

The Hongkong and Shanghai Banking  
Corporation Limited  
Macau Branch

Disclosure of Financial Information  
30 June 2017

**Balance sheet as at 30 June 2017**  
*(Expressed in thousands of Macau Patacas)*

	<i>At 30 June 2017</i>		
	<i>Amounts</i>	<i>Reserves, depreciation and provision</i>	<i>Net amount</i>
	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>
<b>Assets</b>			
Cash	172,113	-	172,113
Deposits at AMCM	439,895	-	439,895
Current deposits at other local credit institutions	37,500	-	37,500
Current deposits at other overseas credit institutions	110,454	-	110,454
Loans and advances	17,594,332	2,932	17,591,400
Placements to local credit institutions	2,898,854	-	2,898,854
Call and fixed deposits at overseas credit institutions	3,617,964	-	3,617,964
Debtors	48,275	-	48,275
Available-for-sale equity investments	250	-	250
Properties	93,500	1,286	92,214
Equipment	91,366	37,384	53,982
Internal and adjustment accounts	201,152	-	201,152
<b>Total</b>	<b>25,305,655</b>	<b>41,602</b>	<b>25,264,053</b>

**Balance sheet as at 30 June 2017 (continued)**  
*(Expressed in thousands of Macau Patacas)*

	<i>At 30 June 2017</i>	
	<i>Subtotal</i>	<i>Total</i>
	MOP'000	MOP'000
<b>Liabilities</b>		
Current deposits	12,550,008	
Call deposits	35,922	
Fixed deposits	3,258,011	15,843,941
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Funding from overseas credit institutions	8,705,049	
Cheques and bills payable	71,816	
Other liabilities	41,125	8,817,990
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Internal and adjustment accounts		154,019
Provisions		207,454
Revaluation reserve	79,095	
Other reserves	9,563	88,658
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Current profit		151,991
		<hr/>
		<u>25,264,053</u>

**Profit and loss account**  
**for the half-year ended 30 June 2017**  
*(Expressed in thousands of Macau Patacas)*

<i>Profit and loss account</i>			
	<i>Half-year ended</i>		<i>Half-year ended</i>
	<i>30 June 2017</i>		<i>30 June 2017</i>
<i>Debit</i>	<i>Amount</i>	<i>Credit</i>	<i>Amount</i>
	<i>MOP'000</i>		<i>MOP'000</i>
Operating costs	40,694	Operating income	235,849
Personnel expenses		Income from banking	
Staff costs	43,340	services	62,182
Staff benefits	7,248	Other operating income	51,111
Supplies by third party	973	Other banking income	603
Services provided by			
third party	59,279		
Other banking expenses	4,018		
Tax expenses	2		
Non operating expenses	759		
Depreciation expenses	8,216		
Provisions	16,898		
Operating profits	168,318		
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<b>Total</b>	<b>349,745</b>	<b>Total</b>	<b>349,745</b>
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**Profit and loss account**  
**for the half-year ended 30 June 2017 (continued)**  
*(Expressed in thousands of Macau Patacas)*

<i>Profit and loss account</i>			
	<i>Half-year ended</i>		<i>Half-year ended</i>
	<i>30 June 2017</i>		<i>30 June 2017</i>
<i>Debit</i>	<i>Amount</i>	<i>Credit</i>	<i>Amount</i>
	<i>MOP'000</i>		<i>MOP'000</i>
Loss related to prior years	6,334	Operating profit	168,318
Tax on profit	20,508	Income related to	
Profit	151,991	prior years	4,181
		Provision	6,334
<b>Total</b>	<b>178,833</b>	<b>Total</b>	<b>178,833</b>

