The Hongkong and Shanghai Banking Corporation Limited
Macau Branch

Disclosure of Financial Information
31 December 2021

Report of the Branch management

Principal place of business and activities

The Hongkong and Shanghai Banking Corporation Limited, Macau Branch ("the Branch") is a branch of The Hongkong and Shanghai Banking Corporation Limited ("the Bank"). It is domiciled in Macau and has its registered office and principal place of business at Avenida da Praia Grande, No.639, 1st Floor, HSBC Main Branch, Macau. The Bank produces financial statements available for public use. The Branch is registered as a licensed bank under the Macau Financial System Act under the supervision of the Autoridade Monetaria de Macau ("AMCM").

Branch's activities in Macau

In 2021, we continued our strategy to be the leading international trade bank leveraging the Group's global network to support customers in Macau, whilst at the same time captured the cross-border trade opportunities with Hong Kong and Mainland, in particularly within the Greater Bay Area. Total Revenue dropped by 18% primarily impacted by the drop in Net Interest Income, but mostly set off by the better Net Fee Income. Profit Before Tax jumped over 29%, as a result of the lower loan impairment charges especially on Wholesale Banking portfolio.

Albeit the challenging business conditions in 2021, we continued to maintain healthy balance sheet with 30% and 4% uptrend in Loans and Deposits, as well as pursue opportunities arising from the development of the Greater Bay Area. We have increased our cross-border collaboration, including the participation in the Zhuhai HengQin Free Trade Zone RMB Cross Border Cash Pool and increasing roadshows with offices in Mainland China and Hong Kong. To support Group's advocate on sustainability roadmap, we also supported the syndication loan on Macau's government urban renewal project, as well as 2 green loans in supporting sizable Macau's conglomerate to develop HengQin.

During the Covid-19 outbreak, we continued to extend the loan moratorium scheme promoted by the government. We also offered loans to our corporate and retail customers on favorable terms in order to support the local economy.

To achieve better service excellence and affirm bank's commitment to provide consistent product offering within the wider GBA market, we relaunched our in-house insurance business since July 2021 to provide more product choices for retail customers.

To echo local government's urge in developing modern finance, HSBC has taken more proactive participation in local engagement by being the Chairman Bank of the Macau Modern Finance Committee supervised under the Macau Association of Banks (ABM), with a total of 11 members in the committee widely supported by our industry partners.

Report of the Branch management (continued)

Branch's activities in Macau (continued)

To strengthen our digitalization journey, we continued to simplify our customer onboarding journey to streamline account opening process. For payment feasibility, we have activated our inward transfer function to support the Macau Easy Transfer advocated by AMCM to facilitate cross-bank transfer and minimize costs lead time for local low-amount-of-money interbank transfers. In the coming year, we also expected to fully support the infrastructure on Credit Bureau to create a better and comprehensive cross-bank credit database system.

With respect of Financial Crime Compliance and Risk Management, we continued to simplify risk categories, governance forums and reporting mechanism to enable a better and faster customer experience as well as a simpler but safer lending journey. Liquidity Risk ratios continued to be managed within appetite and monitored closely given the external operating environment.

On the people side, we continued to build our team by bringing in talents with diversified knowledge and experience. We introduced local apprentice program to support on-the-job internship experience to local university students. Strong efforts have been made to recruit, retain and engage staff across GBA region. Staff benefits continued to be under constant review. We have promoted our staff well-being, awareness of conduct and developed better ways of working by implementing a series of programme including bank-wide Townhall, Staff Wellbeing Taskforce, culture awareness programs and the implementation of well-being leave and flexible working policy to enable our staff to achieve a better work life balance.

Balance sheet as at 31 December 2021

(Expressed in thousands of Macau Patacas)

	2021		
	Amounts MOP'000	*Reserves, depreciation and provision* MOP'000	*Net amount* MOP'000
Assets			
Cash	418,293	-	418,293
Deposits at AMCM	462,163	-	462,163
Current deposits at other local credit institutions	195,367	-	195,367
Current deposits at other overseas credit institutions	346,675	-	346,675
Loans and advances	17,352,243	327,271	17,024,972
Placements to local credit institutions	3,340,957	-	3,340,957
Call and fixed deposits at overseas credit institutions	2,263,793	-	2,263,793
Debtors	28,821	-	28,821
Available-for-sale equity investments	250	-	250
Properties	97,600	-	97,600
Equipment	123,681	103,022	20,659
Internal and adjustment accounts	129,490	-	129,490
Total	24,759,333	430,293	24,329,040

Balance sheet as at 31 December 2021 (continued)

(Expressed in thousands of Macau Patacas)

	2021 Subtotal MOP'000	Total MOP'000
Liabilities		
Current deposits	13,343,956	
Call deposits	-	
Fixed deposits	1,788,947	15,132,903
Funding from local credit institutions	7,433	
Funding from overseas credit institutions	8,451,870	
Cheques and bills payable	87,358	
Other liabilities	22,362	8,569,023
Internal and adjustment accounts		189,967
Provisions		218,147
Revaluation reserve	84,803	
Other reserves	30,781	115,584
Current profit		103,416
Total		24,329,040

