

The Hongkong and Shanghai Banking
Corporation Limited
Macau Branch

Disclosure of Financial Information
30 June 2021

Balance sheet as at 30 June 2021
(Expressed in thousands of Macau Patacas)

	<i>At 30 June 2021</i>		
	<i>Amounts</i>	<i>Reserves, depreciation and provision</i>	<i>Net amount</i>
	MOP'000	MOP'000	MOP'000
Assets			
Cash	315,427	-	315,427
Deposits at AMCM	457,027	-	457,027
Current deposits at other local credit institutions	69,927	-	69,927
Current deposits at other overseas credit institutions	226,836	-	226,836
Loans and advances	16,334,669	326,736	16,007,933
Placements to local credit institutions	2,880,000	-	2,880,000
Call and fixed deposits at overseas credit institutions	3,378,902	-	3,378,902
Debtors	29,161	-	29,161
Available-for-sale equity investments	250	-	250
Properties	90,025	1,509	88,516
Equipment	122,431	97,305	25,126
Internal and adjustment accounts	177,292	-	177,292
Total	<u>24,081,947</u>	<u>425,550</u>	<u>23,656,397</u>

Balance sheet as at 30 June 2021 (continued)

(Expressed in thousands of Macau Patacas)

	At 30 June 2021	
	Subtotal MOP'000	Total MOP'000
Liabilities		
Current deposits	14,193,677	
Call deposits	-	
Fixed deposits	1,945,255	16,138,932
	<hr/>	
Funding from local credit institution	188	
Funding from overseas credit institutions	6,800,019	
Cheques and bills payable	169,589	
Other liabilities	34,331	7,004,127
	<hr/>	
Internal and adjustment accounts		174,007
Provisions		205,009
Revaluation reserve	7,675	
Other reserves	98,864	106,539
	<hr/>	
Current profit		27,783
		<hr/>
Total		<u>23,656,397</u>

Profit and loss account for the half-year ended 30 June 2021

(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 2021</i>		<i>30 June 2021</i>
<i>Debit</i>	<i>Amount</i>	<i>Credit</i>	<i>Amount</i>
	<i>MOP'000</i>		<i>MOP'000</i>
Operating costs	14,699	Operating income	161,030
Personnel expenses		Income from banking	
- Staff costs	47,486	services	43,139
- Staff benefits	8,019	Other operating income	46,380
Supplies by third party	1,675	Other banking income	240
Services provided by		Income from non-	
third party	72,286	banking operations	-
Other banking expenses	4,889		
Tax expenses	-		
Costs of non-banking			
operations	-		
Depreciation expenses	10,775		
Provision allowances	63,700		
Operating profits	27,260		
	<hr/>		<hr/>
Total	250,789	Total	250,789
	<hr/> <hr/>		<hr/> <hr/>

Profit and loss account
 for the half-year ended 30 June 2021 (continued)
 (Expressed in thousands of Macau Patacas)

<i>Profit and loss account</i>			
	<i>Half-year ended 30 June 2021 Amount MOP'000</i>	<i>Credit</i>	<i>Half-year ended 30 June 2021 Amount MOP'000</i>
<i>Debit</i>			
Loss related to prior years	1,527	Operating profit	27,260
Tax on profit	810	Income related to prior years	1,333
Profit	<u>27,783</u>	Provision used up	<u>1,527</u>
Total	<u><u>30,120</u></u>	Total	<u><u>30,120</u></u>

Cash flow statement
for the half-year ended 30 June 2021
(Expressed in thousands of Macau Patacas)

	<i>Half-year ended</i> <i>30 June 2021</i> MOP'000
Operating activities	
Profit before taxation	28,593
Adjustments for:	
Depreciation	10,775
Provision for bad and doubtful debts	62,367
Interest income	(161,030)
Interest expense	14,699
Interest received	155,636
Interest paid	(17,307)
	<hr/> 93,733 <hr/>
Operating cash flows before changes in working capital	
Change in deposits at AMCM for the purpose of fulfilling minimum liquidity requirement	(17,781)
Change in placements to local credit institutions with original maturity of more than three months	(700,000)
Change in call and fixed deposits at overseas credit institutions with original maturity of more than three months	594,738
Change in gross loans and advances	(2,930,949)
Change in debtors	(6,168)
Change in internal and adjustment accounts (assets)	70,827
Change in funding from local and overseas credit institutions	1,616,087
Change in current, call and fixed deposits	1,561,105
Change in internal and adjustment accounts (liabilities)	(49,419)
Change in cheques and bills payable	97,202
Change in provisions and other liabilities	25,302
	<hr/> 354,677 <hr/>
Cash generate from operations	354,677
Taxation paid	<hr/> - <hr/>
Net cash generate from operating activities	<hr/> 354,677 <hr/>