**Cash flow statement**  
**for the half-year ended 30 June 2017**  
*(Expressed in thousands of Macau Patacas)*

	<i>Half-year ended</i> <i>30 June 2017</i> MOP'000
<b>Operating activities</b>	
Profit before taxation	172,499
Adjustments for:	
Depreciation	8,216
Impairment allowances on loans and advances	16,898
Interest income	(235,849)
Interest expense	40,694
Interest received	236,737
Interest paid	(39,871)
	<u>199,324</u>
<b>Operating cash flows before changes in working capital</b>	
Increase in deposits at AMCM for the purpose of fulfilling minimum liquidity requirement	(63,652)
Decrease in placements to local credit institutions with original maturity of more than three months	9,207
Decrease in call and fixed deposits at overseas credit institutions with original maturity of more than three months	199,719
Increase in gross loans and advances	(1,539,153)
Decrease in internal and adjustment accounts (assets)	888,425
Decrease in funding from credit institutions	(20,479)
Increase in current, call and fixed deposits	2,274,510
Decrease in internal and adjustment accounts (liabilities)	(867,865)
	<u>1,080,036</u>
<b>Cash generated from operations</b>	<u>1,080,036</u>
Taxation paid	-
	<u>1,080,036</u>
<b>Net cash generated from operating activities</b>	<u><u>1,080,036</u></u>

**Cash flow statement**  
**for the half-year ended 30 June 2017 (continued)**  
*(Expressed in thousands of Macau Patacas)*

	<i>Half-year ended</i> <i>30 June 2017</i> <b>MOP'000</b>
<b>Investing activities</b>	
Purchase of properties and equipment	(2,892)
<b>Net cash used in investing activities</b>	<u>(2,892)</u>
<b>Financing activity</b>	
Profit remitted to head office	(283,805)
<b>Net cash used in financing activity</b>	<u>(283,805)</u>
<b>Net decrease in cash and cash equivalents</b>	793,339
<b>Cash and cash equivalents at 1 January</b>	<u>4,753,283</u>
<b>Cash and cash equivalents at 30 June</b>	<u>5,546,622</u>
<b>Analysis of balances of cash and cash equivalents</b>	
Cash	172,113
Current deposits at other local credit institutions	37,500
Current deposits at other overseas credit institutions	110,454
Deposits at AMCM	439,895
Placements to local credit institutions	2,898,854
Call and fixed deposits at overseas credit institutions	<u>3,617,964</u>
Amount shown in the balance sheet	7,276,780
Less:	
Deposits at AMCM for the purpose of fulfilling minimum liquidity requirement	(293,313)
Placements to local credit institutions with original maturity over three months	(1,180,656)
Call and fixed deposits at overseas credit institutions with original maturity over three months	<u>(256,189)</u>
<b>Cash and cash equivalents in the cash flow statement</b>	<u>5,546,622</u>

Off-balance-sheet exposures  
for the half-year ended 30 June 2017  
(Expressed in thousands of Macau Patacas)

(a) *Contingent liabilities and commitments*

	<i>Contractual amounts At 30 June 2017 MOP'000</i>
Financial guarantees	<u>2,215,421</u>
Performance guarantees	<u>706,145</u>
Trade related contingencies	<u>197,737</u>
Other commitments	<u>8,537,430</u>

Contingent liabilities and commitments are credit-related instruments which include acceptances, letters of credit, guarantees and commitments to extend credit. The contractual amounts represent the amounts at risk should the contract be fully drawn upon and the client default. As the facilities may expire without being drawn upon, the contractual amounts do not represent expected future cash flows.

AMCM requires that general provision be maintained at 1% of the guarantees given by the credit institutions. Specific provisions on contingent credit are made when there is evidence that the guarantees given by the credit institutions are not fully recoverable.

(b) *Derivatives*

Derivatives refer to financial contracts whose value depends on the value of one or more underlying assets or indices.



Off-balance-sheet exposures  
 for the half-year ended 30 June 2017 (continued)  
 (Expressed in thousands of Macau Patacas)

(b) *Derivatives (continued)*

The following is a summary of the notional amounts of each significant type of derivative:

	<i>At 30 June 2017</i> MOP'000
Exchange rate contracts	<u>9,862,061</u>

Derivatives arise from forward and swap transactions undertaken in the foreign exchange and equity markets. The notional amounts of these instruments indicate the volume of transactions outstanding at the balance sheet date; they do not represent amounts at risk.

