

Hang Seng Bank Limited
Macau Branch

*Financial disclosure
(unaudited)*

for the six-month period ended 30 June 2021

Balance sheet as of 30 June 2021

(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	24,048	-	24,048
Deposits with AMCM	245,474	-	245,474
Cheques and bills receivables	8,928	-	8,928
Current deposits with other local credit institutions	2,016,999	-	2,016,999
Current deposits with other overseas credit institutions	54,769	-	54,769
Gold and silver	-	-	-
Other current assets	-	-	-
Loans and advances to customers	15,139,383	36,614	15,102,769
Placement with local credit institutions	-	-	-
Call and time deposits with overseas credit institutions	1,529,166	-	1,529,166
Equity securities, bonds and shareholdings	-	-	-
Applications & resources consigned to the bank	-	-	-
Debtors	-	-	-
Other investment	-	-	-
Financial investment	-	-	-
Immovable properties	-	-	-
Equipments	34,972	9,679	25,293
Deferred expenses	-	-	-
Organisation costs	-	-	-
Immovable properties in progress	-	-	-
Other fixed assets	-	-	-
Internal and adjustment accounts	21,018	-	21,018
Total	19,074,757	46,293	19,028,464

Balance sheet as of 30 June 2021 (continued)

(Expressed in thousands of Macau Patacas)

<i>Liabilities</i>	<i>Sub-total</i>	<i>Total</i>
Current deposits	1,112,182	
Call deposits	-	
Time deposits	739,341	
Other deposits	56	1,851,579
Deposits from public sector entities	-	
Placement from local credit institutions	-	
Placement from other local institutions	-	
Foreign currencies debts	15,560,338	
Bond debts	-	
Creditors of applications & resources consigned to the bank	-	
Cheques and bills payable	11,991	
Creditors	-	
Other liabilities	-	15,572,329
Internal and adjustment accounts	54,485	
Risk reserve	163,564	
Capital	52,300	
Legal reserve	-	
Self-constituted reserve	-	
Other reserves	-	
Revaluation reserve	-	270,349
Retained earnings	1,280,435	
Profit and loss for the year	53,772	1,334,207
Total		19,028,464

Income statement

for the six-month period ended 30 June 2021

Operating account

(Expressed in thousands of Macau Patacas)

<i>Debit</i>	<i>Amount</i>	<i>Credit</i>	<i>Amount</i>
Costs of credit operations	15,657	Income from credit operations	121,377
Personnel costs		Income from banking services	10,506
Directors and supervisory committee emoluments	-	Income from other banking services	-
Employee remuneration	16,415	Income from securities and equity investments	-
Staff benefit costs	1,607	Other banking income	-
Other personnel costs	1	Income from non-banking operations	-
Third party supply	101	Operation loss	-
Third party services	7,283		
Other banking costs	10,416		
Taxation	-		
Costs of non-banking operations	-		
Depreciation allowances	3,032		
Provision allowances	16,443		
Operating profit	60,928		
Total	131,883	Total	131,883

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	60,928
Losses related to previous years	-	Profit related to previous years	-
Exceptional losses	-	Exceptional profits	-
Profit tax provision	7,156	Provision used up	-
Additional provision in accordance with Financial System Act	-	Provision written-back	-
Profit and loss for the year (profit)	53,772	Profit and loss for the year (loss)	-
Total	60,928	Total	60,928

Cash flow statement

for the six-month period ended 30 June 2021

(Expressed in thousands of Macau Patacas)

