

Hang Seng Bank Limited
Macau Branch

*Financial disclosure
(unaudited)*

for the six-month period ended 30 June 2020

Balance sheet as of 30 June 2020

(Expressed in thousands of Macau Patacas)

<i>Assets</i>	<i>Assets gross amount</i>	<i>Provisions, amortisation and devaluation</i>	<i>Assets net amount</i>
Cash	33,893	-	33,893
Deposits with AMCM	221,381	-	221,381
Cheques and bills receivables	8,999	-	8,999
Current deposits with other local credit institutions	2,538,111	-	2,538,111
Current deposits with other overseas credit institutions	105,575	-	105,575
Gold and silver	-	-	-
Other current assets	-	-	-
Loans and advances to customers	15,299,293	61,771	15,237,522
Placement with local credit institutions	-	-	-
Call and time deposits with overseas credit institutions	1,298,108	-	1,298,108
Equity securities, bonds and shareholdings	-	-	-
Applications & resources consigned to the bank	-	-	-
Debtors	-	-	-
Other investment	-	-	-
Financial investment	-	-	-
Immovable properties	-	-	-
Equipments	25,075	19,897	5,178
Deferred expenses	-	-	-
Organisation costs	-	-	-
Immovable properties in progress	-	-	-
Other fixed assets	-	-	-
Internal and adjustment accounts	24,517	-	24,517
Total	19,554,952	81,668	19,473,284

Balance sheet as of 30 June 2020 (continued)

(Expressed in thousands of Macau Patacas)

<i>Liabilities</i>	<i>Sub-total</i>	<i>Total</i>
Current deposits	1,698,225	
Call deposits	-	
Time deposits	405,037	2,103,262
Deposits from public sector entities	-	
Placement from local credit institutions	-	
Placement from other local institutions	-	
Foreign currencies debts	15,880,543	
Bond debts	-	
Creditors of applications & resources consigned to the bank	-	
Cheques and bills payable	5,032	
Creditors	-	
Other liabilities	-	15,885,575
Internal and adjustment accounts	61,849	
Risk reserve	155,555	
Capital	52,300	
Legal reserve	-	
Self-constituted reserve	-	
Other reserves	-	
Revaluation reserve	-	269,704
Retained earnings	1,144,979	
Profit and loss for the year	69,764	1,214,743
Total		19,473,284

Income statement

for the six-month period ended 30 June 2020

Operating account

(Expressed in thousands of Macau Patacas)

<i>Debit</i>	<i>Amount</i>	<i>Credit</i>	<i>Amount</i>
Costs of credit operations	128,229	Income from credit operations	234,969
Personnel costs		Income from banking services	11,290
Directors and supervisory committee emoluments	-	Income from other banking services	-
Employee remuneration	17,426	Income from securities and equity investments	-
Staff benefit costs	2,173	Other banking income	-
Other personnel costs	54	Income from non-banking operations	-
Third party supply	76	Operation loss	-
Third party services	7,217		
Other banking costs	11,935		
Taxation	-		
Costs of non-banking operations	-		
Depreciation allowances	2,271		
Provision allowances	-		
Operating profit	76,878		
Total	246,259	Total	246,259

Profit and loss account

(Expressed in thousands of Macau Patacas)

<i>Debit</i>	<i>Amount</i>	<i>Credit</i>	<i>Amount</i>
Operating loss	-	Operating profit	76,878
Losses related to previous years	-	Profit related to previous years	-
Exceptional losses	-	Exceptional profits	-
Profit tax provision	9,325	Provision used up	-
Additional provision in accordance with Financial System Act	-	Provision written-back	2,211
Profit and loss for the year (profit)	69,764	Profit and loss for the year (loss)	-
Total	79,089	Total	79,089

Cash flow statement

for the six-month period ended 30 June 2020

(Expressed in thousands of Macau Patacas)

	<i>Amount</i>
Cash flows from operating activities	
Profit before income tax	79,089
Depreciation	2,271
Loan impairment written back	(2,211)
Interest income	(234,969)
Interest expense	128,229
Interest received	247,927
Interest paid	(140,009)
Increase in minimum deposits with AMCM	(1,979)
Decrease in gross loans and advances to customers	414,016
Increase in other assets	(954)
Decrease in balances with banks with original maturity more than three months	134,539
Decrease in deposits from customers	(362,658)
Increase in deposits and balances from banks	557,613
Decrease in other liabilities	(80)
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Cash inflow from operating activities before taxation	820,824
Macau complementary tax paid	-
Withholding tax refund received	-
	<hr/>
Cash inflow from operating activities	820,824
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Cash flows from investing activities	
Purchase of tangible fixed assets	(10)
Proceeds from redemption of investments	-
Payment for purchase of investments	-
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Cash outflow from investing activities	(10)
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Cash flows from financing activities	
Capital contribution from Head Office	-
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Increase in cash and cash equivalents	820,814
Cash and cash equivalents at 1 January	2,791,965
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Cash and cash equivalents at 30 June	3,612,779
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For the purpose of the cash flow statement, cash and cash equivalents comprise the following balances with less than three months maturity from the date of acquisition.	
Cash and balances with banks	3,426,150
Deposits with AMCM in excess of minimum statutory requirement	182,662
Items in course of collection from other banks	8,999
Items in course of transmission to other banks	(5,032)
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	3,612,779
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Off-balance sheet exposures

