China CITIC Bank International Limited Macau Branch

(In accordance with the requirements set out in Macau Financial System Act approved by Decree-Law No. 32/93/M of 5 July 1993)

Balance Sheet as at 31 December 2012

MOP

Assets	Total Amount	Provision, Accumulated Depreciation and Impairment	Net Amount
Cash			
Deposits with AMCM	17,241,166.66		17,241,166.66
Account Receivable	35,298.00		35,298.00
Due from other local credit institutions	8,263,092.79		8,263,092.79
Due from other foreign credit institutions	40,704,630.14		40,704,630.14
Gold and Silver			
Other Current Assets			
Loans and advances to customers	711,070,076.73		711,070,076.73
Placements with local credit institutions	105,000,000.00		105,000,000.00
Placements with foreign credit institutions	160,105,874.90		160,105,874.90
Shares, Bonds and Equity			
Debtors			
Other Investments			
Financial Investments			
Real Estate			
Equipment	4,546,275.93	3,892,236.28	654,039.65
Deferred Expenses			
Pre-opening Expenses			
Fixed assets in progress			-
Other Fixed Assets	2,353,468.80	1,770,501.29	582,967.51
Internal and Adjustment accounts	126,851,665.19		126,851,665.19
TOTAL	1,176,171,549.14	5,662,737.57	1,170,508,811.57

China CITIC Bank International Limited Macau Branch

Balance Sheet as at 31 December 2012

MOP

Liabilities	Sub-total	Total
Saving Deposits	146,419,847.82	
Demand Deposits and Deposits at short notice		
Time Deposits	253,007,452.98	399,427,300.80
Public sector deposits		
Due to local credit institutions		
Due to other local credit institutions		
Foreign currency takings	499,441,316.22	
Cheques and orders payable	23,430,571.58	
Creditors	261,761.33	
Other Liabilities		523,133,649.13
Internal and Adjustment accounts	128,466,744.87	
Proivisions	36,739,467.58	
Capital	50,000,000.00	
Legal Reserve		
Voluntary Reserve		
Other Reserves	-	215,206,212.45
Profit and loss accumulated balance		
Profit & Loss for the year	32,741,649.19	32,741,649.19
TOTAL		1,170,508,811.57

China CITIC Bank International Limited Macau Branch

MOP

Memorandum items	Amount
Values received for safe keeping	
Bills for collection	507,232,205.15
Collateral	406,403,131.41
Guarantees on account of customers	135,234,873.94
Letters of credit outstanding	203,386,679.29
Bills and acceptance available for discount	
Deposit paid on behalf of customers	
Forward exchange contracts - purchases	194,783,940.00
Forward exchange contracts - sales	194,783,940.00
Other memorandum items	226,989.28

China CITIC Bank International Limited Macau Branch

Operating Result for the year ended 31 December 2012

MOP

Debit	Amount	Credit	Amount
Costs of credit operations	4,562,212.52	Income from credit operations	30,091,567.09
Personnel costs		Income from banking services	17,789,358.69
Directors and Supervisory Council Expenses		Income from other banking services	2,372,470.93
Staff Expenses	7,892,707.53	Income from securities and equity investments	
Fixed Staff Benefits	590,793.82	Other banking income	
Other personnel costs	265,573.96	Income from non-banking operations	
Third party supply	244,074.82	Operatomg Loss	
Third party services	3,624,935.06		
Other banking costs	59,575.18		
Taxation	4,363,876.70		
Costs of non-banking operations			
Depreciation allowances	546,659.75		
Provision allowances			
Operating Profit	28,102,987.37		
TOTAL	50,253,396.71	TOTAL	50,253,396.71

China CITIC Bank International Limited Macau Branch

Profit and Loss Account for the year ended 31 December 2012

MOP

Debit	Amount	Credit	Amount
Operating Loss		Operating Profit	28,102,987.37
Losses related to previous years		Profit related to previous years	
Exceptional Losses		Exceptional Profits	
Deferred tax for operating profit	46,858.65	Provisions charged back	4,685,520.47
Additional provision under AMCM rules		Operating Result (Loss)	
Operating Result (Profit)	32,741,649.19		
TOTAL	32,788,507.84	TOTAL	32,788,507.84

