- Impairment allowances and regulatory reserve eligible for inclusion in T2 capital	3,363

#### Regulatory deductions to T2 capital

- Significant capital investments in unconsolidated financial sector entities	(915)
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#### Total T2 Capital

**15,583**

#### Total Capital

**112,362**

<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 2017

**Total Risk-weighted assets**

**555,759**

**Capital ratios**

CET1 capital ratio

16.2%

Tier1 capital ratio

17.4%

Total capital ratio

20.2%

## Consolidated assets, liabilities and profits positions

### Hang Seng Bank Limited

*(Figures in HK\$ million)*

At 30 June 2017

Total assets	1,401,341
Total liabilities	1,256,444
Total loans and advances	743,179
Total customer deposits including current, savings and other deposit accounts and certificates of deposit and other debt securities in issue	1,056,993
Pre-tax profit	11,646