(a) *Contingent liabilities and commitments*

(Expressed in thousands of Macau Patacas)

As at 30 June 2020	Amount
Direct credit substitutes	178,889
Transaction-related contingencies	119,584
Trade-related contingencies	563,611
Undrawn formal standby facilities, credit lines and other commitments to lend	4,681,147
	5,543,231
	5,543,231

(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 2020, the total future minimum lease payments under non-cancellable operating leases are as follows:

(Expressed in thousands of Macau Patacas)

	Amount
Not later than one year	13,005
Later than one year and not later than five years	28,076
	41,081
	41,081

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 2020.

(Expressed in thousands of Macau Patacas)

	<i>Contract amount</i>	<i>Derivative assets</i>	<i>Derivative liabilities</i>	<i>Credit equivalent amount</i>	<i>Risk-weighted amount</i>
Exchange rate contracts					
– Forward contracts	-	-	-	-	-
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 2020 are as follows:

(Expressed in thousands of Macau Patacas)

	Amount
Interest income from Head Office and a subsidiary of Head Office	14,321
Interest expenses to Head Office	(123,555)
Fee and commission paid to Head Office and a subsidiary of Head Office	(2,839)
Management fee paid to Head Office	(6,496)
Operating expenses paid to other related companies	(739)
	<u>(119,308)</u>
Notional forward exchange rate contracts	<u>-</u>

The balances with Head Office and a subsidiary of Head office at 30 June 2020 are as follows:

(i) Assets

(Expressed in thousands of Macau Patacas)

	Amount
Cash and balances with banks	
- Demand deposits	105,447
- Placement	1,298,108
Other assets	
- Interest receivables	3,977
- Derivative financial instruments	-

(ii) Liabilities

(Expressed in thousands of Macau Patacas)

	Amount
Deposits and balances from banks	
- Demand and placements from banks	15,880,543
Other liabilities	
- Interest payable	19,565
- Derivative financial instruments	-

Material related-party transactions (continued)

(b) **Key management personnel's remuneration**

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

(Expressed in thousands of Macau Patacas)

	Amount
Executive officers	<u>1,935</u>

(c) **Material transactions 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 (continued)

(a) Geographic distribution of exposure

(Expressed in thousands of 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[#]</i>	<i>Specific provision</i>	<i>General provision</i>
Loans & commitments*									
– Macau	-	-	-	18,331,445	18,331,445	67,519	67,519	(61,771)	(139,389)
– Hong Kong	-	-	-	1,533,885	1,533,885	-	-	-	(15,174)
– Others	-	-	-	115,110	115,110	-	-	-	(992)
	-	-	-	19,980,440	19,980,440	67,519	67,519	(61,771)	(155,555)
Debt securities									
– Macau	-	-	-	-	-	-	-	-	-
– Hong Kong	-	-	-	-	-	-	-	-	-
– Others	-	-	-	-	-	-	-	-	-
Financial derivatives									
– Macau	-	-	-	-	-	-	-	-	-
– Hong Kong	-	-	-	-	-	-	-	-	-
– Others	-	-	-	-	-	-	-	-	-

* 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 thousands of Macau Patacas)

	Gross loans and advances	Individually impaired loans and advances	Overdue loans and advances [#]	Specific provision	General provision
Manufacturing	-	-	-	-	-
Electricity, gas and water	-	-	-	-	-
Construction and public works	463,935	-	-	-	(4,738)
Trade (wholesale and retail)	5,246,700	63,108	63,108	(60,352)	(52,938)
Restaurants, hotels and related activities	-	-	-	-	-
Transport, warehouse and communications	-	-	-	-	-
Individuals for house purchases	3,420,133	-	-	-	(34,928)
Individuals for other purposes	178,485	4,411	4,411	(1,419)	(1,778)
Others	5,990,040	-	-	-	(61,173)
	<u>15,299,293</u>	<u>67,519</u>	<u>67,519</u>	<u>(61,771)</u>	<u>(155,555)</u>

[#] 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 of 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
Assets								
Loans and advances to customers	37,359	3,584,083	649,204	705,811	4,387,297	5,718,213	-	15,081,967
Cash and balances with and loans and advances to banks	2,860,240	865,145	247,987	223,696	-	-	-	4,197,068
Certificates of deposits held	-	-	-	-	-	-	-	-
Securities issued by Macau SAR Government and/or AMCM	-	-	-	-	-	-	-	-
Other securities	-	-	-	-	-	-	-	-
Liabilities								
Deposits and balances of banks and financial institutions	1,739,241	3,603,241	358,815	10,179,246	-	-	-	15,880,543
Deposits from public sector entities	-	-	-	-	-	-	-	-
Deposits from holding and associated companies	-	-	-	-	-	-	-	-
Deposits from non-bank customers	1,698,225	358,727	44,669	1,641	-	-	-	2,103,262
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 2020.

