

Hang Seng Bank Limited  
Macau Branch

*Financial disclosure  
for the six-month period ended 30 June 2015*

The information in this financial disclosure is not audited.

# Balance sheet as of 30 June 2015

(Expressed in Macau Patacas)

<i>Assets</i>	<i>Assets gross amount</i>	<i>Provisions, amortisation and devaluation</i>	<i>Assets net amount</i>
Cash	17,756,469.06	-	17,756,469.06
Deposits with AMCM	1,145,702,538.42	-	1,145,702,538.42
Cheques and bills receivables	74,925,852.69	-	74,925,852.69
Current deposits with other local credit institutions	681,044,832.11	-	681,044,832.11
Current deposits with other overseas credit institutions	996,841,575.74	-	996,841,575.74
Gold and silver	-	-	-
Other current assets	-	-	-
Loans and advances to customers	10,667,911,578.56	-	10,667,911,578.56
Placement with local credit institutions	50,000,000.00	-	50,000,000.00
Call and time deposits with overseas credit institutions	1,282,749,741.15	-	1,282,749,741.15
Equity securities, bonds and shareholdings	-	-	-
Applications & resources consigned to the bank	-	-	-
Debtors	-	-	-
Other investment	-	-	-
Financial investment	-	-	-
Immovable properties	-	-	-
Equipments	8,958,814.64	8,350,101.22	608,713.42
Deferred expenses	-	-	-
Organisation costs	-	-	-
Immovable properties in progress	-	-	-
Other fixed assets	-	-	-
Internal and adjustment accounts	32,741,772.39	-	32,741,772.39
Total	14,958,633,174.76	8,350,101.22	14,950,283,073.54

## Balance sheet as of 30 June 2015 (continued)

(Expressed in Macau Patacas)

<i>Liabilities</i>	<i>Sub-total</i>	<i>Total</i>
Current deposits	1,808,221,989.17	
Call deposits	-	
Time deposits	1,010,442,863.23	2,818,664,852.40
Deposits from public sector entities	-	
Placement from local credit institutions	-	
Placement from other local institutions	-	
Foreign currencies debts	11,418,923,434.29	
Bond debts	-	
Creditors of applications & resources consigned to the bank	-	
Cheques and bills payable	14,272,701.13	
Creditors	-	
Other liabilities	-	11,433,196,135.42
Internal and adjustment accounts	49,419,401.74	
Risk reserve	11,669,517.00	
Capital	-	
Legal reserve	-	
Self-constituted reserve	-	
Other reserves	108,945,630.42	
Revaluation reserve	7,487.83	170,042,036.99
Retained earnings	462,430,143.90	
Profit and loss for the year	65,949,904.83	528,380,048.73
Total		14,950,283,073.54

Profit and loss account  
for the six-month period ended 30 June 2015

**Operating account**

(Expressed in Macau Patacas)

<i>Debit</i>	<i>Amount</i>	<i>Credit</i>	<i>Amount</i>
Costs of credit operations	20,652,113.98	Income from credit operations	117,892,358.24
Personnel costs	-	Income from banking services	18,444,465.64
Directors and supervisory committee emoluments	-	Income from other banking services	8,071.00
Employee remuneration	8,826,466.32	Income from securities and equity investments	-
Staff benefit costs	809,623.13	Other banking income	-
Other personnel costs	6,111.10	Income from non-banking operations	-
Third party supply	85,319.62	Operation loss	-
Third party services	2,559,124.85		
Other banking costs	10,459,771.07		
Taxation	-		
Costs of non-banking operations	-		
Depreciation allowances	215,803.40		
Provision allowances	-		
Operating profit	92,730,561.41		
Total	136,344,894.88	Total	136,344,894.88

**Profit and loss account**

(Expressed in Macau Patacas)

<i>Debit</i>	<i>Amount</i>	<i>Credit</i>	<i>Amount</i>
Operating loss	-	Operating profit	92,730,561.41
Losses related to previous years	-	Profit related to previous years	-
Exceptional losses	-	Exceptional profits	-
Profit tax provision	8,862,000.00	Provision used up	-
Additional provision in accordance with Financial System Act	17,918,656.58	Profit and loss for the year (loss)	-
Profit and loss for the year (profit)	65,949,904.83		
Total	92,730,561.41	Total	92,730,561.41

# Cash flow statement

## for the six-month period ended 30 June 2015

(Expressed in Macau Patacas)