Executive Deputy General Manager & Branch Manager
Desmond Wong

Finance Manager
Emily Sio

China CITIC Bank International Limited Macau Branch

Business Summary Report

As of 31 December 2012, loan assets decreased by 25%, Y-O-Y from MOP947 Million to MOP711 Million and customer deposits decreased by 44%, Y-O-Y from MOP707 Million to MOP399 Million, respectively due to the seasonal fluctuation factors. Notwithstanding that, the Operating profit before impairment and tax increased by 34% from MOP24.1 Million to MOP32.5 Million. In view of no additional individual assessments and that there was write-back of MOP4.7 Million from collective impairment assessment, we have a significant improvement for the year of 2012 by recording a profit of MOP 32.7 Million versus a Loss of MOP6.9 Million for the year of 2011.

As Macau's economy continues to expand with the support of the Central Government, we shall continue to focus on Corporate Banking business, including trade finance, commercial lending, mortgage finance, project finance as well as RMB Cross-border Business. At the same time, we will continue to work in close collaboration with our branches in Hong Kong and overseas as well as the branches of our parent bank in the Mainland to provide an efficient and quality service to all onshore and offshore customers.

Finally, management would like to take this opportunity to thank the Government of the Macau Special Administrative Region for its continuing support, our customers, our fellow financial institutions and our staff during the past year.

Desmond Wong
Executive Deputy General Manager & Branch Manager

China CITIC Bank International Limited Macau Branch

中信銀行(國際)有限公司澳門分行

(formerly CITIC Bank International Limited, Macau Branch)

31 December 2012

Report of the Branch management

The Branch management have pleasure in submitting their annual report together with the audited financial statements for the year ended 31 December 2012.

Change of name

The Branch name was changed from CITIC Bank International Limited, Macau Branch to China CITIC Bank International Limited Macau Branch on 3 December 2012.

Principal place of business

China CITIC Bank International Limited Macau Branch ("the Branch"), is a branch of China CITIC Bank International Limited ("Head Office" or "the Bank"). It is domiciled in Macau and has its registered office and principal place of business at Unit B, 31st Floor, Bank of China Building, No. 323 Avenida Doutor Mario Soares, Macau.

Principal activities

The principal activities of the Branch are the provision of commercial banking and related financial services.

Financial statements

The profit of the Branch for the financial year ended 31 December 2012 and the state of the Branch's affairs at that date are set out in the financial statements on pages 4 to 45.

Fixed assets

Movements in fixed assets are set out in note 15 to the financial statements.

Head Office account

Profit for the year under Autoridade Monetária de Macau ("AMCM") rules of MOP32,741,649 (2011: Loss of MOP6,949,212) will be transferred to Head Office account. Other movements in the Head Office account are set out in the statement of changes in Head Office account.

Independent auditor's report to the management of China CITIC Bank International Limited Macau Branch (formerly CITIC Bank International Limited, Macau Branch)

We have audited the financial statements of China CITIC Bank International Limited Macau Branch ("the Branch") set out on pages 4 to 45, which comprise the Branch balance sheet as at 31 December 2012, and the income statement, the statement of changes in Head Office Account and the cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

As explained in note 2(b), the Branch is not a separate legal entity. These financial statements have been prepared from the records of the Branch and reflect all transactions recorded locally on the basis of the requirements as set out in Decree-Law No.32/93/M and the Macau Financial Reporting Standards issued under Administrative Regulation No.25/2005 of Macau Special Administrative Region ("Macau SAR").

