

The Hongkong and Shanghai Banking  
Corporation Limited  
- Macau Branch

Disclosure of Financial Information  
30 June 2014

**Balance sheet as at 30 June 2014**  
*(Expressed in thousands of Macau Patacas)*

	<i>At 30 June 2014</i>		
	<i>Amounts</i>	<i>Reserves, depreciation and provision</i>	<i>Net amount</i>
	MOP'000	MOP'000	MOP'000
<b>Assets</b>			
Cash	176,751	-	176,751
Deposits at Autoridade Monetária de Macau (“AMCM”)	351,508	-	351,508
Accounts receivables	-	-	-
Current deposits at other local credit institutions	376,758	-	376,758
Current deposits at other overseas credit institutions	113,425	-	113,425
Loans and advances	12,482,940	4,761	12,478,179
Placements to local credit institutions	2,070,000	-	2,070,000
Call and fixed deposits at overseas credit institutions	3,407,438	-	3,407,438
Debtors	51,862	-	51,862
Available-for-sale equity investments	250	-	250
Properties	43,723	3,109	40,614
Equipments	88,026	80,522	7,504
Internal and adjustment accounts	172,960	-	172,960
<b>Total</b>	<u>19,335,641</u>	<u>88,392</u>	<u>19,247,249</u>

**Balance sheet as at 30 June 2014 (continued)**  
*(Expressed in thousands of Macau Patacas)*

	<i>At 30 June 2014</i>	
	<i>Subtotal</i>	<i>Total</i>
	MOP'000	MOP'000
<b>Liabilities</b>		
Current deposits	13,702,208	
Call deposits	54,421	
Fixed deposits	1,738,762	15,495,391
Funding from local credit institutions	85	
Funding from overseas credit institutions	3,172,183	
Cheques and bills payable	88,156	
Creditors	-	
Other liabilities	17,738	3,278,162
Internal and adjustment accounts		183,946
Provisions		6,024
Revaluation reserve	24,375	
Other reserves	138,430	162,805
Current profit		120,921
<b>Total</b>		<u>19,247,249</u>

## Profit and loss account for the half-year ended 30 June 2014

(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 2014</i>		<i>30 June 2014</i>
<i>Debit</i>	<i>Amount</i>	<i>Credit</i>	<i>Amount</i>
	<i>MOP'000</i>		<i>MOP'000</i>
Operating costs	15,099	Operating income	161,003
Personnel expenses		Income from banking	
Staff costs	30,333	services	81,703
Staff benefits	5,848	Other operating income	25,846
Supplies by third party	6,824	Other banking income	269
Services provided by		Non operating income	-
third party	53,213		
Other banking expenses	3,690		
Tax expenses	2		
Non operating expenses	45		
Depreciation expenses	1,922		
Provisions	1,061		
Operating profits	150,784		
	<hr/>		<hr/>
<b>Total</b>	<b>268,821</b>	<b>Total</b>	<b>268,821</b>
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Profit and loss account  
 for the half-year ended 30 June 2014 (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 2014</i>		<i>30 June 2014</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	673	Operating profit	150,784
Tax on profit	16,624	Income related to prior	761
Additional provision under AMCM rules	14,000	Provision	673
Profit	120,921		
<b>Total</b>	<b>152,218</b>	<b>Total</b>	<b>152,218</b>

**Cash flow statement**  
**for the half-year ended 30 June 2014**  
*(Expressed in thousands of Macau Patacas)*

	<i>Half-year ended</i> <i>30 June 2014</i> <b>MOP'000</b>
<b>Operating activities</b>	
Profit before taxation	151,468
Adjustments for:	
Depreciation and amortisation	1,922
Employees' options granted cost free by the ultimate holding company	144
Impairment charge and other credit risk provisions	529
Other movements in capital contribution related to employee share awards	(55)
Property revaluation	(53)
	<u>153,955</u>
<b>(Increase)/decrease in operating assets:</b>	
Change in Monetary bills with original maturity of more than three months	(338,900)
Change in placements with banks maturing after one month	(97,055)
Change in loans and advances to customers	(2,070,537)
Change in other assets	123,466
<b>Increase/(decrease) in operating liabilities:</b>	
Change in deposits from banks	1,203,957
Change in customer accounts	203,187
Change in other liabilities	(165,893)
<b>Cash used in operating activities</b>	(987,820)
Taxation paid	-
<b>Net cash used in operating activities</b>	<u>(987,820)</u>