Cash flow statement for the half-year ended 30 June 2021 (continued)

(Expressed in thousands of Macau Patacas)

	<i>Half-year ended 30 June 2021 MOP'000</i>
Investing activity	
Purchase of properties and equipment	(524)

Net cash used in investing activity	(524)

Financing activity	
Profit remitted to head office	(71,982)

Net cash used in financing activity	(71,982)

Net increase in cash and cash equivalents	282,171
Cash and cash equivalents at 1 January	4,302,827

Cash and cash equivalents at 30 June	4,584,998

Analysis of balances of cash and cash equivalents	
Cash	315,427
Deposits at AMCM	457,027
Current deposits at other local credit institutions	69,927
Current deposits at other overseas credit institutions	226,836
Placements to local credit institutions	2,880,000
Call and fixed deposits at overseas credit institutions	3,378,902

Amount shown in the statement of financial position	7,328,119
Less:	
- Deposits at AMCM for the purpose of fulfilling minimum liquidity requirement	(336,131)
- Placements to local credit institutions with original maturity over three months	(2,130,000)
- Call and fixed deposits at overseas credit institutions with original maturity over three months	(276,990)

Cash and cash equivalents in the cash flow statement	4,584,998

Off-balance-sheet exposures as at 30 June 2021

(Expressed in thousands of Macau Patacas)

(a) **Contingent liabilities and commitments**

	<i>Contractual amounts At 30 June 2021 MOP'000</i>
Financial guarantees	<u>35,805</u>
Performance guarantees	<u>2,253,314</u>
Documentary credits and trade related contingencies	<u>1,319,054</u>
Other commitments	<u>7,756,686</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 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 derivative:

	<i>At 30 June 2021</i> MOP'000
Exchange rate contracts	<u>8,749,400</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; 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 2021</i>	
	<i>Assets</i> MOP'000	<i>Liabilities</i> MOP'000
Fair value		
- Exchange rate contracts	<u>41,498</u>	<u>30,424</u>

	<i>At 30 June 2021</i> MOP'000
Credit risk weighted amounts	
- Exchange rate contracts	<u>70,149</u>

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 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 2021 are set out below:

	<i>Associates, other branches, subsidiaries, fellow subsidiaries Half-year ended 30 June 2021 MOP'000</i>	<i>The Hongkong and Shanghai Banking Corporation, Hong Kong Branch Half-year ended 30 June 2021 MOP'000</i>
Interest income	68	5,120
Interest expense	(74)	(9,538)
Fee and commission income	371	427
Fee and commission expense	(635)	(256)
Other operating income	230	-
Operating expenses	(24,290)	(32,564)
	<hr/>	<hr/>
For the half-year ended 30 June	(24,330)	(36,811)
	<hr/> <hr/>	<hr/> <hr/>

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 2021 MOP'000</i>	<i>The Hongkong and Shanghai Banking Corporation, Hong Kong Branch at 30 June 2021 MOP'000</i>
Cash and current deposits		
at other overseas credit institutions	155,170	61,358
Call and fixed deposits		
at overseas credit institutions	867,828	2,511,074
Internal and adjustment accounts – assets	85	15,919
Funding from overseas credit institutions	(22,129)	(6,701,314)
Current deposits	(91,782)	-
Internal and adjustment accounts – liabilities	(1,550)	(31,668)
As at 30 June	<u>907,622</u>	<u>(4,144,631)</u>

No provision 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 cost, is as follows:

	<i>Half-year ended</i> <i>30 June 2021</i> MOP'000
Executive officers	<u>1,407</u>