Branch management's responsibility for the financial statements

The Branch management is responsible for the preparation of the financial statements that give a true and fair view in accordance with the requirement as set out in Macau Financial System Act (Decree-Law No.32/93/M) and the Macau Financial Reporting Standards issued under Administrative Regulation No.25/2005 by Macau SAR. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; making accounting estimates that are reasonable in the circumstances; and maintaining adequate and accurate accounting records.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. This report is made solely to you, as a body, in accordance with Article 53 of the Macau Financial System Act (Decree-Law No. 32/93/M of 5 July 1993) and our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with the Auditing Standards and Technical Standards of Auditing issued by Macau SAR. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

KPMG

Independent auditor's report to the management of China CITIC Bank International Limited Macau Branch (formerly CITIC Bank International Limited, Macau Branch) (continued)

Auditor's responsibility (continued)

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's professional judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Branch's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Branch's internal control. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by the Branch management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the state of affairs of the Branch as at 31 December 2012 and the Branch's profit and cash flows for the year then ended in accordance with the requirements as set out in Decree-Law No. 32/93/M and the Macau Financial Reporting Standards issued by the Macau SAR.

This report is intended solely for filing with the Autoridade Monetária de Macau.

Lei Iun Mei, Registered Auditor

KPMG

Certified Public Accountants

13 May 2013

24th Floor, B & C,
Bank of China Building
Avenida Doutor Mario Soares
Macau

Income statement
for the year ended 31 December 2012
(Expressed in Macau Patacas)

	Note	*2012* MOP	*2011* MOP
Interest income	3	30,091,567	29,034,242
Interest expense	3	(4,562,212)	(7,360,069)
Net interest income		25,529,355	21,674,173
Fee and commission income	4	16,722,697	8,320,574
Net trading income	5	175,648	3,712,280
Other operating income		3,263,484	3,342,194
Operating income		45,691,184	37,049,221
Operating expenses	6	(13,221,239)	(12,933,909)
Operating profit before impairment		32,469,945	24,115,312
Impairment losses released/(charged) on loans and advances to customers	7	4,685,520	(40,282,942)
Operating profit/(loss)		37,155,465	(16,167,630)
Loss on disposal of fixed assets		(3,081)	-
Profit/(loss) before taxation		37,152,384	(16,167,630)
Income tax (charged)/released	8(a)	(4,410,735)	1,940,116
Profit/(loss) for the year		32,741,649	(14,227,514)
Effects of additional provision for loans under Autoridade Monetária de Macau ("AMCM") rules			
Profit/(loss) for the year		32,741,649	(14,227,514)
Release of provision under AMCM rules, net of tax	19	-	7,278,302
Result for the year under AMCM rules		32,741,649	(6,949,212)

The notes on pages 10 to 45 form part of these financial statements.

Balance sheet at 31 December 2012

(Expressed in Macau Patacas)

	Note	*2012* MOP	*2011* MOP
Assets			
Cash and balances with banks	9	48,967,723	30,334,533
Placements with bank	10	160,105,875	280,737,504
Deposits with AMCM	11	17,241,167	19,711,049
Trading assets	12	578,305	3,837,037
Held-to-maturity investments	13	104,977,421	67,992,683
Loans and advances to customers	14(a)	674,330,609	906,052,386
Fixed assets	15	1,237,007	1,640,259
Deferred tax assets	8(d)	3,001,692	3,048,551
Other assets		123,306,967	267,301,421
TOTAL ASSETS		1,133,746,766	1,580,655,423
Liabilities			
Deposits from customers	16	399,427,301	707,030,482
Deposits and balances from Head Office	17	499,441,316	548,274,676
Trading liabilities	18	578,305	3,806,919
Current taxation	8(c)	4,411,425	242,798
Other liabilities		147,146,770	278,249,760
		1,051,005,117	1,537,604,635

Balance sheet at 31 December 2012 (continued)

(Expressed in Macau Patacas)

	Note	*2012* MOP	*2011* MOP
Head Office account			
Establishment fund		50,000,000	50,000,000
Provision under AMCM Rules			
– Regulatory reserve	19	-	-
Retained profits/(accumulated loss)		32,741,649	(6,949,212)
		82,741,649	43,050,788
TOTAL HEAD OFFICE ACCOUNT AND LIABILITIES		1,133,746,766	1,580,655,423

Approved and authorised for issue by Branch management on 13 May 2013.