Profit and loss account
for the year ended 31 December 2021

(Expressed in thousands of Macau Patacas)

Profit and loss account			
Debit	*2021 Amount* MOP'000	*Credit*	*2021 Amount* MOP'000
Cost of credit operations	27,018	Income from credit operations	324,706
Personnel expenses		Income from banking services	88,422
Staff costs	95,404		
Staff benefits	15,998	Other operating income	98,902
Supplies by third party	3,183	Other banking income	246
Services provided by third party	152,865	Income from non-banking operations	1,402
Other banking expenses	9,169		
Tax expenses	46		
Costs of non-banking operations	342		
Depreciation expenses	18,188		
Provision allowances	78,717		
Operating profits	112,748		
Total	513,678	**Total**	513,678

Profit and loss account
for the year ended 31 December 2021 (continued)
(Expressed in thousands of Macau Patacas)

Profit and loss account

Debit	*2021 Amount* MOP'000	*Credit*	*2021 Amount* MOP'000
Loss related to prior years	2,369	Operating profit	112,748
Tax on profit	11,576	Income related to prior years	2,244
Profit	103,416	Provision used up	2,369
Total	117,361	**Total**	117,361

Cash flow statement
for the year ended 31 December 2021

(Expressed in thousands of Macau Patacas)

	2021
	MOP'000
Operating activities	
Profit before taxation	114,992
Adjustments for:	
Depreciation	18,188
Provision for bad and doubtful debts	76,473
Interest income	(324,706)
Interest expense	27,018
Interest received	326,564
Interest paid	(29,069)
Operating cash flows before changes in working capital	209,460
Change in deposits at AMCM for the purpose of fulfilling minimum liquidity requirement	6,892
Change in placements to local credit institutions with original maturity of more than three months	(312,712)
Change in call and fixed deposits at overseas credit institutions with original maturity of more than three months	821,348
Change in gross loans and advances	(3,962,094)
Change in debtors	(5,828)
Change in internal and adjustment accounts (assets)	111,377
Change in funding from a local credit institution	7,433
Change in funding from overseas credit institutions	3,267,750
Change in current, call and fixed deposits	555,077
Change in internal and adjustment accounts (liabilities)	(27,784)
Change in cheques and bills payable	14,971
Change in provisions and other liabilities	26,510
Cash generated from operations	712,400
Taxation paid	(16,680)
Net cash generated from operating activities	695,720

Cash flow statement
for the year ended 31 December 2021 (continued)
(Expressed in thousands of Macau Patacas)

	2021 MOP'000
Investing activity	
Purchase of properties and equipment	(2,111)
Net cash used in investing activity	(2,111)
Financing activity	
Profit remitted to head office	(71,982)
Net cash used in financing activity	(71,982)
Net increase in cash and cash equivalents	621,627
Cash and cash equivalents at 1 January	4,302,826
Cash and cash equivalents at 31 December	4,924,453

Analysis of balances of cash and cash equivalents

Cash	418,293
Current deposits at other local credit institutions	195,367
Current deposits at other overseas credit institutions	346,675
Deposits at AMCM	462,163
Placements to local credit institutions	3,340,957
Call and fixed deposits at overseas credit institutions	2,263,793
Amount shown in the statement of financial position	7,027,248
Less:	
- Deposits at AMCM for the purpose of fulfilling minimum liquidity requirement	(311,458)
- Placements to local credit institutions with original maturity over three months	(1,740,957)
- Call and fixed deposits at overseas credit institutions with original maturity over three months	(50,380)
Cash and cash equivalents in the cash flow statement	4,924,453

Off-balance-sheet exposures for the year ended 31 December 2021

(Expressed in thousands of Macau Patacas)

(a) Contingent liabilities and commitments

	Contractual amounts *2021* MOP'000
Financial guarantees	10,954
Performance guarantees	2,517,726
Documentary credits and trade related contingencies	1,916,097
Other commitments	9,230,957

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 year ended 31 December 2021 (continued)

(Expressed in thousands of Macau Patacas)

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

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

	2021
	MOP'000
Exchange rate contracts	3,165,192

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; 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:

	2021	
	Assets	*Liabilities*
	MOP'000	MOP'000
Fair value		
– Exchange rate contracts	29,736	14,717

	2021
	MOP'000
Credit risk weighted amounts	
– Exchange rate contracts	21,479

Off-balance-sheet exposures for the year ended 31 December 2021 (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 011/2015-AMCM on capital adequacy and depends on the status of the counterparty and the maturity characteristics. Credit Risk Weighted Assets of a derivative contract is calculated by multiplying its Credit Equivalent Amounts after Credit Risk Mitigation by its applicable risk weight on the counterparty.

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

Accounting policies

(a) Statement of compliance

This disclosure of financial information has been prepared in accordance with the requirements as set out in the Guidelines on Disclosure of Financial Information issued by the AMCM.

These financial statements have been prepared in accordance with the requirements as set out in Decree-Law No. 32/93/M and the Macau Financial Reporting Standards ("MFRSs") issued under Administrative Regulation No. 25/2005 of Macau SAR.

