

The Hongkong and Shanghai Banking
Corporation Limited
Macau Branch

Disclosure of Financial Information
30 June 2020

Balance sheet as at 30 June 2020

(Expressed in thousands of Macau Patacas)

	<i>At 30 June 2020</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>
Assets			
Cash	204,901	-	204,901
Deposits at AMCM	405,826	-	405,826
Current deposits at other local credit institutions	23,449	-	23,449
Current deposits at other overseas credit institutions	226,102	-	226,102
Loans and advances	13,663,566	161,150	13,502,416
Placements to local credit institutions	2,713,900	-	2,713,900
Call and fixed deposits at overseas credit institutions	4,717,308	-	4,717,308
Debtors	28,700	-	28,700
Available-for-sale equity investments	250	-	250
Properties	90,800	1,494	89,306
Equipment	104,752	78,664	26,088
Internal and adjustment accounts	138,254	-	138,254
Total	22,317,808	241,308	22,076,500

Balance sheet as at 30 June 2020 (continued)

(Expressed in thousands of Macau Patacas)

	<i>At 30 June 2020</i>	
	<i>Subtotal</i>	<i>Total</i>
	MOP'000	MOP'000
Liabilities		
Current deposits	11,468,792	
Call deposits	7,697	
Fixed deposits	2,565,097	14,041,586
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Funding from local credit institutions	24,691	
Funding from overseas credit institutions	7,362,227	
Cheques and bills payable	90,369	
Other liabilities	39,771	7,517,058
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Internal and adjustment accounts		116,354
Provisions		177,132
Revaluation reserve	77,497	
Other reserves	24,531	102,028
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Current profit		122,342
		<hr/>
Total		22,076,500
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Profit and loss account for the half-year ended 30 June 2020 (Expressed in thousands of Macau Patacas)

<i>Profit and loss account</i>			
	<i>Half-year ended 30 June 2020</i>		<i>Half-year ended 30 June 2020</i>
<i>Debit</i>	<i>Amount MOP'000</i>	<i>Credit</i>	<i>Amount MOP'000</i>
Operating costs	104,331	Operating income	267,509
Personnel expense		Income from banking	
Staff costs	44,678	services	40,919
Staff benefits	6,270	Other operating income	50,173
Supplies by third party	1,269	Other banking income	592
Services provided by		Other income	12,319
third party	67,151		
Other banking expenses	5,936		
Tax expenses	5		
Non operating expenses	-		
Depreciation expenses	9,215		
Operating profits	132,657		
Total	371,512	Total	371,512

Profit and loss account
for the half-year ended 30 June 2020 (continued)
(Expressed in thousands of Macau Patacas)

<i>Profit and loss account</i>			
	<i>Half-year ended 30 June 2020 Amount MOP'000</i>		<i>Half-year ended 30 June 2020 Amount MOP'000</i>
<i>Debit</i>		<i>Credit</i>	
Loss related to prior years	57,428	Operating profit	132,657
Tax on profit	17,207	Income related to prior years	1,371
Profit	122,342	Provision used up	57,428
		Provision written back	5,521
Total	196,977	Total	196,977

**Cash flow statement
for the half-year ended 30 June 2020**
(Expressed in thousands of Macau Patacas)

	<i>Half-year ended 30 June 2020 MOP'000</i>
Operating activities	
Profit before taxation	139,549
Adjustments for:	
Depreciation	9,215
Impairment allowances on loans and advances	(1,371)
Interest income	(267,509)
Interest expense	104,331
Interest received	286,904
Interest paid	(119,443)
	<u>151,676</u>
Operating cash flows before changes in working capital	
Change in deposits at AMCM for the purpose of fulfilling minimum liquidity requirement	(5,834)
Change in placements to local credit institutions with original maturity of more than three months	(150,000)
Change in call and fixed deposits at overseas credit institutions with original maturity of more than three months	355,518
Change in gross loans and advances	1,118,391
Change in debtors and internal and adjustment accounts (assets)	27,648
Change in funding from credit institutions	(2,128,900)
Change in current, call and fixed deposits	(786,821)
Change in cheques and bills payable, other liabilities and internal and adjustment accounts (liabilities)	(31,028)
Cash generated from operations	<u>(1,449,350)</u>
Taxation paid	<u>-</u>
Net cash generated from operating activities	<u><u>(1,449,350)</u></u>

