

The Hongkong and Shanghai Banking  
Corporation Limited  
Macau Branch

Disclosure of Financial Information  
30 June 2018

## Balance sheet as at 30 June 2018

(Expressed in thousands of Macau Patacas)

	<i>At 30 June 2018</i>		
	<i>Amounts</i> MOP'000	<i>Reserves, depreciation and provision</i> MOP'000	<i>Net amount</i> MOP'000
<b>Assets</b>			
Cash	329,969	-	329,969
Deposits at AMCM	433,844	-	433,844
Current deposits at other local credit institutions	9,078	-	9,078
Current deposits at other overseas credit institutions	374,759	-	374,759
Loans and advances	17,964,333	4,414	17,959,919
Placements to local credit institutions	3,457,866	-	3,457,866
Call and fixed deposits at overseas credit institutions	3,682,172	-	3,682,172
Debtors	45,575	-	45,575
Equity investments	250	-	250
Properties	100,026	1,456	98,570
Equipment	95,273	48,479	46,794
Internal and adjustment accounts	258,861	-	258,861
<b>Total</b>	<u>26,752,006</u>	<u>54,349</u>	<u>26,697,657</u>

## Balance sheet as at 30 June 2018 (continued)

(Expressed in thousands of Macau Patacas)

	At 30 June 2018	
	Subtotal MOP'000	Total MOP'000
<b>Liabilities</b>		
Current deposits	12,186,811	
Call deposits	5,897	
Fixed deposits	3,297,354	15,490,062
	<hr/>	
Funding from overseas credit institutions	10,389,198	
Cheques and bills payable	108,505	
Other liabilities	48,192	10,545,895
	<hr/>	
Internal and adjustment accounts		183,669
Provisions		229,271
Revaluation reserve	84,235	
Other reserves	467	84,702
	<hr/>	
Current profit		164,058
		<hr/>
<b>Total</b>		<u>26,697,657</u>

**Profit and loss account**  
**for the half-year ended 30 June 2018**  
*(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 2018</i>		<i>30 June 2018</i>
<i>Debit</i>	<i>Amount</i>	<i>Credit</i>	<i>Amount</i>
	<i>MOP'000</i>		<i>MOP'000</i>
Operating costs	72,422	Operating income	285,171
Personnel expenses		Income from banking	
Staff costs	47,642	services	63,097
Staff benefits	6,857	Other operating income	55,517
Supplies by third party	10,268	Other banking income	680
Services provided by			
third party	62,930		
Other banking expenses	4,457		
Tax expenses	2		
Non operating expenses	161		
Depreciation expenses	8,767		
Provisions	7,151		
Operating profits	183,808		
	<hr/>		<hr/>
<b>Total</b>	<b>404,465</b>	<b>Total</b>	<b>404,465</b>
	<hr/> <hr/>		<hr/> <hr/>

**Profit and loss account**  
**for the half-year ended 30 June 2018 (continued)**  
*(Expressed in thousands of Macau Patacas)*

<i>Profit and loss account</i>			
	<i>Half-year ended</i>		<i>Half-year ended</i>
<i>Debit</i>	<i>30 June 2018</i>	<i>Credit</i>	<i>30 June 2018</i>
	<i>Amount</i>		<i>Amount</i>
	<i>MOP'000</i>		<i>MOP'000</i>
Loss related to prior years	1,888	Operating profit	183,808
Tax on profit	22,062	Income related to prior years	2,312
Profit	164,058	Provision	1,888
<b>Total</b>	<b>188,008</b>	<b>Total</b>	<b>188,008</b>

Cash flow statement  
 for the half-year ended 30 June 2018  
 (Expressed in thousands of Macau Patacas)

	<i>Half-year ended 30 June 2018 MOP'000</i>
<b>Operating activities</b>	
Profit before taxation	186,120
Adjustments for:	
Depreciation	8,767
Impairment allowances on loans and advances	4,839
Interest income	(285,171)
Interest expense	72,423
Interest received	274,961
Interest paid	(70,943)
	<hr/> 190,996 <hr/>
<b>Operating cash flows before changes in working capital</b>	
Decrease in deposits at AMCM for the purpose of fulfilling minimum liquidity requirement	1,132
Increase in placements to local credit institutions with original maturity of more than three months	(144,841)
Increase in call and fixed deposits at overseas credit institutions with original maturity of more than three months	(364,403)
Increase in gross loans and advances	(427,438)
Decrease in internal and adjustment accounts (assets)	45,936
Decrease in funding from credit institutions	(120,635)
Increase in current, call and fixed deposits	996,135
Decrease in internal and adjustment accounts (liabilities)	(35,632)
	<hr/> 141,250 <hr/>
<b>Cash generated from operations</b>	141,250
Taxation paid	-
	<hr/>
<b>Net cash generated from operating activities</b>	<hr/> <u>141,250</u> <hr/>