(b) Basis of preparation of the financial statements

The Branch is part of The Hongkong and Shanghai Banking Corporation Limited and accordingly it is not a separate legal entity. These financial statements have been prepared from the books and records maintained by the Branch in Macau, which contain evidence of all transactions entered into by the Branch locally but do not necessarily reflect all transactions that may be applicable to the Branch.

The financial statements are presented in thousands of Macau Patacas ("MOP"). The measurement basis used in the preparation of the financial statements is historical cost except for leasehold lands and properties, AMCM monetary bill and derivative financial instruments, which are carried at fair value.

The preparation of financial statements under MFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year, or in the year of the revision and future years if the revision affects both current and future years.

Accounting policies (continued)

(b) Basis of preparation of the financial statements (Continued)

New standards and interpretations not yet adopted

Effective from 28 March 2020, Financial Reporting Standards issued by the Government of Macau under Administrative Regulation No. 25/2005 on 9 December 2005 ("MFRS") were replaced by Financial Reporting Standards issued by the Directive of Secretaria para a Economia e Finanças No. 44/2020 on 17 March 2020 ("New MFRS"). The New MFRS is mandatory for adoption from the annual period beginning 1 January 2022. The Branch has not early adopted the New MFRS in preparing the financial statements.

None of the standards included in the New MFRS is expected to have a significant effect on the financial statements of the Branch except the following as set out below:

(i) IAS 1

IAS 1, 'Presentation of Financial Statements' in the New MFRS requires to present all non-owner changes in equity either in one statement of comprehensive income or in two statements. The standard also requires the presentation of balance sheet as at the beginning of the earliest comparative period in a complete set of financial statements when the entity applies an accounting policy retrospectively or makes a retrospective restatement. These impact presentation aspects.

(ii) IFRS 9

The new standard addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. The standard permits to apply the transitional provisions for the adoption.

The Branch does not expect the new guidance to have a significant impact on the classification and measurement of its financial assets.

The new impairment model also requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses. It applies to financial assets classified at amortised cost, debt instruments measured at FVOCI, contract assets under IFRS 15 Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts. The Branch has undertaken a detailed assessment of how its impairment provisions would be affected by the new model, it will result in an earlier recognition of individually assessed impairment allowances and is expected to result a decrease in the provision amount due to the adoption of IFRS 9.

Accounting policies (continued)

(b) Basis of preparation of the financial statements (Continued)

New standards and interpretations not yet adopted (Continued)

(ii) IFRS 9 (continued)

Nevertheless, Circular No. 012/2021-AMCM issued by AMCM requires the Branch to establish a regulatory reserve based on the credit risk of its financial assts. Thus, the adoption of the ECL impairment and regulatory reserve will not result in an increase in the amount of distributable profit of the Branch as at 1 January 2022.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Branch's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

Accounting policies (continued)

(c) Financial instruments

(i) Initial recognition

The Branch classifies its financial instruments into different categories at inception, depending on the purpose for which the assets were acquired or the liabilities were incurred. The categories are: held at fair value through profit or loss, loans and receivables, available-for-sale financial assets and other financial liabilities.

Financial instruments are measured initially at fair value, which normally will be equal to the transaction price, plus, in case of a financial asset or financial liability not held at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs on financial assets and financial liabilities at fair value through profit or loss are expensed immediately.

The Branch recognises financial assets and financial liabilities on the date it becomes a party to the contractual provisions of the instrument. A regular way purchase or sale of financial assets is recognised using trade date accounting. From this date, any gains and losses arising from changes in fair value of the financial assets or financial liabilities are recorded.

(ii) Categorisation

Fair value through profit or loss

This category comprises derivatives that do not qualify for hedge accounting. These transactions are accounted for as trading instruments.

Financial assets and liabilities under this category are carried at fair value and are not allowed to be reclassified into or out of this category while held or issued. Changes in the fair value are included in the profit and loss account in the period in which they arise. Upon disposal or repurchase, the difference between the net sale proceeds or the net payment and the carrying value is included in the profit and loss account.

Accounting policies (continued)

(c) Financial instruments (continued)

(ii) Categorisation (continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than (a) those that the Branch intends to sell immediately or in the near term, which will be classified as held for trading; (b) those that the Branch, upon initial recognition, designates as held at fair value through profit or loss or as available-for-sale; or (c) those where the Branch may not recover substantially all of its initial investment, other than because of credit deterioration, which will be classified as available-for-sale. Loans and receivables mainly comprise balances with financial institutions and loans and advances to customers.

Loans and receivables are carried at amortised cost using the effective interest rate method, less impairment losses, if any (see accounting policy (e)).

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified in any other categories. They include financial assets intended to be held for an indefinite period of time, but which may be sold in response to needs for liquidity or changes in the market environment.

Available-for-sale financial assets are carried at fair value. Unrealised gains and losses arising from changes in fair value are recognised directly in the available-for-sale financial assets reserve except for foreign exchange gains and losses on monetary items such as debt securities and impairment losses which are recognised in the profit and loss account.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments are carried at cost less impairment losses, if any (see accounting policy (e)).