The notes on pages 10 to 45 form part of these financial statements.

Statement of changes in Head Office account for the year ended 31 December 2012

(Expressed in Macau Patacas)

	Note	*Establishment fund* MOP	*Retained profits/ (accumulated loss)* MOP	*Regulatory reserve* MOP	*Total* MOP
Head Office account at 1 January 2012		50,000,000	(6,949,212)	-	43,050,788
Remittance from Head Office		-	6,949,212	-	6,949,212
Profit for the year		-	32,741,649	-	32,741,649
Transfer from regulatory reserve	19	-	-	-	-
Head Office account at 31 December 2012		50,000,000	32,741,649	-	82,741,649
Head Office account at 1 January 2011		50,000,000	5,740,098	7,278,302	63,018,400
Remittance to Head Office		-	(5,740,098)	-	(5,740,098)
Loss for the year		-	(14,227,514)	-	(14,227,514)
Transfer from regulatory reserve	19	-	7,278,302	(7,278,302)	-
Head Office account at 31 December 2011		50,000,000	(6,949,212)	-	43,050,788

The notes on pages 10 to 45 form part of these financial statements.

Cash flow statement
for the year ended 31 December 2012
(Expressed in Macau Patacas)

	Note	*2012* MOP	*2011* MOP
Operating activities			
Profit/(loss) before taxation		37,152,384	(16,167,630)
Adjustments for:			
Depreciation expense	6	546,660	386,236
Impairment losses on loans and advances to customers	7	(4,685,520)	40,282,942
Loss on disposal of fixed assets		3,081	-
		33,016,605	24,501,548
Decrease/(increase) in operating assets:			
Placements with bank with original maturity beyond three months		23,588,225	(24,014,100)
Deposits with AMCM		2,469,882	(9,753,881)
Trading assets		3,258,732	593,272
Loans and advances to customers		236,407,297	(262,174,093)
Other assets		143,994,454	(207,170,676)
		409,718,590	(502,519,478)
(Decrease)/increase in operating liabilities:			
Deposits from customers		(307,603,181)	407,027,887
Deposits and balances from Head Office		(48,833,360)	(26,119,584)
Trading liabilities		(3,228,614)	77,949
Other liabilities		(131,102,990)	217,708,139
		(490,768,145)	598,694,391
Cash (used in)/generated from operations		(48,032,950)	120,676,461
Tax paid		(195,249)	-
Net cash (used in)/generated from operating activities		(48,228,199)	120,676,461

Cash flow statement
for the year ended 31 December 2012 (continued)
(Expressed in Macau Patacas)

	Note	*2012* MOP	*2011* MOP
Investing activities			
Purchase of fixed assets		(146,489)	(649,374)
Net cash used in investing activities		(146,489)	(649,374)
Financing activities			
Accumulated loss/(retained profits) remitted from/(to) Head Office		6,949,212	(5,740,098)
Net cash generated from/(used in) financing activities		6,949,212	(5,740,098)
Net (decrease)/increase in cash and cash equivalents		(41,425,476)	114,286,989
Cash and cash equivalents at 1 January		355,050,620	240,763,631
Cash and cash equivalents at 31 December	20	313,625,144	355,050,620
Cash flows from operating activities include:			
Interest received		31,941,904	30,266,971
Interest paid		(5,003,161)	(6,606,447)

The notes on pages 10 to 45 form part of these financial statements.

Notes to the financial statements

(Expressed in Macau Patacas)

1 Principal place of business and activities

China CITIC Bank International Limited Macau Branch ("the Branch"), is a branch of China CITIC Bank International Limited ("Head Office" or "the Bank"). It is domiciled in Macau and has its registered office and principal place of business at Unit B, 31st Floor, Bank of China building, No. 323 Avenida Doutor Mario Soares, Macau. The Branch is registered as a licensed bank under the Macau Financial System Act on 3 October 2005 and is a member of the Macau Association of Banks.

The Branch is engaged in commercial banking business and provision of related financial services.