The fair values and credit risk weighted amounts of the aforesaid off-balance sheet exposures are as follows:

	<i>At 30 June 2017</i>	
	<i>Assets</i> MOP'000	<i>Liabilities</i> MOP'000
Fair value		
– Exchange rate contracts	<u>52,633</u>	<u>43,515</u>

	<i>At 30 June 2017</i> MOP'000
Credit risk weighted amounts	
– Exchange rate contracts	<u>87,703</u>

**Off-balance-sheet exposures  
for the half-year ended 30 June 2017 (continued)**  
*(Expressed in thousands of Macau Patacas)*

**(b) *Derivatives (continued)***

Credit risk weighted amount refers to the amount as computed in accordance with AMCM Guideline Notice 013/93-AMCM on capital adequacy and depends on the status of the counterparty and the maturity characteristics. The risk weights used range from 0% to 50% for exchange rate and interest rate contracts and from 0% to 100% for other derivative contracts.

The Branch did not enter into any bilateral netting arrangements during the first half year and accordingly these amounts are shown on a gross basis.

## Significant Related party transactions

*(Expressed in thousands of Macau Patacas)*

### Material related party transactions

The Branch entered into the following material related party transactions.

#### *(a) Transactions with group companies*

During the first half year, the Branch entered into transactions with related parties in the ordinary course of its banking business including lending, acceptance and placement of inter-bank deposits, correspondent banking transactions and off-balance sheet transactions. The transactions were priced at the relevant market rates at the time of each transaction.

The amount of related-party transactions during the first half year and outstanding balances at 30 June 2017 are set out below:

	<i>Associates, other branches, subsidiaries, fellow subsidiaries Half-year ended 30 June 2017 MOP'000</i>	<i>The Hongkong and Shanghai Banking Corporation, Hong Kong Branch Half-year ended 30 June 2017 MOP'000</i>
Interest income	144	10,834
Interest expense	(26)	(34,505)
Fee and commission income	2,404	2,378
Fee and commission expense	(379)	(312)
Other operating income	416	-
Operating expenses	(6,684)	(29,857)
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For the half-year ended 30 June	(4,125)	(51,462)
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## Significant Related party transactions (continued)

(Expressed in thousands of Macau Patacas)

### Material related party transactions (continued)

#### (a) Transactions with group companies (continued)

	<i>Associates, other branches, subsidiaries, fellow subsidiaries at 30 June 2017 MOP'000</i>	<i>The Hongkong and Shanghai Banking Corporation, Hong Kong Branch at 30 June 2017 MOP'000</i>
<b>Assets</b>		
Current deposits at other overseas credit institutions	75,990	33,308
Call and fixed deposits at overseas credit institutions	69,408	3,548,556
Internal and adjustment accounts	121	371
<b>Liabilities</b>		
Funding from overseas credit institutions	(1,112)	(8,685,447)
Current deposits	(133,233)	-
Internal and adjustment accounts	-	(15)
<b>Net amount</b>	<u>11,174</u>	<u>(5,103,227)</u>

No impairment allowance was made in respect of the above loans to and placements with related parties.

The Branch's immediate parent is The Hongkong and Shanghai Banking Corporation Limited, which is incorporated in Hong Kong and the Branch's ultimate parent is HSBC Holdings plc, which is incorporated in England. Both the immediate and ultimate parent companies produce consolidated financial statements for public use.

***(b) Key management personnel***

The remuneration of key management personnel, which is included in the staff cost, is as follows:

	<i>Half-year ended 30 June 2017 MOP'000</i>
Executive officers	<u>3,271</u>

## Credit risk management

(Expressed in thousands of Macau Patacas)

### (a) Geographical distribution of credit risk exposures

The geographical distribution is based on the countries where the counterparties were operated or located after taking into account any transfer of risk. In general, such transfer of risk takes place if the claims are guaranteed by a party in a country which is different from that of the counterparty or if the claims are on an overseas branch of a bank whose head office is located in another country.

