

The Hongkong and Shanghai Banking  
Corporation Limited  
- Macau Branch

Disclosure of Financial Information  
30 June 2013

**Balance sheet as at 30 June 2013**  
*(Expressed in thousands of Macau Patacas)*

	<i>At 30 June 2013</i>		
	<i>Amounts</i>	<i>Reserves, depreciation and provision</i>	<i>Net amount</i>
	MOP'000	MOP'000	MOP'000
<b>Assets</b>			
Cash	172,695	-	172,695
Deposits at AMCM	322,921	-	322,921
Accounts receivables	-	-	-
Current deposits at other local credit institutions	191,018	-	191,018
Current deposits at other overseas credit institutions	233,470	-	233,470
Loans and advances	9,657,853	5,422	9,652,431
Placements to local credit institutions	1,990,000	-	1,990,000
Call and fixed deposits at overseas credit institutions	3,692,711	-	3,692,711
Debtors	52,732	-	52,732
Available-for-sale equity investments	250	-	250
Properties	43,350	1,897	41,453
Equipments	84,936	77,671	7,265
Internal and adjustment accounts	354,280	-	354,280
<b>Total</b>	<u>16,796,216</u>	<u>84,990</u>	<u>16,711,226</u>

**Balance sheet as at 30 June 2013 (continued)**  
*(Expressed in thousands of Macau Patacas)*

	<i>At 30 June 2013</i>	
	<i>Subtotal</i>	<i>Total</i>
	MOP'000	MOP'000
<b>Liabilities</b>		
Current deposits	12,242,282	
Call deposits	421,152	
Fixed deposits	1,933,184	14,596,618
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Funding from local credit institutions	85	
Funding from overseas credit institutions	1,345,919	
Cheques and bills payable	64,985	
Creditors	-	
Other liabilities	13,399	1,424,388
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Internal and adjustment accounts		460,706
Provisions		4,953
Revaluation reserve	(18,421)	
Other reserves	114,130	95,709
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Current profit		128,852
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<b>Total</b>		<b>16,711,226</b>
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## Profit and loss account for the half-year ended 30 June 2013

(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 2013</i>		<i>30 June 2013</i>
<i>Debit</i>	<i>Amount</i>	<i>Credit</i>	<i>Amount</i>
	<i>MOP'000</i>		<i>MOP'000</i>
Operating costs	8,074	Operating income	134,716
Personnel expenses		Income from banking	
Staff costs	29,402	services	91,008
Staff benefits	5,987	Other operating income	31,418
Supplies by third party	7,055	Other banking income	658
Services provided by		Non operating income	-
third party	47,746		
Other banking expenses	3,243		
Tax expenses	5		
Non operating expenses	44		
Depreciation expenses	2,240		
Provisions	874		
Operating profits	153,130		
	<hr/>		<hr/>
<b>Total</b>	<b>257,800</b>	<b>Total</b>	<b>257,800</b>
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Profit and loss account  
 for the half-year ended 30 June 2013 (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 2013</i>		<i>30 June 2013</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	898	Operating profit	153,130
Tax on profit	17,562	Income related to prior	1,284
Additional provision under AMCM rules	8,000	Provision used	898
Profit	128,852		
<b>Total</b>	<b>155,312</b>	<b>Total</b>	<b>155,312</b>

**Cash flow statement**  
**for the half-year ended 30 June 2013**  
*(Expressed in thousands of Macau Patacas)*

	<i>Half-year ended 30 June 2013 MOP'000</i>
<b>Operating activities</b>	
Profit before taxation	154,414
Adjustments for:	
Depreciation and amortisation	2,240
Employees' options granted cost free by the ultimate holding company	305
Gains less losses on financial investments	-
Impairment release and other credit risk provisions	(410)
Other movements in capital contribution related to employee share awards	(89)
	<u>156,460</u>
<b>Decrease/(increase) in operating assets:</b>	
Change in Monetary bills with original maturity of more than three months	(139,980)
Change in placements with banks maturing after one month	(6,450)
Change in loans and advances to customers	(1,079,283)
Change in other assets	151,590
<b>(Decrease)/increase in operating liabilities:</b>	
Change in deposits from banks	539,519
Change in customer accounts	(139,506)
Change in other liabilities	(32,899)
<b>Cash used from operating activities</b>	<u>(550,549)</u>
Taxation paid	-
<b>Net cash used from operating activities</b>	<u>(550,549)</u>