Cash flow statement for the half-year ended 30 June 2020 (continued)

(Expressed in thousands of Macau Patacas)

Half-year ended
30 June 2020
MOP'000

Investing activities

Purchase of properties and equipment	(1,008)
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Net cash used in investing activities	(1,008)
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Financing activity

Profit remitted to head office	(287,793)
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Net cash used in financing activity	(287,793)
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Net increase in cash and cash equivalents	(1,738,151)
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Cash and cash equivalents at 1 January	8,450,812
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Cash and cash equivalents at 30 June	6,712,661
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Analysis of balances of cash and cash equivalents

Cash	204,901
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Deposits at AMCM	405,826
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Current deposits at other local credit institutions	23,449
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Current deposits at other overseas credit institutions	226,102
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Placements to local credit institutions	2,713,900
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Call and fixed deposits at overseas credit institutions	4,717,308
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Amount shown in the balance sheet	8,291,486
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Less:

- Deposits at AMCM for the purpose of fulfilling minimum liquidity requirement	(289,338)
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- Placements to local credit institutions with original maturity over three months	(1,050,000)
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- Call and fixed deposits at overseas credit institutions with original maturity over three months	(239,487)
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Cash and cash equivalents in the cash flow statement	6,712,661
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Off-balance-sheet exposures for the half-year ended 30 June 2020 *(Expressed in thousands of Macau Patacas)*

(a) Contingent liabilities and commitments

	<i>Contractual amounts At 30 June 2020 MOP'000</i>
Financial guarantees	90,174
Performance guarantees	2,921,626
Documentary credits and trade related contingencies	651,951
Other commitments	10,623,403

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 2020 (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 2020</i> MOP'000
Exchange rate contracts	<u>12,880,386</u>

Derivatives arise from forward transactions undertaken in the foreign exchange market. The notional amounts of these instruments indicate the volume of transactions outstanding at the balance sheet date but 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 2020</i>	
	<i>Assets</i>	<i>Liabilities</i>
	MOP'000	MOP'000
Fair value		
– Exchange rate contracts	<u>32,298</u>	<u>23,438</u>

	<i>At 30 June 2020</i> MOP'000
Credit risk weighted amounts	
– Exchange rate contracts	<u>54,233</u>

**Off-balance-sheet exposures
for the half-year ended 30 June 2020 (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)

Significant 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 2020 are set out below:

	<i>Associates, other branches, subsidiaries, fellow subsidiaries</i>	<i>The Hongkong and Shanghai Banking Corporation, Hong Kong Branch</i>
	<i>Half-year ended 30 June 2020</i>	<i>Half-year ended 30 June 2020</i>
	MOP'000	MOP'000
Interest income	91	38,861
Interest expense	(36)	(82,223)
Fee and commission income	507	276
Fee and commission expense	(1,346)	(273)
Trading income	-	6,666
Other operating income	59	508
Operating expenses	(16,873)	(35,307)
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For the half-year ended 30 June	(17,598)	(71,492)
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Significant related party transactions (continued)

(Expressed in thousands of Macau Patacas)

Significant related party transactions (continued)

(a) Transactions with group companies (continued)

	<i>Associates, other branches, subsidiaries, fellow subsidiaries at 30 June 2020 MOP'000</i>	<i>The Hongkong and Shanghai Banking Corporation, Hong Kong Branch at 30 June 2020 MOP'000</i>
Assets		
Current deposits at other overseas credit institutions	163,439	55,435
Call and fixed deposits at overseas credit institutions	370,590	4,346,718
Internal and adjustment accounts	211	24,424
Liabilities		
Funding from overseas credit institutions	(19,129)	(7,284,616)
Current deposits	(28,768)	(42,873)
Internal and adjustment accounts	(617)	(19,776)
Net amount	<u>485,726</u>	<u>(2,920,688)</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 the United Kingdom. Both the immediate and ultimate parent companies produce consolidated financial statements for public use.