## Cash flow statement for the half-year ended 30 June 2018 (continued)

(Expressed in thousands of Macau Patacas)

Half-year ended  
 30 June 2018  
 MOP'000

### Investing activities

Purchase of properties and equipment (6,844)

**Net cash used in investing activities** (6,844)

### Financing activity

Profit remitted to head office (151,171)

**Net cash used in financing activity** (151,171)

**Net decrease in cash and cash equivalents** (16,765)

**Cash and cash equivalents at 1 January** 5,917,322

**Cash and cash equivalents at 30 June** 5,900,557

### Analysis of balances of cash and cash equivalents

Cash 329,969

Deposits at AMCM 433,844

Current deposits at other local credit institutions 9,078

Current deposits at other overseas credit institutions 374,759

Placements to local credit institutions 3,457,866

Call and fixed deposits at overseas credit institutions 3,682,172

Amount shown in the balance sheet 8,287,688

Less:

- Deposits at AMCM for the purpose of fulfilling minimum liquidity requirement (307,233)

- Placements to local credit institutions with original maturity over three months (1,200,000)

- Call and fixed deposits at overseas credit institutions with original maturity over three months (879,898)

**Cash and cash equivalents in the cash flow statement** 5,900,557

## Off-balance-sheet exposures for the half-year ended 30 June 2018 (Expressed in thousands of Macau Patacas)

(a) *Contingent liabilities and commitments*

	<i>Contractual amounts At 30 June 2018 MOP'000</i>
Financial guarantees	<u>1,112,244</u>
Performance guarantees	<u>2,845,476</u>
Trade related contingencies	<u>664,806</u>
Other commitments	<u>8,361,084</u>

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

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

(b) *Derivatives*

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



Off-balance-sheet exposures  
 for the half-year ended 30 June 2018 (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 2018</i> MOP'000
Exchange rate contracts	<u>5,059,537</u>

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

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

	<i>At 30 June 2018</i>	
	<i>Assets</i> MOP'000	<i>Liabilities</i> MOP'000
Fair value		
– Exchange rate contracts	<u>51,840</u>	<u>46,533</u>

	<i>At 30 June 2018</i> MOP'000
Credit risk weighted amounts	
– Exchange rate contracts	<u>101,516</u>

**Off-balance-sheet exposures  
for the half-year ended 30 June 2018 (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.

## Related party transactions

(Expressed in thousands of Macau Patacas)

### Material related party transactions

The Branch entered into the following material related party transactions.

#### (a) Transactions with group companies

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

The amount of related-party transactions during the first half year and outstanding balances at 30 June 2018 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 2018</i>	<i>Half-year ended 30 June 2018</i>
	MOP'000	MOP'000
Interest income	164	23,867
Interest expense	(6)	(58,436)
Fee and commission income	929	138
Fee and commission expense	(373)	(309)
Trading income	-	15,569
Other operating income	621	-
Operating expenses	(16,345)	(36,327)
	<hr/>	<hr/>
For the half-year ended 30 June	(15,010)	(55,498)
	<hr/>	<hr/>

## Related party transactions (continued)

(Expressed in thousands of Macau Patacas)

### Material related party transactions (continued)

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

	<i>Associates, other branches, subsidiaries, fellow subsidiaries at 30 June 2018 MOP'000</i>	<i>The Hongkong and Shanghai Banking Corporation, Hong Kong Branch at 30 June 2018 MOP'000</i>
<b>Assets</b>		
Current deposits at other overseas credit institutions	73,044	300,833
Call and fixed deposits at overseas credit institutions	307,381	3,368,907
Internal and adjustment accounts	-	22,778
<b>Liabilities</b>		
Funding from overseas credit institutions	(114,957)	(10,274,241)
Current deposits	(65,993)	(19,164)
Internal and adjustment accounts	(8,558)	(73,763)
<b>Net amount</b>	<u>190,917</u>	<u>(6,674,650)</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.

