

The Hongkong and Shanghai Banking
Corporation Limited
Macau Branch

Disclosure of Financial Information
30 June 2019

Balance sheet as at 30 June 2019
 (Expressed in thousands of Macau Patacas)

	<i>At 30 June 2019</i>		
	<i>Amounts</i> MOP'000	<i>Reserves, depreciation and provision</i> MOP'000	<i>Net amount</i> MOP'000
Assets			
Cash	223,873	-	223,873
Deposits at AMCM	418,447	-	418,447
Current deposits at other local credit institutions	248,269	-	248,269
Current deposits at other overseas credit institutions	1,266,910	-	1,266,910
Loans and advances	16,963,567	216,719	16,746,848
Placements to local credit institutions	2,612,266	-	2,612,266
Call and fixed deposits at overseas credit institutions	4,470,472	-	4,470,472
Debtors	50,134	-	50,134
Available-for-sale equity investments	250	-	250
Properties	105,780	1,556	104,224
Equipment	101,680	63,459	38,221
Internal and adjustment accounts	197,068	-	197,068
Total	<u>26,658,716</u>	<u>281,734</u>	<u>26,376,982</u>

Balance sheet as at 30 June 2019 (continued)
(Expressed in thousands of Macau Patacas)

	<i>At 30 June 2019</i>	
	<i>Subtotal</i>	<i>Total</i>
	MOP'000	MOP'000
Liabilities		
Current deposits	10,769,865	
Call deposits	42,966	
Fixed deposits	4,741,436	15,554,267
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Funding from overseas credit institutions	10,055,464	
Cheques and bills payable	112,050	
Other liabilities	41,436	10,208,950
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Internal and adjustment accounts		172,014
Provisions		209,028
Revaluation reserve	84,235	
Other reserves	15,289	99,524
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Current profit		133,199
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Total		<u><u>26,376,982</u></u>

Profit and loss account
for the half-year ended 30 June 2019
(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 2019</i>		<i>30 June 2019</i>
<i>Debit</i>	<i>Amount</i>	<i>Credit</i>	<i>Amount</i>
	<i>MOP'000</i>		<i>MOP'000</i>
Operating costs	115,094	Operating income	307,644
Personnel expenses		Income from banking	
Staff costs	50,514	services	51,537
Staff benefits	6,856	Other operating income	60,084
Supplies by third party	19,604	Other banking income	1,716
Services provided by			
third party	54,118		
Other banking expenses	6,223		
Tax expenses	-		
Non operating expenses	101		
Depreciation expenses	9,250		
Provisions	6,946		
Operating profits	152,275		
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Total	420,981	Total	420,981
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Profit and loss account
 for the half-year ended 30 June 2019 (continued)
 (Expressed in thousands of Macau Patacas)

<i>Profit and loss account</i>			
	<i>Half-year ended 30 June 2019</i>		<i>Half-year ended 30 June 2019</i>
<i>Debit</i>	<i>Amount MOP'000</i>	<i>Credit</i>	<i>Amount MOP'000</i>
Loss related to prior years	1,897	Operating profit	152,275
Tax on profit	20,009	Income related to prior years	933
Profit	133,199	Provision	1,897
Total	<u>155,105</u>	Total	<u>155,105</u>

Cash flow statement
 for the half-year ended 30 June 2019
 (Expressed in thousands of Macau Patacas)

	<i>Half-year ended 30 June 2019 MOP'000</i>
Operating activities	
Profit before taxation	153,208
Adjustments for:	
Depreciation	9,250
Impairment allowances on loans and advances	6,012
Interest income	(307,644)
Interest expense	115,094
Interest received	309,122
Interest paid	(110,314)
	<u>174,728</u>
Operating cash flows before changes in working capital	
Change in deposits at AMCM for the purpose of fulfilling minimum liquidity requirement	1,618
Change in placements to local credit institutions with original maturity of more than three months	(751,488)
Change in call and fixed deposits at overseas credit institutions with original maturity of more than three months	(4,383)
Change in gross loans and advances	(309,670)
Change in debtors and internal and adjustment accounts (assets)	(31,127)
Change in funding from credit institutions	132,822
Change in current, call and fixed deposits	1,518,867
Change in cheques and bills payable, other liabilities and internal and adjustment accounts (liabilities)	10,805
Cash generated from operations	<u>742,172</u>
Taxation paid	-
Net cash generated from operating activities	<u><u>742,172</u></u>

Cash flow statement for the half-year ended 30 June 2019 (continued)