When available-for-sale financial assets are sold, the difference between the net sale proceeds and the carrying value, together with the accumulated fair value adjustments in the available-for-sale financial assets reserve are treated as gains or losses on disposal.

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Accounting policies (continued)

(c) Financial instruments (continued)

(ii) Categorisation (continued)

Other financial liabilities

Financial liabilities, other than trading liabilities and those designated as held at fair value through profit or loss, are measured at amortised cost using the effective interest rate method.

(iii) Fair value measurement principles

The fair value of financial instruments is based on their quoted market prices, where available, at the balance sheet date without any deduction for estimated future selling costs. Financial assets are priced at current bid prices, while financial liabilities are priced at current ask prices.

Where quoted market prices are not available and discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate used is a market rate at the balance sheet date applicable for an instrument with similar terms and conditions. Where other pricing models are used, inputs are based on market data at the balance sheet date.

(iv) Derecognition

A financial asset is derecognised when the contractual rights to receive the cash flows from the financial asset expire, or where the financial asset together with substantially all the risks and rewards of ownership, have been transferred.

A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expires.

Accounting policies (continued)

(d) Property, plant and equipment

(i) Land and buildings

Land and buildings held for own use are carried at their revalued amount, being the fair value at the date of the revaluation less any subsequent accumulated depreciation and impairment losses.

Revaluations are performed by professional qualified valuers, on a market basis, with sufficient regularity to ensure that the net carrying amount does not differ materially from the fair value. Surpluses arising on revaluation are credited firstly to the profit and loss account, to the extent of any deficits arising on revaluation previously charged to the profit and loss account in respect of the same land and buildings, and are thereafter taken to the 'Property revaluation reserve'. Deficits arising on revaluation are first set off against any previous revaluation surpluses included in the 'Property revaluation reserve' in respect of the same land and buildings, and are thereafter recognised in the profit and loss account.

Buildings held for own use which are situated on leasehold land where it is possible reliably to separate the value of the building from the value of the leasehold land at inception of the lease are revalued by professional qualified valuers, on a depreciated replacement cost basis or surrender value, with sufficient regularity to ensure that the net carrying amount does not differ materially from the fair value.

Depreciation on land and buildings is calculated to write off the assets over their estimated useful lives as follows:

- freehold land is not depreciated; and
- leasehold land and buildings are depreciated over the shorter of their unexpired terms of the leases or their remaining useful lives.

Accounting policies (continued)

(d) Property, plant and equipment (continued)

(ii) Other equipment

Equipment, fixtures and fittings are stated at cost less any impairment losses. Depreciation is calculated on a straight-line basis to write-off the assets over their useful lives, which are generally between 4 and 10 years.

Equipment is subject to review for impairment if there are events or changes in circumstances that indicate that the carrying amount may not be recoverable.

Gains or losses arising from the retirement or disposal of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the profit and loss account on the date of retirement or disposal.

(e) Impairment of assets

The carrying amount of the Branch's assets are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. If any such evidence exists, the carrying amount is reduced to the estimated recoverable amount by means of a charge to the profit and loss account. The carrying value of loans and receivables is adjusted through use of an allowance account rather than a direct write off.

(i) Loans and receivables

Provisions for bad and doubtful debts are made in reference to the provisioning guidelines pursuant to AMCM Notice No.18/93 ("AMCM's Provisioning Guidelines"). The Branch assesses losses for impaired loans and advances when there is objective evidence that impairment of a loan or portfolio of loans has occurred. The Branch assesses on a case-by-case basis at each reporting date whether there is any objective evidence that a loan is impaired and an individual assessment performed to arrive at a specific provision for such loans. For loans where specific provisions are not individually provided, general provisions calculated on a collective basis to cover losses which have been incurred but not yet been identified are made. Such estimation is made with reference to the AMCM's Provisioning Guidelines.

Accounting policies (continued)

(e) Impairment of assets (continued)

(ii) Available-for-sale financial assets

When there is objective evidence that an available-for-sale financial asset is impaired, the cumulative loss that had been recognised directly in equity is removed from equity and is recognised in the profit and loss account. The amount of the cumulative loss that is recognised in the profit and loss account is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in the profit and loss account.

Impairment losses recognised in the profit and loss account in respect of available-for-sale equity securities are not reversed through the profit and loss account. Any subsequent increase in the fair value of such assets is recognised directly in equity.

Impairment losses in respect of available-for-sale debt securities are reversed if the subsequent increase in fair value can be objectively related to an event occurring after the impairment loss was recognised. Reversals of impairment losses in such circumstances are recognised in the profit and loss account.

(iii) Other assets

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the following assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment; and
- other assets

If any such indication exists, the asset's recoverable amount is estimated.

Accounting policies (continued)

(e) Impairment of assets (continued)

(iii) Other assets (continued)

- Calculation of recoverable amount

The recoverable amount of an asset is the greater of its net selling price and value in use. In assessing value in use the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

- Recognition of impairment losses

An impairment loss is recognised in the profit and loss account whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

- Reversals of impairment losses

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of impairment losses is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to the profit and loss account in the year in which the reversals are recognised.