	<i>Amount</i>
<b>Operating activities</b>	
Profit before taxation	92,730,561
Adjustments for:	
Interest income	(117,892,358)
Interest expense	20,652,114
Interest received	126,926,723
Interest paid	(23,267,850)
Depreciation	215,803
	<hr/>
<b>Operating profit before changes in working capital</b>	99,364,993
Increase in loans and advances to customers	(1,690,455,552)
Decrease in amounts due from Head Office and a related company with original maturity more than three months	234,585,247
Decrease in other assets	15,157,706
Increase in current, savings and other deposits from customers	6,859,119
Increase in amounts due to Head Office and a related company	2,057,954,258
Decrease in other liabilities	(17,437,194)
	<hr/>
<b>Cash generated from operations</b>	706,028,577
Macau profits tax paid	-
	<hr/>
<b>Net cash generated from operations</b>	706,028,577
	<hr style="border-top: 1px dashed black;"/>
<b>Investing activities</b>	
Purchase of fixed assets	(21,641)
Proceeds from redemption of available-for-sale investments	50,000,000
Payment for purchase of available-for-sale investments	(49,908,450)
	<hr/>
<b>Net cash used in investing activities</b>	69,909
	<hr style="border-top: 1px dashed black;"/>
<b>Net increase in cash and cash equivalents</b>	706,098,486
<b>Cash and cash equivalents at 1 January</b>	3,166,007,397
	<hr/>
<b>Cash and cash equivalents at 30 June</b>	3,872,105,883
	<hr style="border-top: 3px double black;"/>
<b>Cash and cash equivalents in the cash flow statement</b>	
Cash	1,844,503,840
Amount due from Head Office and a related company with original maturity within three months	2,027,602,043
	<hr/>
	<hr style="border-top: 3px double black;"/>
	3,872,105,883

## Off-balance sheet exposures

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

(Expressed in Macau Patacas)

As at 30 June 2015	Contractual amounts
Bank guarantees	496,688,362
<b>Commitments:</b>	
Documentary credits and short-term trade-related transactions	576,350,989
Acceptance on the trade bills	652,419,364
Undrawn formal standby facilities, credit lines and other commitments to lend	3,874,529,590
	5,103,299,943

### (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 2015, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

(Expressed in Macau Patacas)

	Contractual amounts
Within one year	1,495,530
After one year but within five years	-
	1,495,530

## 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 2015.

(Expressed in Macau Patacas)

	Contract amount	Derivative assets	Derivative liabilities	Credit equivalent amounts	Risk-weighted amounts
Exchange rate contracts					
– Forward contracts	924,332,752	1,712,148	1,712,148	18,486,680	6,470,338
Interest rate contracts	-	-	-	-	-
Equities contracts	-	-	-	-	-
Commodities contracts	-	-	-	-	-
Others	-	-	-	-	-

## Material related-party transactions

(a) *Transactions with Head Office, a related company and an intermediate holding company*

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 2015 are as follows:

*(Expressed in Macau Patacas)*

	Amount
Interest income from Head Office and a related company	7,101,512
Interest expenses to Head Office	(12,907,776)
Fee and commission paid to Head Office and a related company	(4,922,599)
Management fee paid to Head Office	(2,794,730)
Operating expenses paid to an intermediate holding company, The Hongkong and Shanghai Banking Corporation Limited	(678,913)
Forward exchange rate contracts (nominal contract amount)	462,166,377
	<u>462,166,377</u>

The balances of amounts due from and to Head Office and a related company at 30 June 2015 are as follows:

(i) Amounts due from Head Office and a related company

*(Expressed in Macau Patacas)*

	Amount
Placement with Head Office and a related company with remaining maturity:	
- within one month	987,724,282
- three months or less but over one month	195,564,879
- over three months but less than one year	99,254,580
- over one year	206,000
Interest-bearing deposits receivable on demand	996,841,576
Interest receivable	1,440,589
	<u>2,281,031,906</u>

(ii) Amounts due to Head Office and a related company

*(Expressed in Macau Patacas)*

	Amount
Deposits repayable on demand	2,077,904,455
Placement from Head Office	9,288,718,979
Interest payable	4,079,476
Interest-free deposits with no fixed term of repayment	52,300,000
Others	480,781
	<u>11,423,483,691</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 1,319,244.

(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	-	-	-	12,810,420,151	12,810,420,151	-	-	-	(10,049,440)
– Hong Kong	-	-	-	918,199,578	918,199,578	-	-	-	(775,641)
– Others	-	-	-	813,821,440	813,821,440	-	-	-	(844,436)
	-	-	-	14,542,441,169	14,542,441,169	-	-	-	(11,669,517)
Debt securities									
– Macau	-	-	-	-	-				
– Hong Kong	-	-	-	-	-				
– Others	-	-	-	-	-				
Financial derivatives									
– Macau	-	-	-	462,166,377	462,166,377				
– Hong Kong	-	-	-	462,166,377	462,166,377				
– Others	-	-	-	-	-				
	-	-	-	924,332,754	924,332,754				