(e) Overdue loans and advances to non-banks customers

(Expressed in thousands of Macau Patacas)

	<i>Gross loans and advances</i>	<i>% of total loans and advances to non-bank customers</i>	<i>Collateral value</i>	<i>Specific Provision</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	67,519	0.44%	17,819	(61,771)
	<u>67,519</u>	<u>0.44%</u>	<u>17,819</u>	<u>(61,771)</u>

(f) Overdue other assets

There were no overdue other assets as at 30 June 2020.

Foreign exchange risk

Net long or net short positions in foreign currencies at 30 June 2020 are as follows:

(Expressed in thousands of 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	40,883	(40,852)	-	-	-	31
Hong Kong dollars	15,321,109	(15,320,820)	-	-	-	289
US dollars	2,406,200	(2,406,142)	-	-	-	58
Other foreign currencies	12,074	(12,077)	-	-	-	(3)
	<u>17,780,266</u>	<u>(17,779,891)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>375</u>

Liquidity risk

During the six-month period ended 30 June 2020:

(Expressed in thousands of Macau Patacas)

The arithmetic mean of the minimum weekly amount of cash in hand that is required to be held	50,699
The arithmetic mean of the average weekly amount of cash in hand	155,691
The arithmetic mean of the specified liquid assets at the end of each month	2,013,828
The average ratio of specified liquid assets to total basic liabilities at the end of each month	103%
The arithmetic mean of one-month liquidity ratio in the last week of each month	115%
The arithmetic mean of three-month liquidity ratio in the last week of each month	128%

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 2020, 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 (“HBAP”)	1,188,057,371 (62.14%)
HSBC Asia Holdings Limited	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 Limited, which in turn is a wholly-owned subsidiary of HSBC Holdings plc. Accordingly, the interests of The Hongkong and Shanghai Banking Corporation Limited are recorded as the interests of HSBC Asia Holdings Limited 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 2020, 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 3 August 2020, 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 (*Chairman*)

Executive Directors

Louisa CHEANG (*Vice-Chairman and Chief Executive*)

Margaret KWAN Wing Han

Non-executive Directors

Kathleen GAN Chieh Huey

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 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.

We closely monitor and consider future regulatory change and continue to evaluate the impact upon our capital requirements of regulatory developments. This includes the Basel III reforms package, over which there remains a significant degree of uncertainty due to the number of national discretions within Basel’s reforms. It remains premature to provide details of an impact although we currently anticipate the potential for an increase in risk-weighted assets.

Consolidated capital ratios (continued)

Capital structure

(Figures in HK\$ million)

Common Equity Tier 1 (“CET1”) Capital

	At 30 June 2020
Shareholders' equity	139,917
- Shareholders' equity per Condensed Consolidated Balance sheet	176,019
- Additional Tier 1 (“AT1”) perpetual capital instrument	(11,744)
- Unconsolidated subsidiaries	(24,358)
Non-Controlling interests	-
- Non-controlling interest per Condensed Consolidated balance sheet	96
- Non-controlling interest in unconsolidated subsidiaries	(96)
Regulatory deductions to CET1 capital	(27,609)
- Cash flow hedging reserve	(58)
- Changes in own credit risk on fair valued liabilities	(17)
- Property revaluation reserves ¹	(24,978)
- Regulatory reserve	(1,201)
- Intangible assets	(1,133)
- Defined benefit pension fund assets	(3)
- Deferred tax assets net of deferred tax liabilities	(128)
- Valuation adjustments	(91)
Total CET1 Capital	112,308

AT1 Capital

Total AT1 capital before and after regulatory deductions	11,744
- Perpetual capital instrument	11,744

Total AT1 Capital

11,744

Total Tier 1 (“T1”) Capital

124,052

Tier 2 (“T2”) Capital

Total T2 capital before regulatory deductions	12,369
- Property revaluation reserves ¹	11,240
- Impairment allowances and regulatory reserve eligible for inclusion in T2 capital	1,129

Regulatory deductions to T2 capital

- Significant capital investments in unconsolidated financial sector entities	(1,045)
	(1,045)

Total T2 Capital

11,324

Total Capital

135,376

¹ 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 2020

Risk-weighted assets

687,404

Capital ratios

CET1 capital ratio

16.3%

Tier 1 capital ratio

18.0%

Total capital ratio

19.7%

Consolidated assets, liabilities and profits positions

Hang Seng Bank Limited

(Figures in HK\$ million)

At 30 June 2020

Total assets	1,732,021
Total liabilities	1,555,906
Total loans and advances	953,451
Total customer deposits including current, savings and other deposit accounts and certificates of deposit and other debt securities in issue	1,302,039
Pre-tax profit	10,619