

The Hongkong and Shanghai Banking  
Corporation Limited  
- Macau Branch

Disclosure of Financial Information  
30 June 2015

## Balance sheet as at 30 June 2015

(Expressed in thousands of Macau Patacas)

	<u>At 30 June 2015</u>		
	<i>Amounts</i> MOP'000	<i>Reserves, depreciation and provision</i> MOP'000	<i>Net amount</i> MOP'000
<b>Assets</b>			
Cash	173,564	-	173,564
Deposits at Autoridade Monetária de Macau (“AMCM”)	538,521	-	538,521
Accounts receivables	-	-	-
Current deposits at other local credit institutions	287,163	-	287,163
Current deposits at other overseas credit institutions	2,256,479	-	2,256,479
Loans and advances	15,212,880	5,043	15,207,837
Placements to local credit institutions	2,015,000	-	2,015,000
Call and fixed deposits at overseas credit institutions	1,533,871	-	1,533,871
Debtors	51,701	-	51,701
Available-for-sale equity investments	250	-	250
Properties	89,712	1,120	88,592
Equipments	91,197	83,314	7,883
Internal and adjustment accounts	350,497	-	350,497
<b>Total</b>	<u>22,600,835</u>	<u>89,477</u>	<u>22,511,358</u>

**Balance sheet as at 30 June 2015 (continued)**  
 (Expressed in thousands of Macau Patacas)

	<i>At 30 June 2015</i>	
	<i>Subtotal</i>	<i>Total</i>
	MOP'000	MOP'000
<b>Liabilities</b>		
Current deposits	13,268,828	
Call deposits	6,379	
Fixed deposits	<u>1,501,306</u>	14,776,513
Funding from local credit institutions	185,000	
Funding from overseas credit institutions	6,870,423	
Cheques and bills payable	71,324	
Creditors	-	
Other liabilities	<u>111,962</u>	7,238,709
Internal and adjustment accounts		134,929
Provisions		8,216
Revaluation reserve	75,751	
Other reserves	<u>168,579</u>	244,330
Current profit		<u>108,661</u>
<b>Total</b>		<u><u>22,511,358</u></u>

**Profit and loss account**  
**for the half-year ended 30 June 2015**  
*(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 2015</i>	<i>Credit</i>	<i>30 June 2015</i>
	<i>Amount</i>		<i>Amount</i>
	<i>MOP'000</i>		<i>MOP'000</i>
Operating costs	31,944	Operating income	193,076
Personnel expenses		Income from banking	
Staff costs	36,566	services	72,213
Staff benefits	5,451	Other operating income	31,161
Supplies by third party	8,868	Other banking income	330
Services provided by		Non operating income	-
third party	53,216		
Other banking expenses	1,500		
Tax expenses	2		
Non operating expenses	15		
Depreciation expenses	2,545		
Provisions	2,557		
Operating profits	154,116		
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<b>Total</b>	<b>296,780</b>	<b>Total</b>	<b>296,780</b>
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**Profit and loss account**  
**for the half-year ended 30 June 2015 (continued)**  
*(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 2015</i>		<i>30 June 2015</i>
<i>Debit</i>	<i>Amount</i>	<i>Credit</i>	<i>Amount</i>
	<i>MOP'000</i>		<i>MOP'000</i>
Loss related to prior years	1,308	Operating profit	154,116
Tax on profit	14,795	Income related to prior	
Additional provision		years	590
under AMCM rules	31,250	Provision	1,308
Profit	108,661		
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<b>Total</b>	<b>156,014</b>	<b>Total</b>	<b>156,014</b>
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Cash flow statement  
 for the half-year ended 30 June 2015  
 (Expressed in thousands of Macau Patacas)

	<i>Half-year ended 30 June 2015 MOP'000</i>
<b>Operating activities</b>	
Profit before taxation	123,456
Adjustments for:	
Depreciation and amortisation	2,664
Employees' options granted cost free by the ultimate holding company	88
Impairment charge and other credit risk provisions	33,218
Actuarial losses/(gain) on defined benefit plan	(297)
Other movements in capital contribution related to employee share awards	(64)
Property revaluation	(119)
	<u>158,946</u>
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<b>(Increase)/decrease in operating assets:</b>	
Change in Monetary bills with original maturity of more than three months	(99,679)
Change in placements with banks maturing after one month	(118,316)
Change in loans and advances to customers	(2,713,348)
Change in other assets	219,004
<b>Increase/(decrease) in operating liabilities:</b>	
Change in deposits from banks	2,656,919
Change in customer accounts	305,480
Change in other liabilities	(190,273)
	<u>218,733</u>
<b>Cash used in operating activities</b>	218,733
Taxation paid	<u>-</u>
<b>Net cash used in operating activities</b>	<u>218,733</u>
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Cash flow statement  
 for the half-year ended 30 June 2015(continued)  
 (Expressed in thousands of Macau Patacas)