	<i>Amount</i>
Cash flows from operating activities	
Profit before income tax	60,928
Depreciation	3,032
Loan impairment charge	16,443
Interest income	(121,377)
Interest expense	15,657
Interest received	123,016
Interest paid	(17,753)
Decrease in minimum deposits with AMCM	901
Increase in gross loans and advances to customers	(1,213,645)
Decrease in other assets	1,452
Decrease in balances with banks with original maturity more than three months	51,992
Decrease in deposits from customers	(73,507)
Increase in deposits and balances from banks	630,607
Decrease in other liabilities	(11,795)
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Cash outflow from operating activities before taxation	(534,049)
Macau complementary tax paid	-
Withholding tax refund received	-
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Cash outflow from operating activities	(534,049)
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Cash flows from investing activities	
Purchase of tangible fixed assets	(9)
Proceeds from redemption of investments	-
Payment for purchase of investments	-
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Cash outflow from investing activities	(9)
	<hr/>
Cash flows from financing activities	
Capital contribution from Head Office	-
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Decrease in cash and cash equivalents	(534,058)
Cash and cash equivalents at 1 January	3,860,021
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Cash and cash equivalents at 30 June	3,325,963
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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	3,121,336
Deposits with AMCM in excess of minimum statutory requirement	207,690
Items in course of collection from other banks	8,928
Items in course of transmission to other banks	(11,991)
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	3,325,963
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Off-balance sheet exposures

(a) *Contingent liabilities and commitments*

(Expressed in thousands of Macau Patacas)

As at 30 June 2021	Amount
Direct credit substitutes	949,920
Transaction-related contingencies	280,169
Trade-related contingencies	430,870
Undrawn formal standby facilities, credit lines and other commitments to lend	3,029,666
	4,690,625
	4,690,625

(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 2021, 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	7,619
Later than one year and not later than five years	20,752
	28,371
	28,371

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 2021.

(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 2021 are as follows:

(Expressed in thousands of Macau Patacas)

	Amount
Interest income from Head Office and a subsidiary of Head Office	2,296
Interest expenses to Head Office	(14,060)
Fee and commission paid to Head Office and a subsidiary of Head Office	(3,592)
Management fee paid to Head Office	(4,643)
Operating expenses paid to other related companies	(457)
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	(20,456)
Notional forward exchange rate contracts	<hr/> <hr/> -

The balances with Head Office and a subsidiary of Head office at 30 June 2021 are as follows:

(i) Assets

(Expressed in thousands of Macau Patacas)

	Amount
Cash and balances with banks	
- Demand deposits	54,639
- Placement	1,529,166
Other assets	
- Interest receivables	767
- Derivative financial instruments	-

(ii) Liabilities

(Expressed in thousands of Macau Patacas)

	Amount
Deposits and balances from banks	
- Demand and placements from banks	15,560,338
Other liabilities	
- Interest payable	3,302
- 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	1,771

(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

(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	-	-	-	16,624,008	16,624,008	42,041	42,041	(36,614)	(147,347)
– Hong Kong	-	-	-	1,443,832	1,443,832	-	-	-	(15,121)
– Others	-	-	-	101,209	101,209	-	-	-	(1,096)
	-	-	-	18,169,049	18,169,049	42,041	42,041	(36,614)	(163,564)
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	357,388	-	-	-	(3,872)
Trade (wholesale and retail)	5,581,781	37,427	37,427	(36,614)	(60,067)
Restaurants, hotels and related activities	-	-	-	-	-
Transport, warehouse and communications	-	-	-	-	-
Individuals for house purchases	3,370,093	4,614	4,614	-	(36,461)
Individuals for other purposes	166,930	-	-	-	(1,809)
Others	5,663,191	-	-	-	(61,355)
	<u>15,139,383</u>	<u>42,041</u>	<u>42,041</u>	<u>(36,614)</u>	<u>(163,564)</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	40,784	5,334,609	1,288,107	1,231,256	1,971,692	5,072,757	-	14,939,205
Cash and balances with loans and advances to banks	2,303,507	1,095,389	300,963	170,597	-	-	-	3,870,456
Certificates of deposits held	-	-	-	-	-	-	-	-
Securities issued by Macau SAR Government and/or AMCM	-	-	-	-	-	-	-	-
Other securities	-	-	-	-	-	-	-	-
Liabilities								
Deposits and balances of banks and financial institutions	2,040,261	5,284,509	1,277,643	6,957,925	-	-	-	15,560,338
Deposits from public sector entities	-	-	-	-	-	-	-	-
Deposits from holding and associated companies	-	-	-	-	-	-	-	-
Deposits from non-bank customers	1,112,238	693,613	43,263	2,465	-	-	-	1,851,579
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 2021.