Cash flow statement  
 for the half-year ended 30 June 2013 (continued)  
 (Expressed in thousands of Macau Patacas)

	<i>Half-year ended 30 June 2013 MOP'000</i>
<b>Investing activities</b>	
Purchase of property, plant and equipment	(1,919)
<b>Net cash used in investing activities</b>	(1,919)
<b>Net cash outflow before financing</b>	(552,468)
<b>Financing activity</b>	
Profit remitted to head office	(280,149)
<b>Net cash used in financing activity</b>	(280,149)
<b>Net increase/(decrease) in cash and cash equivalents</b>	(832,617)
<b>Cash and cash equivalents at 1 January</b>	6,343,610
<b>Cash and cash equivalents at 30 June</b>	5,510,993
<b>Cash flows from operating activities include:</b>	
Interest received	125,586
Interest paid	6,981

## Off-balance-sheet exposures as at 30 June 2013 (Expressed in thousands of Macau Patacas)

### (a) *Contingent liabilities and commitments*

	<i>Contractual amounts At 30 June 2013 MOP'000</i>
Financial guarantees	<u>1,167,681</u>
Performance guarantees	<u>443,219</u>
Trade related contingencies	<u>483,445</u>
Other commitments	<u>7,979,935</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 2013 (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 2013</i> MOP'000
Interest rate contracts	103,000
Exchange rate contracts	4,426,218
	<u>4,529,218</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 2013</i>	
	<i>Assets</i> MOP'000	<i>Liabilities</i> MOP'000
Fair value		
- Interest rate contracts	1,754	1,754
- Exchange rate contracts	32,393	33,115
	<u>34,147</u>	<u>34,869</u>

	<i>At 30 June 2013</i> MOP'000
Credit risk weighted amounts	
- Interest rate contracts	258
- Exchange rate contracts	16,109
	<u>16,367</u>

## **Off-balance-sheet exposures as at 30 June 2013 (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 2013 are set out below:

	<i>Fellow subsidiaries Half-year ended 30 June 2013 MOP'000</i>	<i>The Hongkong and Shanghai Banking Corporation, Hong Kong Branch Half-year ended 30 June 2013 MOP'000</i>
Interest income	2,218	4,663
Interest expense	(21)	(2,500)
Fee and commission income	8,898	1,958
Fee and commission expense	(465)	(384)
Other operating income	94	-
Operating expenses	<u>(6,523)</u>	<u>(31,365)</u>
For the half-year ended 30 June	<u>4,201</u>	<u>(27,628)</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</i>	<i>The Hongkong and Shanghai Banking Corporation, Hong Kong Branch</i>
	<i>At 30 June 2013</i>	<i>At 30 June 2013</i>
	MOP'000	MOP'000
Cash and short-term funds	1,679,204	1,410,927
Interest receivable	-	102
Placement with banks maturing after one month	-	478,264
Deposits from financial institution	581,609	1,242,890
Other assets	-	29,639
Other liabilities	1	6,399
	1,679,204	1,410,927
As at 30 June	2,260,814	3,168,221

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.