Accounting policies (continued)

(f) Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents include high liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of change in value. Such investments comprise cash, deposits at credit institutions, deposits at AMCM and placements to credit institutions with less than three months' maturity from the date of acquisition.

(g) Operating leases

Leases where substantially all the risks and rewards of ownership of assets remain with the lessor are accounted for as operating leases. Operating leases are charged to the statement of profit and loss on a straight-line basis over the period of the lease. When an operating lease is terminated before the lease period has expired, any payment that has to be made to the lessor is recognised as an expense in the period the termination takes place.

(h) Employee benefits

(i) Short term employee benefits

Salaries, annual bonuses, paid annual leave, leave passage and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees of the Branch. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Pension

The Branch operates two pension plans which include both a defined benefit and a defined contribution plan.

Costs in respect of defined contribution plans are charged as an expense over the period to which the employee service relates.

The costs recognised for funding defined benefit plans are determined using the projected unit credit method, with annual actuarial valuations performed on the plan. Actuarial differences that arise are recognised in reserves in the period they arise. Past service costs are recognised immediately to the extent the benefits are vested, and are otherwise recognised on a straight-line basis over the average period until the benefits are vested. The current service costs and any past service costs together with the unwinding of the discount on the plan liabilities, less the expected return on plan assets are charged to operating expenses.

Accounting policies (continued)

(i) Income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the country where the Branch operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or a liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using the tax rates that has been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

(j) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Branch has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Accounting policies (continued)

(k) Revenue recognition

Provided it is probable that the economic benefits will flow to the Branch and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in the profit and loss account as follows:

(i) Interest income and interest expense

Interest income and expenses are recognised on an accruals basis using the effective interest rates of the financial assets or financial liabilities to which they relate.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability or, where appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Branch estimates cash flows considering all contractual terms of the financial instrument but excluding future credit losses. The calculation includes all amounts paid or received by the Branch that are an integral part of the effective interest rate of a financial instrument, including transaction costs and all other premiums or discounts.

(ii) Fee and commission income and expense

Fee and commission income and expense are generally recognised on the completion of a transaction. For a service that is provided over a period of time, fee and commission income and expense are recognised over the period during which the related service is provided or credit risk is undertaken.

(l) Translation of foreign currencies

(i) Functional and presentation currency

Items in the financial statements are measured using the currency of the primary economic environment in which the Branch operates. The financial statements are presented in Macao Official Patacas (“MOP”), which is the functional currency of the Branch.

Accounting policies (continued)

(l) Translation of foreign currencies (continued)

(ii) Foreign currency transactions and balances

Transactions in foreign currencies are measured using exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into MOP at the exchange rate at the end of the reporting period. Foreign exchange differences arising from monetary translations are recognised in the profit and loss; non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

(m) Related parties

(i) A person, or a close member of that person's family, is related to the Branch if that person:

- (a) has control or joint control over the Branch;
- (b) has significant influence over the Branch; or
- (c) is a member of the key management personnel of the Branch or the Branch's parent.

(ii) An entity is related to the Branch if any of the following conditions applies:

- (a) The entity and the Branch are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (b) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (c) Both entities are joint ventures of the same third party.
- (d) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (e) The entity is a post-employment benefit plan for the benefit of employees of either the Branch or an entity related to the Branch.
- (f) The entity is controlled or jointly controlled by a person identified in (i).
- (g) A person identified in (i)(a) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

Significant Related party transactions

(Expressed in thousands of Macau Patacas)

Significant related party transactions

The Branch entered into the following significant related party transactions.

(a) Transactions with group companies

During the 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 year and outstanding balances at the end of the year are set out below:

	Associates, other branches, subsidiaries, fellow subsidiaries 2021 MOP'000	*The Hongkong and Shanghai Banking Corporation, Hong Kong Branch 2021* MOP'000
Interest income	112	7,657
Interest expense	(168)	(17,733)
Fee and commission income	1,617	758
Fee and commission expense	(1,194)	(535)
Other operating income	1,606	-
Operating expenses	(48,412)	(68,655)
For the year ended 31 December	(46,439)	(78,508)

Significant Related party transactions (continued)

(Expressed in thousands of Macau Patacas)

Significant related party transactions (continued)

(a) Transactions with group companies (continued)

	Associates, other branches, subsidiaries, fellow subsidiaries *2021* MOP'000	*The Hongkong and Shanghai Banking Corporation, Hong Kong Branch* *2021* MOP'000
Cash and current deposits at other overseas credit institutions	311,377	35,295
Call and fixed deposits at overseas credit institutions	1,078,665	1,426,088
Internal and adjustment accounts - assets	1,330	26,840
Funding from overseas credit institutions	(46,730)	(8,396,844)
Current deposits	(25,518)	-
Internal and adjustment accounts - liabilities	(3,168)	(9,319)
As at 31 December	1,315,956	(6,917,940)

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.