Significant related party transactions (continued) *(Expressed in thousands of Macau Patacas)*

(b) Key management personnel

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

	<i>Half-year ended 30 June 2020 MOP'000</i>
Executive officers	<u>1,696</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:

<i>Region</i>	<i>At 30 June 2020</i>			
	<i>Gross loans and advances and commitments</i>	<i>Placements to local credit institutions</i>	<i>Call and fixed deposits at overseas credit institutions</i>	<i>Financial derivatives</i>
	MOP'000	MOP'000	MOP'000	MOP'000
Macau				
– banks	-	133,900	-	-
– governments and public sectors	-	2,580,000	-	-
– others	12,415,237	-	-	2,871,415
Macau total	12,415,237	2,713,900	-	2,871,415
Hong Kong				
– banks	-	-	4,717,308	3,573,211
– governments and public sectors	-	-	-	-
– others	762,764	-	-	-
Hong Kong total	762,764	-	4,717,308	3,573,211
Total	13,178,001	2,713,900	4,717,308	6,444,626

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 2020</i>	
	<i>Gross loans and advances MOP'000</i>	<i>Past due or impaired MOP'000</i>
Macau	<u>12,425,122</u>	<u>439,223</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 2020</i>
	MOP'000
Industry distribution of exposures	
– Manufacturing	432,880
– Construction and public works	243,891
– Wholesale and retail trade	4,861,139
– Restaurants, hotels and similar	12,207
– Transport, warehouse and communications	30,000
– Information technology	3,797
– Individuals for house purchases	5,948,303
– Individuals for other purposes	200,031
– Others	1,931,318
	<u>13,663,566</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 2020, the amounts of specific provision by industry sector are shown as follows:

	<i>At 30 June 2020</i>
	MOP'000
– Individuals for house purchases	2,068
– Individuals for other purposes	159,082
	<u>161,150</u>

Credit risk management (continued)

(Expressed in thousands of Macau Patacas)

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

	At 30 June 2020						
	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
Assets							
Cash	204,901	-	-	-	-	-	204,901
Deposits at AMCM	-	405,826	-	-	-	-	405,826
Current deposits at other local credit institutions	23,449	-	-	-	-	-	23,449
Current deposits at other overseas credit institutions	226,102	-	-	-	-	-	226,102
Loans and advances	79,232	3,347,705	1,462,107	3,813,711	4,799,661	-	13,502,416
Placements to local credit institutions	-	1,973,900	740,000				2,713,900
Call and fixed deposits at overseas credit institutions	-	4,717,308	-	-	-	-	4,717,308
Debtors	28,700	-	-	-	-	-	28,700
Equity investments	-	-	-	-	-	250	250
Properties	-	-	-	-	-	89,306	89,306
Equipment	-	-	-	-	-	26,088	26,088
Internal and adjustment accounts	121,384	16,610	260	-	-	-	138,254
Total assets	683,768	10,461,349	2,202,367	3,813,711	4,799,661	115,644	22,076,500
Liabilities							
Current and call deposits	11,476,489	-	-	-	-	-	11,476,489
Fixed deposits	-	2,279,063	286,034	-	-	-	2,565,097
Funding from credit institutions	478,355	7,563	1,442,000	5,459,000			7,386,918
Cheques and bills payable	90,369	-	-	-	-	-	90,369
Other liabilities	39,771	-	-	-	-	-	39,771
Internal and adjustment accounts	18,645	15,823	17,386	58,451		6,049	116,354
Provisions	1,039	43,917	19,181	50,030	62,965	-	177,132
Total liabilities	12,104,668	2,346,366	1,764,601	5,567,481	62,965	6,049	21,852,130
Net liquidity gap	(11,420,900)	8,114,983	437,766	(1,753,770)	4,736,696	109,595	224,370

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 2020</i>
	MOP'000
Gross advances to customers that are past due	
– more than three months but less than six months	19,185
– more than six months but less than one year	18,725
– over one year	180,107
	<u>218,017</u>

	<i>At 30 June 2020</i>
	MOP'000
Value of collateral on past due loans and advance	
– more than three months but less than six months	20,497
– more than six months but less than one year	23,161
– over one year	25,462
	<u>69,120</u>

	<i>At 30 June 2020</i>
	MOP'000
Amount of specific provision made on past due loans and advance	
– more than three months but less than six months	2,330
– more than six months but less than one year	826
– over one year	157,994
	<u>161,150</u>