	<i>Half-year ended 30 June 2015 MOP'000</i>
<b>Investing activities</b>	
Purchase of property, plant and equipment	(926)
<b>Net cash used in investing activities</b>	(926)
<b>Net cash outflow before financing</b>	217,807
<b>Financing activity</b>	
Profit remitted to head office	(253,542)
<b>Net cash used in financing activity</b>	(253,542)
<b>Net increase/(decrease) in cash and cash equivalents</b>	(35,735)
<b>Cash and cash equivalents at 1 January</b>	5,307,429
<b>Cash and cash equivalents at 30 June</b>	5,271,694
<b>Cash flows from operating activities include:</b>	
Interest received	188,154
Interest paid	33,361

## Off-balance-sheet exposures as at 30 June 2015 (Expressed in thousands of Macau Patacas)

(a) **Contingent liabilities and commitments**

	<i>Contractual amounts At 30 June 2015 MOP'000</i>
Financial guarantees	<u>1,535,206</u>
Performance guarantees	<u>506,622</u>
Trade related contingencies	<u>92,592</u>
Other commitments	<u>8,395,015</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.

Autoridade Monetária de Macau (“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 2015 (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 2015</i> MOP'000
Exchange rate contracts	4,440,006
	<u>4,440,006</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 2015</i>	
	<i>Assets</i> MOP'000	<i>Liabilities</i> MOP'000
Fair value		
- Exchange rate contracts	35,202	23,807
	<u>35,202</u>	<u>23,807</u>

	<i>At 30 June 2015</i> MOP'000
Credit risk weighted amounts	
- Exchange rate contracts	20,440
	<u>20,440</u>

**Off-balance-sheet exposures as at 30 June 2015 (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 of the year and accordingly these amounts are shown on a gross basis.

## Significant related party transactions

(Expressed in thousands of Macau Patacas)

### Material related party transactions

The amount of related-party transactions during the first half year and outstanding balances as at 30 June 2015 are set out below:

	<i>Fellow subsidiaries Half-year ended 30 June 2015 MOP'000</i>	<i>The Hongkong and Shanghai Banking Corporation, Hong Kong Branch Half-year ended 30 June 2015 MOP'000</i>
Interest income	2,044	4,671
Interest expense	(637)	(22,533)
Fee and commission income	4,242	1,794
Fee and commission expense	(468)	(348)
Other operating income	98	-
Operating expenses	<u>(9,590)</u>	<u>(36,441)</u>
For the half-year ended 30 June	<u><u>(4,311)</u></u>	<u><u>(52,857)</u></u>

## Significant related party transactions (continued)

(Expressed in thousands of Macau Patacas)

### Material related party transactions (continued)

#### Transactions with group companies (continued)

	<i>Fellow subsidiaries At 30 June 2015 MOP'000</i>	<i>The Hongkong and Shanghai Banking Corporation, Hong Kong Branch At 30 June 2015 MOP'000</i>
Cash and short-term funds	2,636,081	863,440
Interest receivable	44	1,046
Placement with banks maturing after one month	1,064	4,871
Deposits from financial institution	6,135	7,036,262
Other assets	-	34,014
Other liabilities	-	9,801
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As at 30 June	<u>2,643,324</u>	<u>7,949,434</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 England. Both the immediate and ultimate parent companies produce consolidated financial statements for public use.