2 Significant accounting policies

(a) Statement of compliance

These financial statements of the Branch have been prepared in accordance with the requirements as set out in Decree-Law No.32/93/M and the Financial Reporting Standards ("FRSs") issued under Administrative Regulation No.25/2005 of the Macau Special Administrative Region ("Macau SAR"). A summary of the significant accounting policies adopted by the Branch is set out below.

(b) Basis of preparation of the financial statements

The Branch is part of China CITIC Bank International Limited, which is incorporated in Hong Kong, and accordingly it is not a separate legal entity. These financial statements have been prepared from the books and records maintained by the Branch in Macau, which contain evidence of all transactions entered into by the Branch locally but do not necessarily reflect all transactions that may be applicable to the Branch.

The financial statements are presented in Macau Patacas ("MOP").

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets and liabilities are stated at their fair value as explained in the accounting policies set out below:

– Derivatives financial instruments (see note 2(g))

2 Significant accounting policies (continued)

(b) Basis of preparation of the financial statements (continued)

The preparation of financial statements in conformity with FRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of FRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 25.

(c) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Branch and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in the income statement as follows:

(i) Interest income

Interest income for all interest-bearing financial instruments is recognised in the income statement on an accruals basis using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset. When calculating the effective interest rate, the Branch estimates cash flows considering all contractual terms of the financial instruments but does not consider future credit losses. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

For impaired loans, the accrual of interest income based on the original terms of the loan is discontinued, but any increase in the present value of impaired loans due to the passage of time is reported as interest income.

2 Significant accounting policies (continued)

(c) Revenue recognition (continued)

(ii) Fee and commission income

Fee and commission income is recognised when the corresponding service is provided, except where the fee is charged to cover the costs of a continuing service to, or risk borne for, the customer, or is interest in nature. In these cases, the fee is recognised as income in the accounting period in which the costs or risk is incurred and is accounted for as interest income.

Origination or commitment fees received/paid by the Branch which result in the creation or acquisition of a financial asset are deferred and recognised as an adjustment to the effective interest rate. When a loan commitment is not expected to result in the draw-down of a loan, loan commitment fees are recognised on a straight-line basis over the commitment period.

(d) Loans and advances to customers

Loans and advances to customers are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the Branch does not intend to sell immediately nor in the near term and may recover substantially all of its initial investment, other than because of credit deterioration.

Loans and advances to customers are carried at amortised cost (which include transaction costs directly attributable to the acquisition of the loan) using the effective interest method, less impairment losses, if any (see note 2(i)(i)).

(e) Investments

(i) Classification

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity which the Branch has the positive intention and ability to hold to maturity, other than (a) those that the Branch, upon initial recognition, designates as at fair value through profit or loss or as available for sale; and (b) those that meet the definition of loans and receivables.

(ii) Recognition and derecognition

The Branch recognises held-to-maturity investments on a trade date basis and derecognises when contractual rights to receive cash flows from it expires or substantially all the risks and rewards of ownership have been transferred.

2 Significant accounting policies (continued)

(e) Investments (continued)

(iii) Measurement

Investments are measured initially at fair value, which normally will be equal to the transaction price plus transaction costs directly attributable to the acquisition.

Held-to-maturity investments are subsequently measured at amortised costs using the effective interest method less impairment losses, if any (see note 2(i)(ii)).

(f) Financial liabilities

Financial liabilities are measured at amortised cost using the effective interest method.

(g) Derivative financial instruments

A derivative contract is initially recognised at fair value on the date on which it is entered into and is subsequently re-measured at its fair value. Fair values are obtained from market prices in active markets, including recent market transactions, and valuation techniques, including discounted cash flow models and options pricing models, as appropriate. All derivatives are carried as assets when their fair values are positive and as liabilities when their fair values are negative.

Derivative transactions of the Branch do not qualify for hedge accounting. Changes in the fair value of any derivative transaction that does not qualify for hedge accounting are recognised immediately in the income statement.

(h) Fixed assets

Fixed assets are stated at cost less accumulated depreciation and impairment losses, if any (see note 2(i)(iii)).