(b) Key management personnel

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

	2021 MOP'000
Executive officers	3,055

Credit risk management

(Expressed in thousands of Macau Patacas)

The Branch's credit risk is primarily attributable to customer advances. The Branch manages this risk as follows:

In respect of customer advances, individual credit evaluations are performed on all customers requiring credit. Normally, the Branch obtains collateral from customers.

At the balance sheet date, the Branch's greatest concentration of credit risk on one market sector was 39.1% of total customer advances.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet after deducting any impairment allowance and adjustment of mark to market value if applicable.

Credit risk management (continued)

(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:

	2021			
	Gross loans and advances and commitments	*Placements to local credit institutions*	*Call and fixed deposits at overseas credit institutions*	*Financial derivatives*
Region	MOP'000	MOP'000	MOP'000	MOP'000
Macau				
Banks	-	240,957	-	-
Governments and public sectors	-	3,100,000	-	-
Others	23,851,340	-	-	910,028
Macau total	23,851,340	3,340,957	-	910,028
Hong Kong				
Banks	-	-	1,426,088	2,255,164
Governments and public sectors	-	-	-	-
Others	-	-	-	-
Hong Kong total	-	-	1,426,088	2,255,164
Japan				
Banks	-	-	837,705	-
Governments and public sectors	-	-	-	-
Others	-	-	-	-
Japan Total	-	-	837,705	-
Total	23,851,340	3,340,957	2,263,793	3,165,192

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:

	2021	
	Gross loans and advances MOP'000	*Past due or impaired* MOP'000
Macau	14,755,028	811,761

Credit risk management (continued)

(Expressed in thousands of Macau Patacas)

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

	2021
	MOP'000
Industry distribution of exposures	
– Manufacturing	501,961
– Construction and public works	795,488
– Wholesale and retail trade	6,568,241
– Restaurants, hotels and similar	11,170
– Transport, warehouse and communications	30,000
– Information technology	28,051
– Individuals for house purchases	6,664,889
– Individuals for other purposes	125,431
– Others	2,627,012
	17,352,243

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 31 December 2021, the amounts of specific provision by industry sector are shown as follows:

	2021
	MOP'000
– Construction and public works	712
– Wholesale and retail trade	324,375
– Individuals for house purchases	1,908
– Individuals for other purposes	276
	327,271

Credit risk management (continued)

(Expressed in thousands of Macau Patacas)

(c) Analysis on assets and liabilities by remaining maturity

	2021						
	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	418,293	-	-	-	-	-	418,293
Deposits at AMCM	-	462,163	-	-	-	-	462,163
Current deposits at other local credit institutions	195,367	-	-	-	-	-	195,367
Current deposits at other overseas credit institutions	346,675	-	-	-	-	-	346,675
Loans and advances	48,371	4,944,663	2,805,539	3,933,488	5,292,911	-	17,024,972
Placements to local credit institutions	-	2,640,957	700,000	-	-	-	3,340,957
Call and fixed deposits at overseas credit institutions	-	2,263,793	-	-	-	-	2,263,793
Debtors	25,605	3,216	-	-	-	-	28,821
Available-for-sale equity investments	-	-	-	-	-	250	250
Properties	-	-	-	-	-	97,600	97,600
Equipment	-	-	-	-	-	20,659	20,659
Internal and adjustment accounts	126,021	3,385	84	-	-	-	129,490
Total assets	1,160,332	10,318,177	3,505,623	3,933,488	5,292,911	118,509	24,329,040
Liabilities							
Current and call deposits	13,343,956	-	-	-	-	-	13,343,956
Fixed deposits	-	1,231,034	557,694	219	-	-	1,788,947
Funding from credit institutions	383,790	247,513	1,287,500	6,540,500			8,459,303
Cheques and bills payable	87,358	-	-	-	-	-	87,358
Other liabilities	22,362	-	-	-	-	-	22,362
Internal and adjustment accounts	155,418	1,981	22,118	4,936	5,444	70	189,967
Provisions	43,522	20,420	36,096	50,328	67,781	-	218,147
Total liabilities	14,036,406	1,500,948	1,903,408	6,595,983	73,225	70	24,110,040
Net liquidity gap	(12,876,074)	8,817,229	1,602,215	(2,662,495)	5,219,686	118,439	219,000

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:

	2021 MOP'000
Gross advances to customers that are past due	
– more than three months but less than six months	133,534
– more than six months but less than one year	203,371
– more than one year	263,670
	600,575

	2021 MOP'000
Value of collateral on past due loans and advances	
– more than three months but less than six months	36,643
– more than six months but less than one year	212,841
– more than one year	31,570
	281,054

	2021 MOP'000
Amount of specific provision made on past due loans and advances	
– more than three months but less than six months	93,716
– more than six months but less than one year	708
– more than one year	232,847
	327,271

As at 31 December 2021, there were no other assets that have been past due for bank and non-bank customers.

Market risk management

(Expressed in thousands of Macau Patacas)

Market risk

Market risk is the risk that movements in foreign exchange rates, interest rates, credit spreads, or equity and commodity prices will result in profits or losses to the Branch. Market risk arises on financial instruments which are measured at fair value and those which are measured at amortised cost. The objective of market risk management is to control market risk exposures to achieve an optimal return while maintaining risk at acceptable levels.