Credit risk management

(Expressed in thousands of Macau Patacas)

(a) Geographical distribution of credit risk exposures

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

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

Region	At 30 June 2021			
	Gross loans and advances and commitments MOP'000	Placements to local credit institutions MOP'000	Call and fixed deposits at overseas credit institutions MOP'000	Financial derivatives MOP'000
Macau				
Banks	-	-	-	-
Governments and public sectors	-	2,880,000	-	-
Others	22,474,544	-	-	3,258,971
Macau total	<u>22,474,544</u>	<u>2,880,000</u>	<u>-</u>	<u>3,258,971</u>
Hong Kong				
Banks	-	-	2,511,074	5,490,429
Governments and public sectors	-	-	-	-
Others	-	-	-	-
Hong Kong total	<u>-</u>	<u>-</u>	<u>2,511,074</u>	<u>5,490,429</u>
Japan				
Banks	-	-	867,828	-
Governments and public sectors	-	-	-	-
Others	-	-	-	-
Japan Total	<u>-</u>	<u>-</u>	<u>867,828</u>	<u>-</u>
Total	<u>22,474,544</u>	<u>2,880,000</u>	<u>3,378,902</u>	<u>8,749,400</u>

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 2021</i>	
	<i>Gross loans and advances MOP'000</i>	<i>Past due or impaired MOP'000</i>
Macau	<u>14,868,711</u>	<u>641,827</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 2021</i>
	MOP'000
Industry distribution of exposures	
- Manufacturing	642,056
- Construction and public works	1,278,295
- Wholesale and retail trade	5,608,383
- Restaurants, hotels and similar	10,490
- Transport, warehouse and communications	30,000
- Individuals for house purchases	6,466,571
- Individuals for other purposes	122,523
- Others	2,176,351
	<u>16,334,669</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 2021, the amounts of specific provision by industry sector are shown as follows:

	<i>At 30 June 2021</i>
	MOP'000
- Construction and public works	712
- Wholesale and retail trade	323,672
- Individuals for house purchases	2,088
- Individuals for other purposes	264
	<u>326,736</u>

Credit risk management (continued)

(Expressed in thousands of Macau Patacas)

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

	At 30 June 2021						Total MOP'000
	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	
Assets							
Cash	315,427	-	-	-	-	-	315,427
Deposits at AMCM	-	457,027	-	-	-	-	457,027
Current deposits at other local credit institutions	69,927	-	-	-	-	-	69,927
Current deposits at other overseas credit institutions	226,836	-	-	-	-	-	226,836
Loans and advances	46,223	5,732,098	1,316,560	3,757,000	5,156,052	-	16,007,933
Placements to local credit institutions	-	1,950,000	930,000	-	-	-	2,880,000
Call and fixed deposits at overseas credit institutions	-	3,378,902	-	-	-	-	3,378,902
Debtors	29,161	-	-	-	-	-	29,161
Available-for-sale equity investments	-	-	-	-	-	250	250
Properties	-	-	-	-	-	88,516	88,516
Equipment	-	-	-	-	-	25,126	25,126
Internal and adjustment accounts	151,239	22,493	3,560	-	-	-	177,292
Total assets	838,813	11,540,520	2,250,120	3,757,000	5,156,052	113,892	23,656,397
Liabilities							
Current and call deposits	14,193,677	-	-	-	-	-	14,193,677
Fixed deposits	-	1,772,556	172,699	-	-	-	1,945,255
Funding from local and overseas credit institutions	459,617	6,090	3,605,000	2,729,500	-	-	6,800,207
Cheques and bills payable	169,589	-	-	-	-	-	169,589
Other liabilities	34,331	-	-	-	-	-	34,331
Internal and adjustment accounts	103,455	37,506	33,046	-	-	-	174,007
Provisions	592	73,409	16,861	48,115	66,032	-	205,009
Total liabilities	14,961,261	1,889,561	3,827,606	2,777,615	66,032	-	23,522,075
Net liquidity gap	(14,122,448)	9,650,959	(1,577,486)	979,385	5,090,020	113,892	134,322