Cash flow statement  
for the half-year ended 30 June 2014 (continued)  
(Expressed in thousands of Macau Patacas)

	<i>Half-year ended 30 June 2014 MOP'000</i>
<b>Investing activities</b>	
Purchase of property, plant and equipment	(1,158)
<b>Net cash used in investing activities</b>	(1,158)
<b>Net cash outflow before financing</b>	(988,978)
<b>Financing activity</b>	
Profit remitted to head office	(249,265)
<b>Net cash used in financing activity</b>	(249,265)
<b>Net increase/(decrease) in cash and cash equivalents</b>	(1,238,243)
<b>Cash and cash equivalents at 1 January</b>	6,598,378
<b>Cash and cash equivalents at 30 June</b>	5,360,135
<b>Cash flows from operating activities include:</b>	
Interest received	159,809
Interest paid	15,363

## Off-balance-sheet exposures as at 30 June 2014 (Expressed in thousands of Macau Patacas)

(a) **Contingent liabilities and commitments**

	<i>Contractual amounts At 30 June 2014 MOP'000</i>
Financial guarantees	<u>948,534</u>
Performance guarantees	<u>427,326</u>
Trade related contingencies	<u>291,534</u>
Other commitments	<u>8,347,721</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 as at 30 June 2014 (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 2014</i> MOP'000
Interest rate contracts	103,000
Exchange rate contracts	<u>2,458,374</u>
	<u><u>2,561,374</u></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 2014</i>	
	<i>Assets</i> MOP'000	<i>Liabilities</i> MOP'000
Fair value		
- Interest rate contracts	536	536
- Exchange rate contracts	<u>8,678</u>	<u>8,114</u>
	<u><u>9,214</u></u>	<u><u>8,650</u></u>

	<i>At 30 June 2014</i> MOP'000
Credit risk weighted amounts	
- Interest rate contracts	181
- Exchange rate contracts	<u>10,092</u>

## **Off-balance-sheet exposures as at 30 June 2014 (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 of the 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 amount of related-party transactions during the first half year and outstanding balances as at 30 June 2014 are set out below:

	<i>Fellow subsidiaries Half-year ended 30 June 2014 MOP'000</i>	<i>The Hongkong and Shanghai Banking Corporation, Hong Kong Branch Half-year ended 30 June 2014 MOP'000</i>
Interest income	914	3,218
Interest expense	(24)	(8,542)
Fee and commission income	4,284	1,622
Fee and commission expense	(471)	(385)
Other operating income	97	-
Operating expenses	(9,061)	(33,481)
For the half-year ended 30 June	<u>(4,261)</u>	<u>(37,568)</u>

## Significant related party transactions (continued)

*(Expressed in thousands of Macau Patacas)*

### Material related party transactions (continued)

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

	<i>Fellow subsidiaries</i>	<i>The Hongkong and Shanghai Banking Corporation, Hong Kong Branch</i>
	<i>At 30 June 2014</i>	<i>At 30 June 2014</i>
	MOP'000	MOP'000
Cash and short-term funds	934,682	1,954,391
Interest receivable	56	407
Placement with banks maturing after one month	52,009	230,704
Deposits from financial institution	81,150	3,417,379
Other assets	-	7,023
Other liabilities	-	4,865
	1,067,897	5,614,769
As at 30 June	1,067,897	5,614,769

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 the England. Both the immediate and ultimate parent companies produce consolidated financial statements for public use.