## 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 2013		
	Gross loans and commitments MOP	Debt securities MOP	Financial derivatives MOP
<b>Macau SAR</b>	14,282,931	1,990,000	1,004,603
in which:			
- banks	-	-	-
- governments and public sectors	-	1,990,000	-
- others	14,282,931	-	1,004,603
<b>Hong Kong SAR</b>	3,008,088	-	3,476,678
in which:			
- banks	-	-	-
- governments and public sectors	-	-	-
- others	3,008,088	-	3,476,678
	<u>17,291,019</u>	<u>1,990,000</u>	<u>4,481,281</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 2013</i>	
	<i>Gross loans and advances MOP'000</i>	<i>Past due or impaired MOP'000</i>
Macau	7,363,324	178,148
Hong Kong	1,951,808	36,111
	9,315,132	214,259

## Credit risk management (continued)

(Expressed in thousands of Macau Patacas)

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

	<i>At 30 June 2013</i>
	MOP'000
Industry distribution of exposures	
- Manufacturing	1,210,908
- Electricity, gas and water	-
- Construction and public works	32,811
- Trade (wholesale and retail)	2,577,879
- Restaurants, hotels and related activities	21,098
- Transport, warehouse and communications	94,765
- Individuals for house purchases	3,399,241
- Individuals for other purposes	547,406
- Others	1,768,323
	<u>9,652,431</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 2013, the amounts of specific provision by industry sector are shown as follows:

	<i>At 30 June 2013</i>
	MOP'000
- Manufacturing	5,137
- Individuals for other purposes	<u>285</u>
	<u>5,422</u>

## Credit risk management (continued)

(Expressed in thousands of Macau Patacas)

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

	At 30 June 2013							Total MOP'000
	On demand MOP'000	Within 1 month MOP'000	3 months or less but over 1 month MOP'000	1 year or less but over 3 months MOP'000	3 years or less but over 1 year MOP'000	Over 3 years MOP'000	Within an indefinite period MOP'000	
<b>Assets</b>								
Cash and balances with other financial institutions	1,001,578	-	-	-	-	-	295,105	1,296,683
Placements with banks and other financial institutions	-	3,124,091	478,366	-	-	-	-	3,602,457
Securities issued by AMCM	-	1,000,000	370,000	620,000	-	-	-	1,990,000
Loans and advances to customers	340,266	1,599,660	1,993,910	740,026	921,422	4,057,147	-	9,652,431
	<u>1,341,844</u>	<u>5,723,751</u>	<u>2,842,276</u>	<u>1,360,026</u>	<u>921,422</u>	<u>4,057,147</u>	<u>295,105</u>	<u>16,541,571</u>
<b>Liabilities</b>								
Deposits and balances of banks and financial institutions	67,394	-	-	-	-	-	-	67,394
Deposits from Head Office and other branches	214,028	374,661	526,416	29,924	412,409	-	-	1,557,438
	<u>281,422</u>	<u>374,661</u>	<u>526,416</u>	<u>29,924</u>	<u>412,409</u>	<u>-</u>	<u>-</u>	<u>1,624,832</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 2013</i>
	MOP'000
Gross advances to customers that are past due	
- six months or less but over three months	525
- one year or less but over six months	-
- over one year	4,648
	<u>5,173</u>

	<i>At 30 June 2013</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	1,157
	<u>1,157</u>

	<i>At 30 June 2013</i>
	MOP'000
Amount of specific provision made on past due loans and advance	
- six months or less but over three months	285
- one year or less but over six months	-
- over one year	5,137
	<u>5,422</u>

As at 30 June 2013, 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 2013</i> MOP'000
HKD	(185,714)
USD	27,309
Other currencies	<u>5,169</u>
<b>Total</b>	<u>(153,236)</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 2013			Total
	United States Dollars	Hong Kong Dollars	Other foreign currencies	
<i>In thousand of MOP equivalent</i>				
<b>Assets</b>				
Cash and balances at central banks	2,045	110,464	1,894	114,403
Items in course of collection from banks	-	214,934	-	214,934
Loans and advances to banks	818	152,083	384,768	537,669
Loans and advances to customers	2,916,213	5,315,537	65,120	8,296,870
Other assets	22,227	45,491	33	67,751
Prepayments, accrued income and interest	4,937	10,763	1,063	16,763
Balances with intragroup	1,426,828	1,109,334	1,031,631	3,567,793
Spot assets	4,373,068	6,958,606	1,484,509	12,816,183