Gains or losses arising from the retirement or disposal of an item of fixed assets are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in income statement on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of fixed assets, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

– Leasehold improvements	10 years
– Furniture and fixtures	10 years
– Office equipment	7 years
– Computer equipment	3 - 5 years
– Motor vehicle	4 years

2 Significant accounting policies (continued)

(h) Fixed assets (continued)

Where parts of an item of fixed assets have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

(i) Impairment of assets

The carrying amount of the Branch's assets are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. Objective evidence that financial assets are impaired includes observable data that comes to the attention of the Branch about one or more of the following loss events which has an impact on the future cash flows on the assets that can be estimated reliably:

- significant financial difficulty of the issuer or borrower;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the borrower;
- disappearance of an active market for financial assets because of financial difficulties; and
- a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

If any such evidence exists, the carrying amount is reduced to the estimated recoverable amount by means of a charge to the income statement.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of loans and receivables and held-to-maturity investments, which are measured at amortised cost, whose recovery is considered doubtful but not remote. In this case, the impairment losses are recorded using an allowance account. When the Branch is satisfied that recovery is remote, the amount considered irrecoverable is written off against loans and receivables or held-to-maturity investments directly and any amounts held in the allowance account relating to that borrower/investment are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in the income statement.

2 Significant accounting policies (continued)

(i) Impairment of assets (continued)

(i) Loans and advances to customers

Impairment losses on loans and advances to customers are measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets). Receivables with a short duration are not discounted if the effect of discounting is immaterial.

The total allowance for credit losses consists of two components: individual impairment allowances and collective impairment allowances.

The Branch first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Branch determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

The individual impairment allowance is based upon management's best estimate of the present value of the cash flows which are expected to be received discounted at the original effective interest rate. In estimating these cash flows, management makes judgements about the borrower's financial situation and the net realisable value of any underlying collateral or guarantees in favour of the Branch. Each impaired asset is assessed on its own merits.

The Branch follows Head Office's policies in assessing the need for collective impairment allowances. Management uses statistical modelling and considers historical trends of factors such as credit quality, portfolio size, concentrations and economic factors. In order to estimate the required allowance, the Branch makes assumptions both to define the way the Branch models inherent losses and to determine the required input parameters, based on historical experience and current economic conditions.

The accuracy of the impairment allowances the Branch makes depends on how well the Branch can estimate future cash flows for individually assessed impairment allowances and the model assumptions and parameters used in determining collective impairment allowances. While this necessarily involves judgement, the Branch believes that the impairment allowances on loans and advances to customers are reasonable and supportable.

2 Significant accounting policies (continued)

(i) Impairment of assets (continued)

(i) Loans and advances to customers (continued)

Any subsequent changes to the amounts and timing of the expected future cash flows compared to the prior estimates that can be linked objectively to an event occurring after the write-down, will result in a change in the impairment allowances on loans and receivables and be charged or credited to the income statement. A reversal of impairment losses is limited to the loans and receivables' carry amount that would have been determined had no impairment loss been recognised in prior years.

When there is no reasonable prospect of recovery, the loan and the related interest receivables are written off.

Loans and receivables with renegotiated terms are loans that have been restructured due to deterioration in the borrower's financial position and where the Branch has made concessions that it would not otherwise consider. Renegotiated loans and receivables are subject to ongoing monitoring to determine whether they remain impaired or past due.

(ii) Investments

For held-to-maturity investments, the impairment allowance is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the asset's original effective interest rate, where the effect of discounting is material.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through the income statement. A reversal of impairment losses shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

(iii) Fixed assets

Internal and external sources of information are reviewed at each balance sheet date to identify indications that fixed assets may be impaired or, an impairment loss previously recognised no longer exists or may have decreased.

If any such indication exists, the asset's recoverable amount is estimated.

2 Significant accounting policies (continued)

(i) Impairment of assets (continued)

(iii) Fixed assets (continued)

– Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

– Recognition of impairment losses

An impairment loss is recognised in the income statement if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

– Reversals of impairment losses

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to the income statement in the year in which the reversals are recognised.