Exposures to individual countries or jurisdiction, groups of countries or regions within countries amounting to 10% or more of the relevant major types of credit exposures at balance sheet date are shown as follows:

Region	At 30 June 2017			
	Gross loans and advances and commitments MOP'000	Placements to local credit institutions MOP'000	Call and fixed deposits at overseas credit institutions MOP'000	Financial derivatives MOP'000
<b>Macau SAR</b>				
- banks	-	628,854	-	-
- governments and public sectors	-	2,270,000	-	-
- others	22,724,516	-	-	4,281,410
<b>Macau SAR total</b>	22,724,516	2,898,854	-	4,281,410
<b>Hong Kong SAR</b>				
- banks	-	-	3,548,557	-
- governments and public sectors	-	-	-	-
- others	3,189,039	-	-	5,580,651
<b>Hong Kong SAR total</b>	3,189,039	-	3,548,557	5,580,651
<b>Total</b>	25,913,555	2,898,854	3,548,557	9,862,061

**Credit risk management (continued)**  
*(Expressed in thousands of Macau Patacas)*

**(a) Geographical distribution of credit risk exposures (continued)**

Geographic region with higher than or equal to 10% of the total loans and advances to customers at balance sheet date are shown as follows:

	<i>At 30 June 2017</i>	
	<i>Gross loans and advances MOP'000</i>	<i>Past due or impaired MOP'000</i>
Macau SAR	15,392,603	260,529
Hong Kong SAR	2,078,643	-
	<u>17,471,246</u>	<u>260,529</u>

## Credit risk management (continued)

(Expressed in thousands of Macau Patacas)

(b) *Loans and advances to customers analysed by industry sector*

	<i>At 30 June 2017</i>
	MOP'000
Industry distribution of exposures	
– Manufacturing	2,207,875
– Construction and public works	52,324
– Wholesale and retail trade	5,102,459
– Restaurants, hotels and similar	17,756
– Transport, warehouse and communications	30,545
– Information technology	4,506
– Individuals for house purchases	6,415,760
– Individuals for other purposes	625,118
– Others	3,135,057
	<u>17,591,400</u>

According to AMCM's requirements, a general provision is made at 1% of the aggregated balance of loans and advances (with overdue days less than 3 months), guarantees and contingent assets. As at 30 June 2017, the amounts of specific provision by industry sector are shown as follows:

	<i>At 30 June 2017</i>
	MOP'000
– Individuals for house purchases	1,793
– Individuals for other purposes	1,139
	<u>2,932</u>



## Credit risk management (continued)

(Expressed in thousands of Macau Patacas)

(c) *Analysis on assets and liabilities by remaining maturity*

	At 30 June 2017						
	Repayable on demand MOP'000	Due within 3 months MOP'000	Due between 3 and 12 months MOP'000	Due between 1 year and 5 years MOP'000	Due after 5 years MOP'000	No contractual maturity MOP'000	Total MOP'000
<b>Assets</b>							
Cash	172,113	-	-	-	-	-	172,113
Deposits at AMCM	439,895	-	-	-	-	-	439,895
Current deposits at other local credit institutions	37,500	-	-	-	-	-	37,500
Current deposits at other overseas credit institutions	110,454	-	-	-	-	-	110,454
Loans and advances	119,956	5,468,115	1,695,201	4,744,439	5,563,689	-	17,591,400
Placements to local credit institutions	-	2,041,293	827,802	29,759	-	-	2,898,854
Call and fixed deposits at overseas credit institutions	2,239,690	1,366,355	11,919	-	-	-	3,617,964
Debtors	48,275	-	-	-	-	-	48,275
Available-for-sale equity investments	-	-	-	-	-	250	250
Properties	-	-	-	-	-	92,214	92,214
Equipment	-	-	-	-	-	53,982	53,982
Internal and adjustment accounts	88,220	6,209	1,398	6,161	6,566	92,598	201,152
<b>Total assets</b>	<b>3,256,103</b>	<b>8,881,972</b>	<b>2,536,320</b>	<b>4,780,359</b>	<b>5,570,255</b>	<b>239,044</b>	<b>25,264,053</b>
<b>Liabilities</b>							
Current and call deposits	12,585,930	-	-	-	-	-	12,585,930
Fixed deposits	-	2,983,538	274,473	-	-	-	3,258,011
Funding from credit institutions	22,881	32,061	172	8,649,933	2	-	8,705,049
Cheques and bills payable	71,816	-	-	-	-	-	71,816
Other liabilities	-	41,125	-	-	-	-	41,125
Internal and adjustment accounts	12,968	5,122	72,530	581	100	62,718	154,019
Provisions	1,901	64,371	19,939	55,804	65,439	-	207,454
<b>Total liabilities</b>	<b>12,695,496</b>	<b>3,126,217</b>	<b>367,114</b>	<b>8,706,318</b>	<b>65,541</b>	<b>62,718</b>	<b>25,023,404</b>
<b>Net liquidity gap</b>	<b>(9,439,393)</b>	<b>5,755,755</b>	<b>2,169,206</b>	<b>(3,925,959)</b>	<b>5,504,714</b>	<b>176,326</b>	<b>240,649</b>