As at 30 June 2020, 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 short position of currencies other than MOP:

	<i>At 30 June 2020</i> MOP'000
USD	36,452
HKD	213,509
Other currencies	<u>393</u>
Total	<u><u>250,354</u></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:

	<i>At 30 June 2020</i>			
	<i>United States Dollars</i>	<i>Hong Kong Dollars</i>	<i>Other foreign currencies</i>	<i>Total</i>
<i>MOP'000 equivalent</i>				
Assets				
Cash and current deposits at credit institutions	17,286	168,793	184,138	370,217
Loans and advances	2,206,746	9,088,729	23,573	11,319,048
Placements to local credit institutions	-	133,900	-	133,900
Call and fixed deposits at overseas credit institutions	1,955,811	2,060,000	701,498	4,717,309
Debtors	-	10,181	112	10,293
Internal and adjustment accounts	35,521	37,446	34	73,001
Spot assets	4,215,364	11,499,049	909,355	16,623,768
Liabilities				
Current, call and fixed deposits	(4,859,568)	(4,075,725)	(537,506)	(9,472,799)
Funding from credit institutions	(25,614)	(7,285,199)	(2,654)	(7,313,467)
Cheques and bills payable	-	(30,389)	-	(30,389)
Other liabilities	(18,178)	(13,835)	(255)	(32,268)
Internal and adjustment accounts	(24,067)	(9,840)	(215)	(34,122)
Spot liabilities	(4,927,427)	(11,414,988)	(540,630)	(16,883,045)
Forward purchase	3,532,668	1,353,562	1,558,352	6,444,582
Forward sales	(2,857,057)	(1,651,132)	(1,927,470)	(6,435,659)
Net short non-structural position	(36,452)	(213,509)	(393)	(250,354)

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 2020:

(a)	The arithmetic mean of the minimum weekly amount of cash in hand that is required to be held	420,628
(b)	The arithmetic mean of the average weekly amount of cash in hand	680,498
(c)	The arithmetic mean of the specified liquid assets at the end of each month	10,637,575
(d)	The average ratio of specified liquid assets to total basic liabilities at the end of the month	81.9%
(e)	The arithmetic mean of its one-month liquidity ratio in the last week of each month	620.0%
(f)	The arithmetic mean of its three-month liquidity ratio in the last week of each month	390.6%

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 2020 not provided for in the financial statements.

(b) Operating lease commitments

At 30 June 2020 the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	<i>At 30 June 2020</i> MOP'000
Within 1 year	12,212
After 1 year but within 5 year	7,435
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	19,647
	<hr/> <hr/>

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 2020
%

Capital adequacy ratio at 30 June

Tier 1 capital ratio 18.3

Total capital ratio 20.3

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 2020
HKD million

Share capital	172,335
Other equity instruments	44,615
Other reserves	122,093
Retained profits	473,964
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Total shareholders' equity	813,007
Non-controlling interests	63,460
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Total equity	876,467
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(c) Consolidated assets, liabilities and profits position

At 30 June 2020
HKD million

Total assets	9,097,338
Total liabilities	8,220,871
Loans and advances to customers	3,679,364
Deposits by banks	233,635
Customer accounts	5,604,067
Profit before taxation	51,667
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(d) Shareholders with qualifying holdings

The Branch is one of 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 the United Kingdom. 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 comprises:

Laura May Lung Cha*, GBM (Chairman)
Peter Tung Shun Wong (Deputy Chairman and Chief Executive)
Zia Mody* (Deputy Chairman)
Graham John Bradley*
Louisa Wai Wan Cheang
Dr Christopher Wai Chee Cheng*, GBS, OBE
Dr Raymond Kuo Fung Ch'ien*, GBS, CBE
Yiu Kwan Choi*
Irene Yun-lien Lee*
Jennifer Xinzhe Li*
Victor Tzar Kuoi Li#
Bin Hwee Quek (née Chua)*, PBM, BBM, JP
Kevin Anthony Westley*, BBS
Tan Sri (Sir) Francis Sock Ping Yeoh*, KBE, CBE

* independent non-executive Director

non-executive Director