(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	4,614	0.03%	6,345	-
- more than six months but not more than one year	-	-	-	-
- more than one year	37,427	0.25%	14,214	(36,614)
	<u>42,041</u>	<u>0.28%</u>	<u>20,559</u>	<u>(36,614)</u>

(f) Overdue other assets

There were no overdue other assets as at 30 June 2021.

Foreign exchange risk

Net long or net short positions in foreign currencies at 30 June 2021 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	76,242	(75,793)	-	-	-	449
Hong Kong dollars	14,905,247	(14,903,458)	-	-	-	1,789
US dollars	2,266,970	(2,266,651)	-	-	-	319
Other foreign currencies	3,720	(3,714)	-	-	-	6
	<u>17,252,179</u>	<u>(17,249,616)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,563</u>

Liquidity risk

During the six-month period ended 30 June 2021:

(Expressed in thousands of Macau Patacas)

The arithmetic mean of the minimum weekly amount of cash in hand that is required to be held	49,652
The arithmetic mean of the average weekly amount of cash in hand	177,142
The arithmetic mean of the specified liquid assets at the end of each month	1,846,440
The average ratio of specified liquid assets to total basic liabilities at the end of each month	99%
The arithmetic mean of one-month liquidity ratio in the last week of each month	123%
The arithmetic mean of three-month liquidity ratio in the last week of each month	125%

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 2021, 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 2021, 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 2 August 2021, the members of the board of Directors of Hang Seng Bank Limited are set out below.

Independent Non-Executive Chairman

Irene LEE Yun Lien

Executive Directors

Louisa CHEANG (Vice-Chairman and Chief Executive)

Margaret KWAN Wing Han (Acting Chief Executive)

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

Clement KWOK King Man

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 replaces the current exposure method with standardised (counterparty credit risk) approach to calculate its default risk exposures starting from 30 June 2021. 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 following table sets out the composition of the Group's capital base under Basel III at 30 June 2021.

Consolidated capital ratios (continued)

Capital structure

(Figures in HK\$ million)

Common Equity Tier 1 ('CET1') Capital

At 30 June 2021

Shareholders' equity	144,701
- Shareholders' equity per Condensed Consolidated Balance Sheet	183,677
- Additional Tier 1 ('AT1') perpetual capital instruments	(11,744)
- Unconsolidated subsidiaries	(27,232)
Non-controlling interests	-
- Non-controlling interests per Condensed Consolidated Balance Sheet	90
- Non-controlling interests in unconsolidated subsidiaries	(90)
Regulatory deductions to CET1 capital	(28,477)
- Cash flow hedging reserve	(25)
- Changes in own credit risk on fair valued liabilities	(5)
- Property revaluation reserves ¹	(24,340)
- Regulatory reserve	(1,997)
- Intangible assets	(1,838)
- Defined benefit pension fund assets	(14)
- Deferred tax assets net of deferred tax liabilities	(106)
- Valuation adjustments	(152)
Total CET1 Capital	116,224
AT1 Capital	
Total AT1 capital before and after regulatory deductions	11,744
- Perpetual capital instruments	11,744
Total AT1 Capital	11,744
Total Tier 1 ('T1') Capital	127,968
Tier 2 ('T2') Capital	
Total T2 capital before regulatory deductions	12,087
- Property revaluation reserves ¹	10,953
- Impairment allowances and regulatory reserve eligible for inclusion in T2 capital	1,134
Regulatory deductions to T2 capital	(1,045)
- Significant capital investments in unconsolidated financial sector entities	(1,045)
Total T2 Capital	11,042
Total Capital	139,010

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 2021

Risk-weighted assets

734,532

Capital ratios

CET1 capital ratio

15.8%

Tier 1 capital ratio

17.4%

Total capital ratio

18.9%

Consolidated assets, liabilities and profits positions

Hang Seng Bank Limited

(Figures in HK\$ million)

At 30 June 2021

Total assets	1,800,215
Total liabilities	1,616,448
Total loans and advances	1,013,463
Total customer deposits including current, savings and other deposit accounts and certificates of deposit and other debt securities in issue	1,305,256
Pre-tax profit	10,298