The Branch monitors market risk separately for trading portfolios and non-trading portfolios. Trading portfolios include positions arising from market-making in exchange rate, interest rate, credit and equity derivative instruments, as well as in debt and equity securities. Trading risks arise either from customer-related business or from proprietary position-taking.

Interest rate risk management

(Expressed in thousands of Macau Patacas)

Interest rate risk

The Branch's interest rate risk arises primarily from investments in financial instruments, and loans and deposits.

Interest rate risk arises principally from mismatches between the future yield on assets and our funding cost as a result of interest rate changes. Analysis of this risk is complicated by having to make assumptions on optionality in certain product areas, for example mortgage prepayments, and from behavioural assumptions regarding the economic duration of liabilities which are contractually repayable on demand, for example current accounts.

As part of the Bank's Asset, Liability and Capital Management ("ALCM") structure, we have established the Asset and Liability Management Committee ("ALCO") and Markets Treasury ("MKTY") at the Branch level. In order to manage this risk optimally, all interest rate risk is transferred to MKTY.

The transfer of interest rate risk to books managed by MKTY is usually achieved by a series of internal deals between the business units and these books. When the behavioural characteristics of a product differ from its contractual characteristics, the behavioural characteristics are assessed to determine the true underlying interest rate risk. Local ALCOs regularly monitor all such behavioural assumptions and interest rate risk positions, to ensure they comply with interest rate risk limits established by senior management.

As noted above, in certain cases, the non-linear characteristics of products cannot be adequately captured by the risk transfer process. For example, both the flow from customer deposit accounts to alternative investment products and the precise prepayment speeds of mortgages will vary at different interest rate levels. In such circumstances, simulation modelling is used to identify the impact of varying scenarios on valuations and net interest income.

Once interest rate risk has been consolidated in MKTY, the net exposure is typically managed through the use of pre-designated market instruments within agreed limits.

Operational risk management

(Expressed in thousands of Macau Patacas)

Operational risk is the risk of loss arising from fraud, unauthorised activities, error, omission, inefficiency, systems failure or external events. It is inherent in every business organisation and covers a wide spectrum of issues.

The Branch manages this risk through a controls-based environment in which processes are documented, authorisation is independent and transactions are reconciled and monitored. This is supported by an independent programme of periodic reviews undertaken by internal audit, and by monitoring external operational risk events, which ensure that the Branch stays in line with industry best practice and takes account of lessons learnt from publicised operational failures within the financial services industry.

The Branch has codified its operational risk management process by issuing a high level standard, supplemented by more detailed formal guidance. This explains how the Branch manages operational risk by identifying, assessing, monitoring, controlling and mitigating the risk, rectifying operational risk events, and implementing any additional procedures required for compliance with local regulatory requirements. The standard covers the following:

- operational risk management responsibility is assigned to senior management within the business operation;

- information systems are used to record the identification and assessment of operational risks and to generate appropriate, regular management reporting;

- assessments are undertaken of the operational risks facing each business and the risks inherent in its processes, activities and products. Risk assessment incorporates a regular review of identified risks to monitor significant changes;

- operation loss data is collected and reported to senior management; and

- risk mitigation, including insurance, is considered where this is cost-effective.

Foreign exchange risk management

(Expressed in thousands of Macau Patacas)

Foreign currency risk

The Branch is exposed to currency risks primarily arising from financial instruments that are denominated in United States dollars ("USD") and other major currencies. As the Patacas is pegged to the Hong Kong dollar ("HKD") which is in turn pegged to USD, the Branch considers the risk of movements in exchange rates between the HKD and the USD, and to Patacas to be insignificant. In respect of financial instruments denominated in other currencies, the Branch ensures that the net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates where necessary to address short-term imbalances.

As most of the Branch's financial instruments at 31 December 2021 was denominated in either HKD or USD, management does not consider there to be any significant currency risk associated with them.

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

	2021
	MOP'000
USD	32,830
HKD	(354,070)
Other currencies	(54)
Total	(321,294)

Foreign exchange risk management (continued)

(Expressed in thousands of Macau Patacas)

Foreign currency risk (continued)

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

	2021			
In thousand of MOP equivalent	*United States Dollars*	*Hong Kong Dollars*	*Other foreign currencies*	*Total*
Assets				
Cash and current deposits at other credit institutions	301,712	492,702	291,544	1,085,958
Call and fixed deposits at oversea credit institutions	722,871	514,997	1,025,923	2,263,791
Loans and advances	3,297,642	11,111,443	300,210	14,709,295
Debtors	8	8,757	194	8,959
Internal and adjustment accounts	29,854	47,183	649	77,686
Spot assets	4,352,087	12,175,082	1,618,520	18,145,689
Liabilities				
Funding from credit institutions	(287,263)	(7,985,318)	(37,095)	(8,309,676)
Current, call and fixed deposits	(5,162,746)	(4,122,690)	(858,053)	(10,143,489)
Cheques and bills payable	-	(17,521)	-	(17,521)
Other liabilities	(1,929)	(13,635)	(507)	(16,071)
Internal and adjustment accounts	(131,797)	(7,007)	(1,502)	(140,306)
Spot liabilities	(5,583,735)	(12,146,171)	(897,157)	(18,627,063)
Forward purchase	1,889,264	290,640	985,288	3,165,192
Forward sales	(624,786)	(673,621)	(1,706,705)	(3,005,112)
Net long/(short) non-structural position	32,830	(354,070)	(54)	(321,294)