**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 2018 MOP'000</i>
Executive officers	<u>2,226</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 2018			
	Gross loans and advances and commitments MOP'000	Placements to local credit institutions MOP'000	Call and fixed deposits at overseas credit institutions MOP'000	Financial derivatives MOP'000
<b>Macau</b>				
– banks	-	977,866	-	-
– governments and public sectors	-	2,480,000	-	-
– others	22,907,193	-	-	1,861,041
<b>Macau total</b>	22,907,193	3,457,866	-	1,861,041
<b>Hong Kong</b>				
– banks	-	-	3,682,172	2,782,616
– governments and public sectors	-	-	-	-
– others	2,520,704	-	-	415,880
<b>Hong Kong total</b>	2,520,704	-	3,682,172	3,198,496
<b>Total</b>	25,427,897	3,457,866	3,682,172	5,059,537

## 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 2018</i>	
	<i>Gross loans and advances MOP'000</i>	<i>Past due or impaired MOP'000</i>
Macau	15,596,207	705,366
Hong Kong	1,868,748	17,973
	17,464,955	723,339

## Credit risk management (continued)

(Expressed in thousands of Macau Patacas)

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

	<i>At 30 June 2018</i>
	MOP'000
Industry distribution of exposures	
- Manufacturing	1,378,762
- Construction and public works	46,716
- Wholesale and retail trade	5,927,627
- Restaurants, hotels and similar	19,935
- Transport, warehouse and communications	43,437
- Information technology	4,270
- Individuals for house purchases	6,676,871
- Individuals for other purposes	529,268
- Others	3,337,447
	<u>17,964,333</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 2018, the amounts of specific provision by industry sector are shown as follows:

	<i>At 30 June 2018</i>
	MOP'000
- Construction and public works	1,039
- Individuals for house purchases	2,189
- Individuals for other purposes	1,186
	<u>4,414</u>



## Credit risk management (continued)

(Expressed in thousands of Macau Patacas)

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

	At 30 June 2018						
	Repayable on demand MOP'000	Due within 3 months MOP'000	Due between 3 and 12 months MOP'000	Due between 1 year and 5 years MOP'000	Due after 5 years MOP'000	No contractual maturity MOP'000	Total MOP'000
<b>Assets</b>							
Cash	329,969	-	-	-	-	-	329,969
Deposits at AMCM	-	433,844	-	-	-	-	433,844
Current deposits at other local credit institutions	9,078	-	-	-	-	-	9,078
Current deposits at other overseas credit institutions	374,759	-	-	-	-	-	374,759
Loans and advances	239,583	5,748,734	1,232,271	5,172,326	5,567,005	-	17,959,919
Placements to local credit institutions	-	2,747,866	710,000	-	-	-	3,457,866
Call and fixed deposits at overseas credit institutions	313,265	3,347,590	21,317	-	-	-	3,682,172
Debtors	45,575	-	-	-	-	-	45,575
Equity investments	-	-	-	-	-	250	250
Properties	-	-	-	-	-	98,570	98,570
Equipment	-	-	-	-	-	46,794	46,794
Internal and adjustment accounts	166,946	54,141	1,894	-	-	35,880	258,861
<b>Total assets</b>	<b>1,479,175</b>	<b>12,332,175</b>	<b>1,965,482</b>	<b>5,172,326</b>	<b>5,567,005</b>	<b>181,494</b>	<b>26,697,657</b>
<b>Liabilities</b>							
Current and call deposits	12,192,708	-	-	-	-	-	12,192,708
Fixed deposits	-	2,764,914	532,278	162	-	-	3,297,354
Funding from credit institutions	109	1,016,089	-	9,373,000	-	-	10,389,198
Cheques and bills payable	108,505	-	-	-	-	-	108,505
Other liabilities	48,192	-	-	-	-	-	48,192
Internal and adjustment accounts	6,670	19,819	102,660	45,835	312	8,373	183,669
Provisions	3,058	73,387	15,731	66,028	71,067	-	229,271
<b>Total liabilities</b>	<b>12,359,242</b>	<b>3,874,209</b>	<b>650,669</b>	<b>9,485,025</b>	<b>71,379</b>	<b>8,373</b>	<b>26,448,897</b>
<b>Net liquidity gap</b>	<b>(10,880,067)</b>	<b>8,457,966</b>	<b>1,314,813</b>	<b>(4,312,699)</b>	<b>5,495,626</b>	<b>173,121</b>	<b>248,760</b>

## Credit risk management (continued)

(Expressed in thousands of Macau Patacas)

(d) *Analysis on past due assets*

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

	<i>At 30 June 2018</i>
	MOP'000
Gross advances to customers that are past due	
– more than three months but less than six months	37,437
– more than six months but less than one year	9,879
– over one year	15,756
	<u>63,072</u>