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

<sup>#</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>#</sup>	Individually assessed allowances	Collectively assessed allowances
Manufacturing	968,496,771	-	-	-	(1,059,428)
Electricity, gas and water	-	-	-	-	-
Construction and public works	118,707,659	-	-	-	(129,853)
Trade (wholesale and retail)	2,838,389,062	-	-	-	(3,104,884)
Restaurants, hotels and related activities	23,446,058	-	-	-	(25,648)
Transport, warehouse and communications	-	-	-	-	-
Individuals for house purchases	2,773,398,024	-	-	-	(3,033,791)
Individuals for other purposes	247,557,878	-	-	-	(270,801)
Others	3,697,916,127	-	-	-	(4,045,112)
	<u>10,667,911,579</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(11,669,517)</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	2,795,333	3,386,517,439	757,464,835	624,527,821	1,380,932,666	4,515,673,485	-	10,667,911,579
Cash and balances with and loans and advances to banks	2,841,345,415	987,724,282	195,564,879	99,254,580	206,000	-	-	4,124,095,156
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	2,077,904,455	3,323,357,479	1,376,801,251	4,588,560,249	-	-	52,300,000	11,418,923,434
Deposits from public sector entities	-	-	-	-	-	-	-	-
Deposits from holding and associated companies	-	-	-	-	-	-	-	-
Deposits from non-bank customers	1,794,333,497	848,842,619	72,062,620	103,220,116	206,000	-	-	2,818,664,852
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 2015 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	398,294,480	(396,846,319)	-	-	-	1,448,161
Hong Kong dollars	9,061,559,543	(9,060,494,445)	-	-	-	1,065,098
US dollars	3,883,824,759	(3,883,492,305)	103,506,591	(103,506,591)	-	332,454
Other foreign currencies	52,523,055	(52,400,602)	358,659,786	(358,659,786)	-	122,453
	<u>13,396,201,837</u>	<u>(13,393,233,671)</u>	<u>462,166,377</u>	<u>(462,166,377)</u>	<u>-</u>	<u>2,968,166</u>

## Liquidity risk

During the six-month period ended 30 June 2015:

The arithmetic mean of the minimum weekly amount of cash in hand that is required to be held	MOP 69,411,623
The arithmetic mean of the average weekly amount of cash in hand	MOP 1,068,673,163
The arithmetic mean of the specified liquid assets at the end of each month	MOP 1,394,838,382
The average ratio of specified liquid asset to total basic liabilities at the end of each month	51%
The arithmetic mean of one-month liquidity ratio in the last week of each month	89%
The arithmetic mean of three-month liquidity ratio in the last week of each month	98%

# 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 2015, 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 interests 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 represent long positions. As at 30 June 2015, 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

Nixon CHAN Lik Sang

### **Non-executive Directors**

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 ratios and risk weighted assets as contained in the "Capital Adequacy Ratio" return required to be submitted to the Hong Kong Monetary Authority ("HKMA") by the Bank on a consolidated basis that is specified by the 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 bullion) exposures and the standardized (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.

# Consolidated capital ratios (continued)

## Capital structure

(Figures in HK\$ million)

**At 30 June 2015**

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

Shareholders' equity	119,201
- Shareholders' equity per balance sheet	139,474
- Additional Tier 1 (“AT1”) perpetual capital instrument	(6,981)
- Unconsolidated subsidiaries	(13,292)
Regulatory deductions to CET1 capital	(29,975)
- Cash flow hedging reserve	(22)
- Changes in own credit risk on fair valued liabilities	(7)
- Property revaluation reserves*	(22,654)
- Regulatory reserve	(6,382)
- Intangible assets	(433)
- Defined benefit pension fund assets	(34)
- Deferred tax assets net of deferred tax liabilities	(104)
- Valuation adjustments	(339)
- Significant capital investments in unconsolidated financial sector entities	-
- Excess AT1 deductions	-
<b>Total CET1 Capital</b>	<b>89,226</b>

### AT1 Capital

Total AT1 capital before regulatory deductions	6,981
- Perpetual capital instrument	6,981
Regulatory deductions to AT1 capital	-
- Significant capital investments in unconsolidated financial sector entities	-
- Excess AT1 deductions	-
<b>Total AT1 Capital</b>	<b>6,981</b>

### Total Tier 1 (“T1”) Capital

**96,207**

### Tier 2 (“T2”) Capital

Total T2 capital before regulatory deductions	18,000
- Term subordinated debt	4,767
- Property revaluation reserves*	10,194
- Impairment allowances and regulatory reserve eligible for inclusion in T2 capital	3,039
Regulatory deductions to T2 capital	(315)
- Significant capital investments in unconsolidated financial sector entities	(315)
<b>Total T2 Capital</b>	<b>17,685</b>

### Total Capital

**113,892**

### Total reserves per balance sheet

**127,713**

\* 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 2015

**Risk-weighted assets**

**521,443**

**Capital ratios**

CET1 capital ratio

17.1%

Tier 1 capital ratio

18.5%

Total capital ratio

21.8%

## Consolidated assets, liabilities and profits positions

### Hang Seng Bank Limited

*(Figures in HK\$ million)*

At 30 June 2015

Total assets	1,331,438
Total liabilities	1,191,964
Total loans and advances	673,022
Total customer deposits including current, savings and other deposit accounts and certificates of deposit and other debt securities in issue	1,000,138
Pre-tax profit	21,720