## Foreign exchange risk management (continued)

(Expressed in thousands of Macau Patacas)

### Foreign currency risk (continued)

	At 30 June 2013			Total
	United States Dollars	Hong Kong Dollars	Other foreign currencies	
<i>In thousand of MOP equivalent</i>				
<b>Liabilities</b>				
Deposits by customers	(4,213,504)	(5,762,391)	(1,264,202)	(11,240,097)
Items in the course of transmission to other banks	-	(56,396)	-	(56,396)
Other liabilities	(75,910)	(20,265)	(269,082)	(365,257)
Accruals and deferred income	(494)	(1,613)	(918)	(3,025)
Deposits by banks	(85)	-	-	(85)
Balances with intragroup	(580,914)	(648,444)	(74,696)	(1,304,054)
Spot liabilities	<u>(4,870,907)</u>	<u>(6,489,109)</u>	<u>(1,608,898)</u>	<u>(12,968,914)</u>
Forward purchase	<u>2,375,240</u>	<u>712,973</u>	<u>1,002,438</u>	<u>4,090,651</u>
Forward sales	<u>(1,850,092)</u>	<u>(1,368,184)</u>	<u>(872,880)</u>	<u>(4,091,156)</u>
<b>Net long non-structural position</b>	<u>27,309</u>	<u>(185,714)</u>	<u>5,169</u>	<u>(153,236)</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 2013:

(a)	The arithmetic mean of the minimum weekly amount of cash in hand that is required to be held	427,361
(b)	The arithmetic mean of the average weekly amount of cash in hand	586,555
(c)	The arithmetic mean of the specified liquid assets at the end of each month	8,392,338
(d)	The average ratio of specified liquid assets to total basic liabilities at the end of the month	56.7%
(e)	The arithmetic mean of its one-month liquidity ratio in the last week of each month	958.4%
(f)	The arithmetic mean of its three-month liquidity ratio in the last week of each month	487.4%

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 30 June not provided for in the financial statements.

(b) **Operating lease commitments**

At 30 June 2013, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	<i>At 30 June 2013</i> MOP'000
Within 1 year	4,626
After 1 year but within 5 year	<u>1,534</u>
	<u><u>6,160</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**

At 30 June 2013  
%

Capital adequacy ratio at 30 June	
Total capital ratio at 30 June	15.5
Core capital ratio at 30 June	14.2

The capital ratios was 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.

On 1 January 2013, the HKMA implemented the first phase of the Basel III capital framework in Hong Kong. The capital disclosures for June 2013 under Basel III are, therefore, not directly comparable with the disclosures for December 2012 prepared under the Basel II basis.

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 2013</i> HKD million
Share capital	58,969
Other reserves	<u>95,520</u>

(c) *Consolidated assets, liabilities and profits position*

	<i>At 30 June 2013</i> HKD million
Total assets	5,981,060
Total liabilities	5,490,719
Loans and advances to customers	2,481,588
Deposits by banks	235,957
Customer accounts	3,779,575
Profit before taxation	<u>95,550</u>

(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 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 2013 comprises:

### **Executive directors**

S T Gulliver, Chairman  
P T S Wong, Deputy Chairman and Chief Executive  
N L Kidwai  
R W M Lee

### **Non-executive directors**

L M L Cha, GBS, Deputy Chairman  
Z Mody, Deputy Chairman  
G J Bradley  
Dr C W C Cheng, GBS, OBE  
Dr R K F Ch'ien, GBS, CBE  
V T K Li  
C D Pratt  
P J H Riley  
A Sohmen-Pao  
K A Westley  
Dr R Y M Wong, DBE  
M M T Yang, GBS  
Tan Sri Dr F S P Yeoh, CBE