(Expressed in thousands of Macau Patacas)

	<i>Half-year ended 30 June 2019 MOP'000</i>
Financing activity	
Profit remitted to head office	(169,123)
Net cash used in financing activity	<u>(169,123)</u>
Net increase in cash and cash equivalents	573,049
Cash and cash equivalents at 1 January	<u>6,064,471</u>
Cash and cash equivalents at 30 June	<u><u>6,637,520</u></u>
Analysis of balances of cash and cash equivalents	
Cash	223,873
Deposits at AMCM	418,447
Current deposits at other local credit institutions	248,269
Current deposits at other overseas credit institutions	1,266,910
Placements to local credit institutions	2,612,266
Call and fixed deposits at overseas credit institutions	<u>4,470,472</u>
Amount shown in the balance sheet	9,240,237
Less:	
- Deposits at AMCM for the purpose of fulfilling minimum liquidity requirement	(283,444)
- Placements to local credit institutions with original maturity over three months	(1,861,488)
- Call and fixed deposits at overseas credit institutions with original maturity over three months	<u>(457,785)</u>
Cash and cash equivalents in the cash flow statement	<u><u>6,637,520</u></u>

Off-balance-sheet exposures for the half-year ended 30 June 2019

(Expressed in thousands of Macau Patacas)

(a) *Contingent liabilities and commitments*

	<i>Contractual amounts At 30 June 2019 MOP'000</i>
Financial guarantees	<u>904,441</u>
Performance guarantees	<u>2,555,402</u>
Trade related contingencies	<u>-</u>
Other commitments	<u>9,084,588</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 2019 (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 2019</i> MOP'000
Exchange rate contracts	<u>18,691,637</u>

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

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

	<i>At 30 June 2019</i>	
	<i>Assets</i> MOP'000	<i>Liabilities</i> MOP'000
Fair value		
– Exchange rate contracts	<u>35,526</u>	<u>40,848</u>

	<i>At 30 June 2019</i> MOP'000
Credit risk weighted amounts	
– Exchange rate contracts	<u>71,738</u>

Off-balance-sheet exposures for the half-year ended 30 June 2019 (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 2019 are set out below:

	<i>Associates, other branches, subsidiaries, fellow subsidiaries Half-year ended 30 June 2019 MOP'000</i>	<i>The Hongkong and Shanghai Banking Corporation, Hong Kong Branch Half-year ended 30 June 2019 MOP'000</i>
Interest income	157	35,082
Interest expense	(45)	(86,637)
Fee and commission income	708	1,660
Fee and commission expense	(469)	(287)
Trading income	-	19,941
Other operating income	300	1,357
Operating expenses	(30,256)	(20,155)
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For the half-year ended 30 June	<u>(29,605)</u>	<u>(49,039)</u>

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 2019 MOP'000</i>	<i>The Hongkong and Shanghai Banking Corporation, Hong Kong Branch at 30 June 2019 MOP'000</i>
Assets		
Current deposits at other overseas credit institutions	1,202,896	48,034
Call and fixed deposits at overseas credit institutions	934,377	3,536,085
Internal and adjustment accounts	3	33,593
Liabilities		
Funding from overseas credit institutions	(21,788)	(9,867,690)
Current deposits	(45,368)	(97,935)
Internal and adjustment accounts	(3,290)	(41,362)
Net amount	<u>2,066,830</u>	<u>(6,389,275)</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</i> <i>30 June 2019</i> MOP'000
Executive officers	<u>2,863</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 2019			
	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	-	692,266	-	-
– governments and public sectors	-	1,920,000	-	-
– others	23,740,930	-	-	3,627,191
Macau total	23,740,930	2,612,266	-	3,627,191
Hong Kong				
– banks	-	-	4,470,472	5,716,683
– governments and public sectors	-	-	-	-
– others	1,828,387	-	-	-
Hong Kong total	1,828,387	-	4,470,472	5,716,683
Total	25,569,317	2,612,266	4,470,472	9,343,874

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 2019</i>	
	<i>Gross loans and advances MOP'000</i>	<i>Past due or impaired MOP'000</i>
Macau	<u>15,010,044</u>	<u>516,308</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 2019</i>
	MOP'000
Industry distribution of exposures	
- Manufacturing	919,861
- Construction and public works	103,186
- Wholesale and retail trade	5,882,053
- Restaurants, hotels and similar	15,429
- Transport, warehouse and communications	31,695
- Information technology	7,227
- Individuals for house purchases	6,706,512
- Individuals for other purposes	445,094
- Others	2,852,510
	<u>16,963,567</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 2019, the amounts of specific provision by industry sector are shown as follows:

	<i>At 30 June 2019</i>
	MOP'000
- Individuals for house purchases	1,247
- Individuals for other purposes	215,472
	<u>216,719</u>

Credit risk management (continued)

(Expressed in thousands of Macau Patacas)

(c) Analysis on assets and liabilities by remaining maturity

	At 30 June 2019						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	223,873	-	-	-	-	-	223,873
Deposits at AMCM	-	418,447	-	-	-	-	418,447
Current deposits at other local credit institutions	248,269	-	-	-	-	-	248,269
Current deposits at other overseas credit institutions	1,266,910	-	-	-	-	-	1,266,910
Loans and advances	56,208	4,553,717	1,482,302	5,121,296	5,533,325	-	16,746,848
Placements to local credit institutions	-	1,872,266	740,000	-	-	-	2,612,266
Call and fixed deposits at overseas credit institutions	2,447,774	1,485,704	536,994	-	-	-	4,470,472
Debtors	50,134	-	-	-	-	-	50,134
Equity investments	-	-	-	-	-	250	250
Properties	-	-	-	-	-	104,224	104,224
Equipment	-	-	-	-	-	38,221	38,221
Internal and adjustment accounts	129,550	60,385	3,935	3,198	-	-	197,068
Total assets	4,422,718	8,390,519	2,763,231	5,124,494	5,533,325	142,695	26,376,982
Liabilities							
Current and call deposits	10,812,831	-	-	-	-	-	10,812,831
Fixed deposits	-	3,952,693	788,743	-	-	-	4,741,436
Funding from credit institutions	673,785	8,679	206,000	9,167,000	-	-	10,055,464
Cheques and bills payable	112,050	-	-	-	-	-	112,050
Other liabilities	41,436	-	-	-	-	-	41,436
Internal and adjustment accounts	26,958	66,165	69,087	1,792	-	8,012	172,014
Provisions	693	58,782	18,265	63,105	68,183	-	209,028
Total liabilities	11,667,753	4,086,319	1,082,095	9,231,897	68,183	8,012	26,144,259
Net liquidity gap	(7,245,035)	4,304,200	1,681,136	(4,107,403)	5,465,142	134,683	232,723

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 2019</i>
	MOP'000
Gross advances to customers that are past due	
- more than three months but less than six months	22,401
- more than six months but less than one year	218,187
- over one year	23,798
	<u>264,386</u>

	<i>At 30 June 2019</i>
	MOP'000
Value of collateral on past due loans and advance	
- more than three months but less than six months	23,845
- more than six months but less than one year	4,923
- over one year	24,260
	<u>53,028</u>

	<i>At 30 June 2019</i>
	MOP'000
Amount of specific provision made on past due loans and advance	
- more than three months but less than six months	1,447
- more than six months but less than one year	213,691
- over one year	1,581
	<u>216,719</u>

As at 30 June 2019, there were no other assets that have been past due for bank and non-bank customers.

Foreign exchange risk management

(Expressed in thousands of Macau Patacas)

Foreign currency risk

The following table indicates the net short position of currencies other than MOP:

	<i>At 30 June 2019</i> MOP'000
USD	3,986
HKD	196,133
Other currencies	<u>16,111</u>
Total	<u><u>216,230</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 2019			Total
	United States Dollars	Hong Kong Dollars	Other foreign currencies	
<i>MOP'000 equivalent</i>				
Assets				
Cash and current deposits at credit institutions	887,339	391,036	365,879	1,644,254
Loans and advances	1,511,777	12,695,086	237,504	14,444,367
Placements to local credit institutions	692,266	-	-	692,266
Call and fixed deposits at overseas credit institutions	1,875,557	1,028,002	1,566,913	4,470,472
Debtors	14	19,597	915	20,526
Internal and adjustment accounts	54,023	60,371	1,487	115,881
Spot assets	<u>5,020,976</u>	<u>14,194,092</u>	<u>2,172,698</u>	<u>21,387,766</u>
Liabilities				
Current, call and fixed deposits	(6,075,290)	(4,419,044)	(938,205)	(11,432,539)
Funding from credit institutions	(42,723)	(9,869,818)	(97,051)	(10,009,592)
Cheques and bills payable	-	(59,583)	-	(59,583)
Other liabilities	(1,341)	(14,095)	(215)	(15,651)
Internal and adjustment accounts	(49,500)	(17,184)	(595)	(67,279)
Spot liabilities	<u>(6,168,854)</u>	<u>(14,379,724)</u>	<u>(1,036,066)</u>	<u>(21,584,644)</u>
Forward purchase	<u>5,242,264</u>	<u>1,225,820</u>	<u>2,860,326</u>	<u>9,328,410</u>
Forward sales	<u>(4,098,372)</u>	<u>(1,236,321)</u>	<u>(4,013,069)</u>	<u>(9,347,762)</u>
Net short non-structural position	<u>(3,986)</u>	<u>(196,133)</u>	<u>(16,111)</u>	<u>(216,230)</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 2019:

(a)	The arithmetic mean of the minimum weekly amount of cash in hand that is required to be held	401,379
(b)	The arithmetic mean of the average weekly amount of cash in hand	802,088
(c)	The arithmetic mean of the specified liquid assets at the end of each month	14,616,243
(d)	The average ratio of specified liquid assets to total basic liabilities at the end of the month	72.7%
(e)	The arithmetic mean of its one-month liquidity ratio in the last week of each month	438.6%
(f)	The arithmetic mean of its three-month liquidity ratio in the last week of each month	622.5%

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 2019 not provided for in the financial statements.

(b) **Operating lease commitments**

At 30 June 2019 the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	<i>At 30 June 2019</i> MOP'000
Within 1 year	3,866
After 1 year but within 5 year	<u>1,326</u>
	<u><u>5,192</u></u>

Other information in relation to positions of Head Office, The Hongkong and Shanghai Banking Corporation Limited (Expressed in Hong Kong dollars)

The Branch is one of the branches of The Hongkong and Shanghai Banking Corporation Limited (“the Bank”) and therefore it is not required to prepare consolidated accounts. Unless otherwise stated, all information disclosed below is extracted from the corresponding information in the most recently available interim consolidated financial statements of the HSBC group of which the Branch is a member.

The interim consolidated financial statements can be accessed through various channels, including its website (<http://www.hsbc.com.hk>). For more comprehensive understanding of the financial position and results of operations of HSBC, the information disclosed below should be read in conjunction with the interim consolidated financial statements.

(a) *Consolidated capital adequacy ratio*

At 30 June 2019
%

Capital adequacy ratio at 30 June	
Tier 1 capital ratio	18.2
Total capital ratio	20.3

The capital ratios were contained in the ‘Capital Adequacy Ratio’ return submitted to the HKMA by The Hongkong and Shanghai Banking Corporation Limited on a consolidated basis that is specified by the HKMA under the requirements of section 3C(1) of the Banking (Capital) Rules.

Other information in relation to positions of Head Office,
 The Hongkong and Shanghai Banking Corporation Limited
 (continued)
 (Expressed in Hong Kong dollars)

(b) *Capital and reserves*

	<i>At 30 June 2019</i> HKD million
Share capital	172,335
Other equity instruments	44,615
Other reserves	135,287
Retained profits	444,500
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Total shareholders' equity	796,737
Non-controlling interests	62,321
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Total equity	859,058
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(c) *Consolidated assets, liabilities and profits position*

	<i>At 30 June 2019</i> HKD million
Total assets	8,672,793
Total liabilities	7,813,735
Loans and advances to customers	3,698,489
Deposits by banks	220,156
Customer accounts	5,289,573
Profit before taxation	72,867
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(d) *Shareholders with qualifying holdings*

The Branch is one of the branches of The Hongkong and Shanghai Banking Corporation Limited ("the Bank"). The ultimate holding company of the Bank is HSBC Holdings plc, which is incorporated in the United Kingdom. There are no shareholders with major holdings in HSBC Holdings plc ordinary shares.

Other information in relation to positions of Head Office, The Hongkong and Shanghai Banking Corporation Limited (continued)

(e) ***Board of Directors***

The Board of Directors of the Bank comprises:

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

Dr Christopher Wai Chee Cheng*, GBS, OBE

Dr Raymond Kuo Fung Ch'ien*, GBS, CBE

Yiu Kwan Choi*

Irene Yun-lien Lee*

Jennifer Xinzhe Li*

Victor Tzar Kuoi Li#

Bin Hwee Quek (née Chua)*, PBM, BBM, JP

Kevin Anthony Westley*, BBS

Tan Sri Dr Francis Sock Ping Yeoh*, CBE

* independent non-executive Director

non-executive Director