## 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 2014		
	Gross loans and commitments MOP'000	Debt securities MOP'000	Financial derivatives MOP'000
<b>Macau SAR</b>	17,910,846	2,070,000	444,195
in which:			
- banks	-	-	-
- governments and public sectors	-	2,070,000	-
- others	17,910,846	-	444,195
<b>Hong Kong SAR</b>	2,934,871	-	2,117,179
in which:			
- banks	-	-	-
- governments and public sectors	-	-	-
- others	2,934,871	-	2,117,179
	<u>20,845,717</u>	<u>2,070,000</u>	<u>2,561,374</u>

**(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 2014</i>	
	<i>Gross loans and advances MOP'000</i>	<i>Past due or impaired MOP'000</i>
Macau	10,456,953	153,960
Hong Kong	1,833,603	103,315
	12,290,556	257,275

## Credit risk management (continued)

(Expressed in thousands of Macau Patacas)

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

	<i>At 30 June 2014</i>
	MOP'000
Industry distribution of exposures	
- Manufacturing	1,498,308
- Construction and public works	81,578
- Trade (wholesale and retail)	3,529,836
- Restaurants, hotels and related activities	17,094
- Transport, warehouse and communications	105,771
- Information technology	2,060
- Individuals for house purchases	4,570,330
- Individuals for other purposes	908,234
- Others	1,764,968
	<u>12,478,179</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 2014, the amounts of specific provision by industry sector are shown as follows:

	<i>At 30 June 2014</i>
	MOP'000
- Manufacturing	4,375
- Individuals for other purposes	386
	<u>4,761</u>

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

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

	<i>At 30 June 2014</i>							
	<i>On demand</i>	<i>Within 1 month</i>	<i>3 months or less but over 1 month</i>	<i>1 year or less but over 3 months</i>	<i>3 years or less but over 1 year</i>	<i>Over 3 years</i>	<i>Within an indefinite period</i>	<i>Total</i>
	MOP'000	MOP'000	MOP'000	MOP'000	MOP'000	MOP'000	MOP'000	MOP'000
<b>Assets</b>								
Cash and balances with other financial institutions	581,331	-	-	-	-	-	310,823	892,154
Placements with banks and other financial institutions	-	3,371,961	281,449	1,162	-	-	-	3,654,572
Securities issued by AMCM	-	910,000	450,000	710,000	-	-	-	2,070,000
Loans and advances to customers	236,032	2,164,408	1,996,320	1,388,661	1,444,232	5,248,526	-	12,478,179
	<u>817,363</u>	<u>6,446,369</u>	<u>2,727,769</u>	<u>2,099,823</u>	<u>1,444,232</u>	<u>5,248,526</u>	<u>310,823</u>	<u>19,094,905</u>
<b>Liabilities</b>								
Deposits and balances of banks and financial institutions	89,545	-	-	-	-	-	-	89,545
Deposits from Head Office and other branches	96,690	433,431	1,435,959	502,132	1,030,316	-	-	3,498,528
Deposits from non-bank customers	13,662,637	1,030,953	251,905	222,854	-	-	-	15,168,349
	<u>13,848,872</u>	<u>1,464,384</u>	<u>1,687,864</u>	<u>724,986</u>	<u>1,030,316</u>	<u>-</u>	<u>-</u>	<u>18,756,422</u>



## 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 2014</i>
	MOP'000
Gross advances to customers that are past due	
- six months or less but over three months	937
- one year or less but over six months	-
- over one year	4,375
	<u>5,312</u>

	<i>At 30 June 2014</i>
	MOP'000
Value of collateral on past due loans and advance	
- six months or less but over three months	-
- one year or less but over six months	-
- over one year	-
	<u>-</u>

	<i>At 30 June 2014</i>
	MOP'000
Amount of specific provision made on past due loans and advance	
- six months or less but over three months	386
- one year or less but over six months	-
- over one year	4,375
	<u>4,761</u>

As at 30 June 2014, 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 2014</i> MOP'000
HKD	(9,449)
USD	4,396
Other currencies	<u>(213)</u>
<b>Total</b>	<b><u>(5,266)</u></b>

## 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:

	<i>At 30 June 2014</i>			<i>Total</i>
	<i>United States Dollars</i>	<i>Hong Kong Dollars</i>	<i>Other foreign currencies</i>	
<i>In thousand of MOP equivalent</i>				
<b>Assets</b>				
Cash and balances at central banks	1,340	110,854	2,696	114,890
Items in course of collection from banks	-	87,879	-	87,879
Loans and advances to banks	80,659	51,529	417,391	549,579
Loans and advances to customers	3,485,711	7,297,802	122,039	10,905,552
Other assets	9,764	37,396	4	47,164
Prepayments, accrued income and interest	6,039	11,892	2,625	20,556
Balances with intragroup	1,223,393	1,143,542	804,673	3,171,608
Spot assets	4,806,906	8,740,894	1,349,428	14,897,228