(j) Leased assets

Where the Branch has the use of assets held under operating leases, payments made under the leases are charged to the income statement in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in the income statement as an integral part of the aggregate net lease payments made. Contingent rentals are charged to the income statement in the accounting period in which they are incurred.

2 Significant accounting policies (continued)

(k) Employee benefits

Salaries, annual bonuses, paid annual leave and contributions to defined contribution retirement plans are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(l) Cash equivalents

For the purpose of balance sheet, cash and cash equivalents consist of placements with original maturities beyond three months.

For the purpose of cash flow statement, cash and cash equivalents consist of placements with original maturities within three months which are not restricted as to use.

(m) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in the income statement except to the extent that they relate to items recognised directly in equity, in which case the relevant amounts of tax are recognised directly in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised.

Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

2 Significant accounting policies (continued)

(m) Income tax (continued)

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profit will be available.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities if, and only if, the Branch has the legally enforceable right to set off current tax assets against current tax liabilities and in the case of current tax assets and liabilities, the Branch intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

(n) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Branch has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(o) Translation of foreign currencies

Foreign currency transactions during the year are translated into Macau Patacas at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated into Macau Patacas at the foreign exchange rates ruling at the balance sheet date. Exchange gains and losses are recognised in the income statement.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated into Macau Patacas using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated into Macau Patacas using the foreign exchange rates ruling at the dates the fair value was determined.

2 Significant accounting policies (continued)

(p) Related parties

(a) A person, or a close member of that person's family, is related to the Branch if that person:

- (i) has control or joint control over the Branch;
- (ii) has significant influence over the Branch; or
- (iii) is a member of the key management personnel of the Branch or the Branch's parent.

(b) An entity is related to the Branch if any of the following conditions applies:

- (i) The entity and the Branch are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the Branch or an entity related to the Branch.
- (vi) The entity is controlled or jointly controlled by a person identified in (a).
- (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

3 Net interest income

	2012 MOP	*2011* MOP
Interest income from:		
– loans and advances to customers	29,337,199	26,447,409
– deposits with banks and investments	262,909	138,917
– placements with Head Office	491,459	2,447,916
	30,091,567	29,034,242
Interest expense from:		
– deposits and balances from Head Office	3,098,856	6,317,657
– deposits from customers	1,463,356	1,042,412
	4,562,212	7,360,069
Net interest income	25,529,355	21,674,173

All interest income and expenses are arising from financial assets or financial liabilities that are not at fair value through profit or loss for the year ended 31 December 2012 and 2011.

4 Fee and commission income

	2012 MOP	*2011* MOP
Trade finance business	6,338,243	5,035,502
Credit facility fee	9,813,959	2,652,391
Others	570,495	632,681
	16,722,697	8,320,574

Included in the total fee and commission income are fee and commission income of MOP15,297,092 (2011: MOP7,676,687) (other than the amounts included in determining the effective interest rate) relating to financial assets and liabilities not at fair value through profit or loss.

5 Net trading income

	2012 MOP	*2011* MOP
Gain less loss from dealing in foreign currencies	175,648	3,712,280

6 Operating expenses

	2012 MOP	*2011* MOP
Staff costs	8,749,075	8,790,162
Rental expenses	1,451,317	1,405,454
Depreciation (note 15)	546,660	386,236
Others	2,474,187	2,352,057
	13,221,239	12,933,909

7 Impairment losses on loans and advances to customers

	2012 MOP	*2011* MOP
Impairment loss released/(charged) on loans and advances to customers		
– individually assessed (note 14(b))	-	549,222
– collectively assessed (note 14(b))	4,685,520	(40,832,164)
	4,685,520	(40,282,942)

8 Taxation

(a) Taxation in the income statement represents:

	2012 MOP	*2011* MOP
Current tax - Macau Complementary Tax		
Provision for the year	4,411,425	242,798
Over-provision in respect of the prior years	(47,570)	-
	4,363,855	242,798
Current tax- overseas		
Withholding tax	21	-
Deferred tax		
Origination/(reversal) of temporary differences (note 8(d))	46,859	(2,182,914)
	4,410,735	(1,940,116)

The provision for Macau Complementary Tax for 2012 is calculated at 12% (2011: 12%) of the estimated assessable profits for the year.