Liquidity risk management

(Expressed in thousands of Macau Patacas)

The Branch's policy is to daily monitor its liquidity requirements and its compliance with lending covenants, including the terms of borrowings from other group entities, to ensure that it maintains sufficient reserves of cash, readily realisable marketable securities or committed lines of funding (from major financial institutions or other group companies) to satisfy its contractual and reasonably foreseeable obligations as they fall due.

As part of the Bank's Asset, Liability and Capital Management ("ALCM") structure, we have established the Asset and Liability Management Committee ("ALCO") at the Branch level. The terms of reference of ALCO includes the monitoring and control of liquidity and funding.

The following table summarizes the key quantitative indicators for liquidity risk for the year ended 31 December 2021:

(a)	The arithmetic mean of the minimum weekly amount of cash in hand that is required to be held	453,433
(b)	The arithmetic mean of the average weekly amount of cash in hand	824,485
(c)	The arithmetic mean of the specified liquid assets at the end of each month	9,783,295
(d)	The average ratio of specified liquid assets to total basic liabilities at the end of the month	63.2%
(e)	The arithmetic mean of its one-month liquidity ratio in the last week of each month	970.2%
(f)	The arithmetic mean of its three-month liquidity ratio in the last week of each month	433.4%

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 31 December 2021 not provided for in the financial statements.

(b) Operating lease commitments

At 31 December 2021, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2021
	MOP'000
Within 1 year	19,453
After 1 year but within 5 years	433
	19,886

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 Bank 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

	2021
	%
Capital adequacy ratio at 31 December	
Tier 1 capital ratio	16.8
Total capital ratio	18.7

The capital ratios were 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) Capital and reserves

	At 31 December 2021 HKD million
Share capital	172,335
Other equity instruments	44,615
Other reserves	151,804
Retained profits	488,055
Total shareholders' equity	856,809
Non-controlling interests	66,702
Total equity	923,511

(c) Consolidated assets, liabilities and profits position

	At 31 December 2021 HKD million
Total assets	9,903,393
Total liabilities	8,979,882
Loans and advances to customers	3,840,939
Deposits by banks	280,310
Customer accounts	6,177,182
Profit before taxation	86,563

(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 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 at 31 December 2021 comprises:

Peter Tung Shun Wong, GBS, JP, Non-executive Chairman
David Gordon Eldon, GBS, CBE, JP, Non-executive Deputy Chairman
David Yi Chien Liao, Co-Chief Executive Officer
Surendranath Ravi Rosha, Co-Chief Executive Officer
Graham John Bradley*
Dr Christopher Wai Chee Cheng*, GBS, OBE
Sonia Chi Man Cheng*
Yiu Kwan Choi*
Rajnish Kumar*
Beau Khoon Chen Kuok*
Irene Yun-lien Lee*
Victor Tzar Kuoi Li#
Ewen James Stevenson#
Kevin Anthony Westley*, BBS
Tan Sri (Sir) Francis Sock Ping Yeoh*, KBE, CBE

* Independent non-executive Director
\# Non-executive Director

EXTERNAL AUDITOR'S REPORT ON THE SUMMARY FINANCIAL STATEMENTS

TO THE MANAGEMENT OF THE HONGKONG AND SHANGHAI BANKING CORPORATION LIMITED - MACAU BRANCH

The attached summary financial statements of The Hongkong and Shanghai Banking Corporation Limited, Macao Branch (the "Branch") for the year ended 31 December 2021 have been derived from the audited financial statements and the books and records of the Branch for the year ended on the same date. These summary financial statements, which comprise the balance sheet as at 31 December 2021 and the income statement for the year then ended, are the responsibility of the management. Our responsibility is to express an opinion solely to you, as a body, as to whether the summary financial statements are consistent, in all material respects, with the audited financial statements and the books and records of the Branch, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We have audited the financial statements of the Branch for the year ended 31 December 2021 in accordance with General Auditing Standards issued by the Government of the Macao Special Administrative Region and have issued an auditor's report with an unqualified opinion on these financial statements dated 28 April 2022.

The audited financial statements comprise the balance sheet as at 31 December 2021, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and explanatory notes.

In our opinion, the summary financial statements are consistent, in all material respects, with the audited financial statements and the books and records of the Branch.

For a better understanding of the financial position of the Branch and its operating results and of the scope of our audit, the attached summary financial statements should be read in conjunction with the audited financial statements and the independent auditor's report thereon.

Li Ching Lap Bernard
Certified Public Accountant
PricewaterhouseCoopers

Macao, 28 April 2022