## Foreign exchange risk management (continued)

(Expressed in thousands of Macau Patacas)

### Foreign currency risk (continued)

	At 30 June 2014			Total
	United States Dollars	Hong Kong Dollars	Other foreign currencies	
<i>In thousand of MOP equivalent</i>				
<b>Liabilities</b>				
Deposits by customers	(4,856,366)	(5,543,210)	(1,224,211)	(11,623,787)
Items in the course of transmission to other banks	-	(59,934)	-	(59,934)
Other liabilities	(69,389)	(10,009)	(16,119)	(95,517)
Accruals and deferred income	(467)	(2,238)	(2,478)	(5,183)
Deposits by banks	(85)	-	-	(85)
Balances with intragroup	(236,965)	(2,835,521)	(58,734)	(3,131,220)
Spot liabilities	<u>(5,163,272)</u>	<u>(8,450,912)</u>	<u>(1,301,542)</u>	<u>(14,915,726)</u>
Forward purchase	<u>1,403,392</u>	<u>243,521</u>	<u>811,461</u>	<u>2,458,374</u>
Forward sales	<u>(1,042,630)</u>	<u>(542,952)</u>	<u>(859,560)</u>	<u>(2,445,142)</u>
<b>Net long non-structural position</b>	<u>4,396</u>	<u>(9,449)</u>	<u>(213)</u>	<u>(5,266)</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 2014:

(a)	The arithmetic mean of the minimum weekly amount of cash in hand that is required to be held	445,814
(b)	The arithmetic mean of the average weekly amount of cash in hand	641,992
(c)	The arithmetic mean of the specified liquid assets at the end of each month	8,017,828
(d)	The average ratio of specified liquid assets to total basic liabilities at the end of the month	52.6%
(e)	The arithmetic mean of its one-month liquidity ratio in the last week of each month	773.6%
(f)	The arithmetic mean of its three-month liquidity ratio in the last week of each month	621.6%

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 2014 not provided for in the financial statements.

(b) **Operating lease commitments**

At 30 June 2014, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	<i>At 30 June 2014</i> MOP'000
Within 1 year	3,594
After 1 year but within 5 year	<u>2,000</u>
	<u><u>5,594</u></u>

## 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 annual audited consolidated financial statements of the HSBC group of which the Branch is a member.

The audited 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 audited consolidated financial statements.

**(a) Consolidated capital adequacy ratio**

At 30 June 2014  
%

Capital adequacy ratio at 30 June	
Total capital ratio at 30 June	15.2
Core capital ratio at 30 June	13.5

The capital ratios was contained in the ‘Capital Adequacy Ratio’ return submitted to the Hong Kong Monetary Authority (“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) *Share capital and reserves*

	<i>At 30 June 2014</i> HKD million
Share capital	96,052
Other reserves	91,699
Retained profits	316,785
Proposed dividend	9,250
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Total shareholders' equity	513,786
Non-controlling interests	41,946
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Total equity	555,732
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(c) *Consolidated assets, liabilities and profits position*

	<i>At 30 June 2014</i> HKD million
Total assets	6,765,663
Total liabilities	6,209,931
Loans and advances to customers	2,809,379
Deposits by banks	229,642
Customer accounts	4,420,450
Profit before taxation	59,096
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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 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 2014 comprises:

### **Executive directors**

S T Gulliver, Chairman  
P T S Wong, Deputy Chairman and Chief Executive  
N L Kidwai  
R W M Lee

### **Non-executive directors**

L M L Cha, GBS, Deputy Chairman  
Z Mody, Deputy Chairman  
G J Bradley  
Dr C W C Cheng, GBS, OBE  
Dr R K F Ch'ien, GBS, CBE  
I Y L Lee  
V T K Li  
P J H Riley  
J R Slosar  
K A Westley  
Dr R Y M Wong, DBE  
M M T Yang, GBS  
Tan Sri Dr F S P Yeoh, CBE