## 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 2015		
	Gross loans and commitments MOP'000	Debt securities MOP'000	Financial derivatives MOP'000
<b>Macau SAR</b>	19,340,550	2,015,000	463,808
in which:			
- banks	-	-	-
- governments and public sectors	-	2,015,000	-
- others	19,340,550	-	463,808
<b>Hong Kong SAR</b>	3,192,275	-	3,876,470
in which:			
- banks	-	-	-
- governments and public sectors	-	-	-
- others	3,192,275	-	3,876,470
	<u>22,532,825</u>	<u>2,015,000</u>	<u>4,340,278</u>

**(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 2015</i>	
	<i>Gross loans and advances MOP'000</i>	<i>Past due or impaired MOP'000</i>
Macau	12,748,367	210,615
Hong Kong	2,224,937	-
	14,973,304	210,615

**Credit risk management (continued)**  
 (Expressed in thousands of Macau Patacas)

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

	<i>At 30 June 2015</i>
	MOP'000
Industry distribution of exposures	
- Manufacturing	2,066,263
- Construction and public works	88,447
- Trade (wholesale and retail)	4,041,352
- Restaurants, hotels and related activities	13,103
- Transport, warehouse and communications	92,760
- Information technology	-
- Individuals for house purchases	5,663,654
- Individuals for other purposes	913,280
- Others	2,328,978
	<u>15,207,837</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 2015, the amounts of specific provision by industry sector are shown as follows:

	<i>At 30 June 2015</i>
	MOP'000
- Manufacturing	4,375
- Individuals for other purposes	668
	<u>5,043</u>

## Credit risk management (continued)

(Expressed in thousands of Macau Patacas)

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

	<i>At 30 June 2015</i>							
	<i>On demand</i>	<i>Within 1 month</i>	<i>3 months or less but over 1 month</i>	<i>1 year or less but over 3 months</i>	<i>3 years or less but over 1 year</i>	<i>Over 3 years</i>	<i>Within an indefinite period</i>	<i>Total</i>
	MOP'000	MOP'000	MOP'000	MOP'000	MOP'000	MOP'000	MOP'000	MOP'000
<b>Assets</b>								
Cash and balances with other financial institutions	2,878,886	-	-	-	-	-	321,793	3,200,679
Placements with banks and other financial institutions	-	1,234,513	459,056	87,834	-	-	-	1,781,403
Securities issued by AMCM	-	540,000	725,000	750,000	-	-	-	2,015,000
Loans and advances to customers	114,181	2,893,937	1,852,905	1,999,072	1,359,612	6,988,130	-	15,207,837
	<u>2,993,067</u>	<u>4,668,450</u>	<u>3,036,961</u>	<u>2,836,906</u>	<u>1,359,612</u>	<u>6,988,130</u>	<u>321,793</u>	<u>22,204,919</u>
<b>Liabilities</b>								
Deposits and balances of banks and financial institutions	262,326	-	-	-	-	-	-	262,326
Deposits from Head Office and other branches	87,614	1,138,099	2,019,346	151,137	3,646,200	-	-	7,042,396
Deposits from non-bank customers	13,250,160	1,037,153	141,701	170,382	-	-	-	14,599,396
	<u>13,600,100</u>	<u>2,175,252</u>	<u>2,161,047</u>	<u>321,519</u>	<u>3,646,200</u>	<u>-</u>	<u>-</u>	<u>21,904,118</u>

## 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 2015</i>
	MOP'000
Gross advances to customers that are past due	
– six months or less but over three months	877
– one year or less but over six months	-
– over one year	4,375
	<u>5,252</u>

	<i>At 30 June 2015</i>
	MOP'000
Value of collateral on past due loans and advance	
– six months or less but over three months	-
– one year or less but over six months	-
– over one year	-
	<u>-</u>

	<i>At 30 June 2015</i>
	MOP'000
Amount of specific provision made on past due loans and advance	
– six months or less but over three months	668
– one year or less but over six months	-
– over one year	4,375
	<u>5,043</u>

As at 30 June 2015, 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 2015</i> MOP'000
HKD	(182,651)
USD	18,738
Other currencies	<u>1,833</u>
<b>Total</b>	<b><u><u>(162,080)</u></u></b>

## 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 2015			Total
	United States Dollars	Hong Kong Dollars	Other foreign currencies	
<i>In thousands of MOP equivalent</i>				
<b>Assets</b>				
Cash and balances at central banks	762	98,523	3,290	102,575
Items in course of collection from banks	-	40,981	-	40,981
Loans and advances to banks	248,349	4,002	308,804	561,155
Loans and advances to customers	3,056,382	10,009,616	547,373	13,613,371
Other assets	50,924	98,825	49	149,798
Prepayments, accrued income and interest	4,030	13,526	2,587	20,143
Balances with intragroup	405,861	292,164	2,807,656	3,505,681
Spot assets	3,766,308	10,557,637	3,669,759	17,993,704