	<i>At 30 June 2018</i>
	MOP'000
Value of collateral on past due loans and advance	
– more than three months but less than six months	38,106
– more than six months but less than one year	9,992
– over one year	16,809
	<u>64,907</u>

	<i>At 30 June 2018</i>
	MOP'000
Amount of specific provision made on past due loans and advance	
– more than three months but less than six months	2,768
– more than six months but less than one year	760
– over one year	886
	<u>4,414</u>

As at 30 June 2018, 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 2018</i> MOP'000
USD	13,032
HKD	(236,323)
Other currencies	<u>44,093</u>
<b>Total</b>	<u><u>(179,198)</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:

	At 30 June 2018			Total
	United States Dollars	Hong Kong Dollars	Other foreign currencies	
<i>MOP'000 equivalent</i>				
<b>Assets</b>				
Cash and current deposits at credit institutions	15,985	541,349	81,063	638,397
Loans and advances	2,550,064	13,392,141	110,038	16,052,243
Placements to local credit institutions	565,866	412,000	-	977,866
Call and fixed deposits at overseas credit institutions	2,910,168	-	766,120	3,676,288
Internal and adjustment accounts	76,030	107,862	425	184,317
Spot assets	6,118,113	14,453,352	957,646	21,529,111
<b>Liabilities</b>				
Current, call and fixed deposits	(5,551,106)	(4,934,418)	(729,165)	(11,214,689)
Funding from credit institutions	(938,374)	(9,373,000)	(12,181)	(10,323,555)
Cheques and bills payable	-	(68,670)	-	(68,670)
Internal and adjustment accounts	(61,568)	(43,889)	(1,636)	(107,093)
Spot liabilities	(6,551,048)	(14,419,977)	(742,982)	(21,714,007)
<b>Forward purchase</b>	2,683,894	905,119	1,470,523	5,059,536
<b>Forward sales</b>	(2,237,927)	(1,174,817)	(1,641,094)	(5,053,838)
<b>Net long/(short) non-structural position</b>	13,032	(236,323)	44,093	(179,198)

## 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 2018:

(a)	The arithmetic mean of the minimum weekly amount of cash in hand that is required to be held	444,452
(b)	The arithmetic mean of the average weekly amount of cash in hand	750,215
(c)	The arithmetic mean of the specified liquid assets at the end of each month	15,703,526
(d)	The average ratio of specified liquid assets to total basic liabilities at the end of the month	79.1%
(e)	The arithmetic mean of its one-month liquidity ratio in the last week of each month	894.4%
(f)	The arithmetic mean of its three-month liquidity ratio in the last week of each month	473.1%

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 2018 not provided for in the financial statements.

(b) **Operating lease commitments**

At 30 June 2018 the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	<i>At 30 June 2018</i> MOP'000
Within 1 year	2,316
After 1 year but within 5 year	776
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	3,092
	<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**

	<i>At 30 June 2018</i>
	%
Capital adequacy ratio at 30 June	
Tier 1 capital ratio	16.7
Total capital ratio	19.0

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*

	<i>At 30 June 2018</i>
	HKD million
Share capital	151,360
Other equity instruments	14,737
Other reserves	115,033
Retained profits	423,970
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Total shareholders' equity	705,100
Non-controlling interests	57,802
	<hr/>
Total equity	762,902
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(c) *Consolidated assets, liabilities and profits position*

	<i>At 30 June 2018</i>
	HKD million
Total assets	8,238,867
Total liabilities	7,475,965
Loans and advances to customers	3,496,917
Deposits by banks	208,402
Customer accounts	5,152,524
Profit before taxation	71,013
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(d) *Shareholders with qualifying holdings*

The Branch is one the branches of The Hongkong and Shanghai Banking Corporation Limited ("the Bank"). The ultimate holding company of the Bank is HSBC Holdings plc, which is incorporated in 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 2018 comprises:

John Michael Flint<sup>#</sup> (Chairman)  
Peter Tung Shun Wong (Deputy Chairman and Chief Executive)  
Laura May Lung Cha\*, GBM (Deputy Chairman)  
Zia Mody\* (Deputy Chairman)  
Graham John Bradley\*  
Louisa Wai Wan Cheang, Chief Executive of Hang Seng Bank Limited  
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<sup>#</sup>  
Bin Hwee Quek (née Chua)\*, JP  
Kevin Anthony Westley\*, BBS  
Marjorie Mun Tak Yang\*, GBS  
Tan Sri Dr Francis Sock Ping Yeoh\*, CBE

\* independent non-executive Director

<sup>#</sup> non-executive Director