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 2021</i>
	MOP'000
Gross advances to customers that are past due	
- more than three months but less than six months	142,568
- more than six months but less than one year	95,233
- more than one year	184,166
	<u>421,967</u>
	<i>At 30 June 2021</i>
	MOP'000
Value of collateral on past due loans and advance	
- more than three months but less than six months	49,481
- more than six months but less than one year	20,384
- more than one year	31,071
	<u>100,936</u>
	<i>At 30 June 2021</i>
	MOP'000
Amount of specific provision made on past due loans and advance	
- more than three months but less than six months	93,905
- more than six months but less than one year	74,708
- more than one year	158,123
	<u>326,736</u>

As at 30 June 2021, 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 2021</i> MOP'000
USD	70,581
HKD	(115,423)
Other currencies	<u>166</u>
Total	<u><u>(44,676)</u></u>

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:

	At 30 June 2021			Total
	United States Dollars	Hong Kong Dollars	Other foreign currencies	
<i>In thousand of MOP equivalent</i>				
Assets				
Cash and current deposits at other credit institutions	6,592	270,053	9,846	286,491
Call and fixed deposits at oversea credit institutions	1,175,749	32,879	2,397,110	3,605,738
Loans and advances	2,606,192	10,916,033	145,774	13,667,999
Debtors	5	9,599	160	9,764
Internal and adjustment accounts	43,321	90,350	319	133,990
Spot assets	<u>3,831,859</u>	<u>11,318,914</u>	<u>2,553,209</u>	<u>17,703,982</u>
Liabilities				
Funding from credit institutions	(89,117)	(6,542,940)	(14,508)	(6,646,565)
Current, call and fixed deposits	(4,627,857)	(5,432,202)	(821,453)	(10,881,512)
Cheques and bills payable	-	(104,406)	-	(104,406)
Other liabilities	(13,670)	(13,346)	(295)	(27,311)
Internal and adjustment accounts	(118,597)	(3,716)	(339)	(122,652)
Spot liabilities	<u>(4,849,241)</u>	<u>(12,096,610)</u>	<u>(836,595)</u>	<u>(17,782,446)</u>
Forward purchase	<u>4,406,983</u>	<u>1,344,431</u>	<u>2,983,255</u>	<u>8,734,669</u>
Forward sales	<u>(3,319,020)</u>	<u>(682,158)</u>	<u>(4,699,703)</u>	<u>(8,700,881)</u>
Net long/(short) non-structural position	<u>70,581</u>	<u>(115,423)</u>	<u>166</u>	<u>(44,676)</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 2021:

(a)	The arithmetic mean of the minimum weekly amount of cash in hand that is required to be held	458,907
(b)	The arithmetic mean of the average weekly amount of cash in hand	841,233
(c)	The arithmetic mean of the specified liquid assets at the end of each month	9,494,127
(d)	The average ratio of specified liquid assets to total basic liabilities at the end of the month	60.3%
(e)	The arithmetic mean of its one-month liquidity ratio in the last week of each month	824.2%
(f)	The arithmetic mean of its three-month liquidity ratio in the last week of each month	438.3%

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

Other information

(Expressed in thousands of Macau Patacas)

(a) **Capital commitments**

There were no capital commitments outstanding at 30 June 2021 not provided for in the financial statements.

(b) **Operating lease commitments**

At 30 June 2021, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	<i>At 30 June 2021</i> MOP'000
Within 1 year	5,550
After 1 year but within 5 years	2,961
	<hr/>
	8,511
	<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 Bank 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

	<i>At 30 June 2021</i>
	%
Capital adequacy ratio	
Tier 1 capital ratio	17.2
Total capital ratio	19.1

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

	<i>At 30 June 2021</i> HKD million
Share capital	172,335
Other equity instruments	44,615
Other reserves	146,045
Retained profits	484,042
	847,037
Total shareholders' equity	847,037
Non-controlling interests	66,456
	913,493
	913,493

(c) Consolidated assets, liabilities and profits position

	<i>At 30 June 2021</i> HKD million
Total assets	9,764,021
Total liabilities	8,850,528
Loans and advances to customers	3,901,132
Deposits by banks	311,257
Customer accounts	5,901,495
Profit before taxation	50,507
	50,507

(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 at 30 June 2021 comprises:

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

* independent non-executive Director

[#] non-executive Director