## Foreign exchange risk management (continued)

(Expressed in thousands of Macau Patacas)

### Foreign currency risk (continued)

	At 30 June 2015			Total
	United States Dollars	Hong Kong Dollars	Other foreign currencies	
<i>In thousands of MOP equivalent</i>				
<b>Liabilities</b>				
Deposits by customers	(4,813,056)	(4,995,266)	(1,367,859)	(11,176,181)
Items in the course of transmission to other banks	-	(34,800)	-	(34,800)
Other liabilities	(49,641)	(47,389)	(1,850)	(98,880)
Accruals and deferred income	(489)	(1,910)	(5,429)	(7,828)
Deposits by banks	-	-	-	-
Balances with intragroup	(411,898)	(6,005,968)	(431,901)	(6,849,767)
Spot liabilities	<u>(5,275,084)</u>	<u>(11,085,333)</u>	<u>(1,807,039)</u>	<u>(18,167,456)</u>
<b>Forward purchase</b>	<u>2,961,236</u>	<u>423,599</u>	<u>1,055,171</u>	<u>4,440,006</u>
<b>Forward sales</b>	<u>(1,433,722)</u>	<u>(78,554)</u>	<u>(2,916,058)</u>	<u>(4,428,334)</u>
<b>Net long non-structural position</b>	<u>18,738</u>	<u>(182,651)</u>	<u>1,833</u>	<u>(162,080)</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 2015:

(a)	The arithmetic mean of the minimum weekly amount of cash in hand that is required to be held	453,953
(b)	The arithmetic mean of the average weekly amount of cash in hand	648,793
(c)	The arithmetic mean of the specified liquid assets at the end of each month	9,317,724
(d)	The average ratio of specified liquid assets to total basic liabilities at the end of the month	59.8%
(e)	The arithmetic mean of its one-month liquidity ratio in the last week of each month	574.0%
(f)	The arithmetic mean of its three-month liquidity ratio in the last week of each month	1043.2%

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 2015 not provided for in the financial statements.

(b) **Operating lease commitments**

At 30 June 2015, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	<i>At 30 June 2015</i> MOP'000
Within 1 year	2,575
After 1 year but within 5 year	<u>1,958</u>
	<u><u>4,533</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 annual audited consolidated financial statements of the HSBC group 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**

	<i>At 30 June 2015</i>
	%
Capital adequacy ratio at 30 June	
Total capital ratio at 30 June	17.4
Tier 1 capital ratio at 30 June	15.3

The capital ratios was 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) *Share capital and reserves*

	<i>At 30 June 2015</i> HKD million
Share capital	96,052
Other equity instruments	14,737
Other reserves	99,678
Retained profits	359,714
Proposed dividend	7,500
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Total shareholders' equity	577,681
Non-controlling interests	50,625
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Total equity	628,306
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(c) *Consolidated assets, liabilities and profits position*

	<i>At 30 June 2015</i> HKD million
Total assets	7,167,665
Total liabilities	6,539,359
Loans and advances to customers	2,880,997
Deposits by banks	213,464
Customer accounts	4,651,473
Profit before taxation	70,079
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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 England. There are no shareholders with major holdings in HSBC Holdings 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 2015 comprises:

### **Executive directors**

Stuart T Gulliver, Chairman  
Peter Wong Tung Shun, Deputy Chairman and Chief Executive  
Naina L Kidwai  
Rose Lee Wai Mun

### **Non-executive directors**

Laura Cha May Lung, GBS, Deputy Chairman  
Zia Mody, Deputy Chairman  
Graham John Bradley  
Dr Christopher Cheng Wai Chee, GBS, OBE  
Dr Raymond Ch'ien Kuo Fung, GBS, CBE  
Irene Lee Yun-lien  
Jennifer Li Xinzhe  
Victor Li Tzar Kuoi  
P James H Riley  
John Rober Slosar  
Dr Rosanna Wong Yick-Ming, DBE  
Marjorie Yang Mun Tak, GBS  
Tan Sri Dr Francis Yeoh Sock Ping, CBE