## Credit risk management (continued)

(Expressed in thousands of Macau Patacas)

(d) *Analysis on past due assets*

The ageing analysis of advances to customers that are past due is as follows:

	<i>At 30 June 2017</i> MOP'000
Gross advances to customers that are past due	
– six months or less but over three months	54,161
– one year or less but over six months	-
– over one year	4,619
	<u>58,780</u>

	<i>At 30 June 2017</i> MOP'000
Value of collateral on past due loans and advance	
– six months or less but over three months	56,524
– one year or less but over six months	-
– over one year	4,584
	<u>61,108</u>

	<i>At 30 June 2017</i> MOP'000
Amount of specific provision made on past due loans and advance	
– six months or less but over three months	2,131
– one year or less but over six months	-
– over one year	801
	<u>2,932</u>

As at 30 June 2017, there were no other assets that have been past due for bank and non-bank customers.

## Foreign exchange risk management

(Expressed in thousands of Macau Patacas)

### *Foreign currency risk*

The following table indicates the net long/(short) position of currencies other than MOP:

	<i>At 30 June 2017</i> MOP'000
USD	(25,503)
HKD	(169,752)
Other currencies	<u>50,913</u>
<b>Total</b>	<u>(144,342)</u>

## Foreign exchange risk management (continued)

(Expressed in thousands of Macau Patacas)

### Foreign currency risk

Analysis on foreign currencies with net position constitute not less than 10% of the total net position in all currencies:

	At 30 June 2017			Total
	United States Dollars	Hong Kong Dollars	Other foreign currencies	
<i>In thousand of MOP equivalent</i>				
<b>Assets</b>				
Cash and current deposits at credit institutions	10,485	121,480	82,448	214,413
Placements to local credit institutions	474,354	154,500	-	628,854
Call and fixed deposits at oversea credit institutions	732,479	2,436,985	460,125	3,629,589
Loans and advances	2,710,625	13,073,337	289,462	16,073,424
Internal and adjustment accounts	20,364	85,026	49,565	154,955
Spot assets	<u>3,948,307</u>	<u>15,871,328</u>	<u>881,600</u>	<u>20,701,235</u>
<b>Liabilities</b>				
Current, call and fixed deposits	(4,339,193)	(6,840,887)	(839,809)	(12,019,889)
Funding from credit institutions	(600,365)	(8,108,037)	(5,916)	(8,714,318)
Cheques and bills payable	-	(52,517)	-	(52,517)
Internal and adjustment accounts	(51,361)	(15,070)	(513)	(66,944)
Spot liabilities	<u>(4,990,919)</u>	<u>(15,016,511)</u>	<u>(846,238)</u>	<u>(20,853,668)</u>
<b>Forward purchase</b>	<u>5,360,599</u>	<u>3,064,102</u>	<u>1,437,360</u>	<u>9,862,061</u>
<b>Forward sales</b>	<u>(4,343,490)</u>	<u>(4,088,671)</u>	<u>(1,421,809)</u>	<u>(9,853,970)</u>
<b>Net long non-structural position</b>	<u>(25,503)</u>	<u>(169,752)</u>	<u>50,913</u>	<u>(144,342)</u>

## Liquidity risk management

(Expressed in thousands of Macau Patacas)

The following table summarizes the key quantitative indicators for liquidity risk for the half-year ended 30 June 2017:

(a)	The arithmetic mean of the minimum weekly amount of cash in hand that is required to be held	436,142
(b)	The arithmetic mean of the average weekly amount of cash in hand	692,389
(c)	The arithmetic mean of the specified liquid assets at the end of each month	11,005,215
(d)	The average ratio of specified liquid assets to total basic liabilities at the end of the month	70.0%
(e)	The arithmetic mean of its one-month liquidity ratio in the last week of each month	1157.0%
(f)	The arithmetic mean of its three-month liquidity ratio in the last week of each month	721.3%

The above ratios and figures calculations are computed based on the data extracted from the weekly and monthly returns submitted to AMCM.

## Other information

(Expressed in thousands of Macau Patacas)

(a) **Capital commitments**

There were no capital commitments outstanding at 30 June 2017 not provided for in the financial statements.

(b) **Operating lease commitments**

At 30 June 2017, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	<i>At 30 June 2017</i> MOP'000
Within 1 year	2,274
After 1 year but within 5 year	559
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	2,833
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## Other information in relation to positions of Head Office, The Hongkong and Shanghai Banking Corporation Limited (Expressed in Hong Kong dollars)

The Branch is one of the branches of The Hongkong and Shanghai Banking Corporation Limited (“the Bank”) and therefore it is not required to prepare consolidated accounts. Unless otherwise stated, all information disclosed below is extracted from the corresponding information in the most recently available interim consolidated financial statements of the HSBC group of which the Branch is a member.

The interim consolidated financial statements can be accessed through various channels, including its website (<http://www.hsbc.com.hk>). For more comprehensive understanding of the financial position and results of operations of HSBC, the information disclosed below should be read in conjunction with the interim consolidated financial statements.

(a) **Consolidated capital adequacy ratio**

At 30 June 2017  
%

Capital adequacy ratio at 30 June	
Tier 1 capital ratio	16.3
Total capital ratio	18.4

The capital ratios were contained in the ‘Capital Adequacy Ratio’ return submitted to the HKMA by The Hongkong and Shanghai Banking Corporation Limited on a consolidated basis that is specified by the HKMA under the requirements of section 3C(1) of the Banking (Capital) Rules.

Other information in relation to positions of Head Office,  
 The Hongkong and Shanghai Banking Corporation Limited  
 (continued)

(Expressed in Hong Kong dollars)

(b) *Capital and reserves*

	At 30 June 2017 HKD million
Share capital	149,616
Other equity instruments	14,737
Other reserves	106,822
Retained profits	384,500
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Total shareholders' equity	655,675
Non-controlling interests	52,813
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Total equity	708,488
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(c) *Consolidated assets, liabilities and profits position*

	At 30 June 2017 HKD million
Total assets	7,674,515
Total liabilities	6,966,027
Loans and advances to customers	3,126,518
Deposits by banks	181,425
Customer accounts	4,964,064
Profit before taxation	57,378
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(d) *Shareholders with qualifying holdings*

The Branch is one the branches of The Hongkong and Shanghai Banking Corporation Limited ("the Bank"). The ultimate holding company of the Bank is HSBC Holdings plc, which is incorporated in England. There are no shareholders with major holdings in HSBC Holdings plc ordinary shares.



## Other information in relation to positions of Head Office, The Hongkong and Shanghai Banking Corporation Limited (continued)

(e) ***Board of Directors***

The Board of Directors of the Bank at 30 June 2017 were:

### **Executive directors**

Stuart Gulliver, *Chairman*

Peter Tung Shun Wong, *Deputy Chairman and Chief Executive*

### **Non-executive directors**

Laura May Lung Cha, GBS, *Deputy Chairman*

Zia Mody, *Deputy Chairman*

Graham John Bradley

Dr Christopher Wai Chee Cheng, GBS, OBE

Dr Raymond Kuo Fung Ch'ien, GBS, CBE

Irene Yun-lien Lee

Jennifer Xinzhe Li

Victor Tzar Kuoi Li

John Robert Slosar

Kevin Anthony Westley

Marjorie Mun Tak Yang, GBS

Tan Sri Dr Francis Sock Ping Yeoh, CBE