(b) Reconciliation between tax expense/(credit) and accounting profit/(loss) at applicable tax rates:

	2012 MOP	*2011* MOP
Profit/(loss) before taxation	37,152,384	(16,167,630)
Notional tax on profit/(loss) before taxation, calculated at Macau Complementary Tax rate of 12% (2011: 12%)	4,458,284	(1,940,116)
Over-provision in respect of prior years	(47,570)	-
Withholding tax	21	-
Actual tax expense/(credit)	4,410,735	(1,940,116)

8 Taxation (continued)

(c) Current taxation in the balance sheet represents:

	2012 MOP	*2011* MOP
Balance of Macau Complementary Tax provision	4,411,425	242,798

(d) Deferred tax assets recognised:

The components of deferred tax assets recognised in the balance sheet and the movements during the year are as follows:

	Temporary difference on regulatory reserve MOP	*Impairment allowances for loans and advances* MOP	*Tax losses* MOP	*Total* MOP
At 1 January 2012	-	3,048,551	-	3,048,551
Charged to income statement (note 8(a))	-	(46,859)	-	(46,859)
At 31 December 2012	-	3,001,692	-	3,001,692
At 1 January 2011	(992,496)	1,441,601	416,532	865,637
Credited/(charged) to income statement (note 8(a))	992,496	1,606,950	(416,532)	2,182,914
At 31 December 2011	-	3,048,551	-	3,048,551

Apart from the above, the Branch does not have any significant unprovided deferred taxation as at the balance sheet dates for both years.

9 Cash and balances with banks

	2012 MOP	*2011* MOP
Cash and balances with banks	48,967,723	30,334,533

10 Placements with bank

	2012 MOP	*2011* MOP
Placements with Head Office	160,105,875	280,737,504

11 Deposits with AMCM

	2012 MOP	*2011* MOP
Deposits with AMCM	17,241,167	19,711,049

At 31 December 2012 and 2011, deposits with AMCM were balances with AMCM for fulfilling the minimum reserve requirements. Funds that are taken into account in fulfilling the minimum reserve requirements are not available for the Branch's daily business.

12 Trading assets

	2012 MOP	*2011* MOP
Positive fair values of derivatives (note 21(b)(ii))	578,305	3,837,037

13 Held-to-maturity investments

	2012 MOP	*2011* MOP
Unlisted monetary bills issued by AMCM	104,977,421	67,992,683

14 Loans and advances to customers

(a) Loans and advances to customers less impairment allowances

	2012 MOP	*2011* MOP
Gross loans and advances to customers	711,070,077	947,477,374
Less: Impairment allowance		
– individually assessed (note 14(b))	-	-
– collectively assessed (note 14(b))	36,739,468	41,424,988
	674,330,609	906,052,386

(b) Movement in impairment allowances on loans and advances to customers

	Individually assessed MOP	*Collectively assessed* MOP	*Total* MOP
At 1 January 2012	-	41,424,988	41,424,988
Impairment losses released to income statement (note 7)	-	(4,685,520)	(4,685,520)
Amounts written off	-	-	-
At 31 December 2012 (note 14(a))	-	36,739,468	36,739,468
At 1 January 2011	23,811,762	592,824	24,404,586
Impairment losses charged/(released) to income statement (note 7)	(549,222)	40,832,164	40,282,942
Amounts written off	(23,262,540)	-	(23,262,540)
At 31 December 2011 (note 14(a))	-	41,424,988	41,424,988

14 Loans and advances to customers (continued)

(c) Loans and advances to customers analysed by industry sectors

The information concerning loans and advances to customers by industry sectors is prepared by classifying the loans and advances according to the usage of the loans and advances and is stated gross of any impairment allowances.

	2012					*2011*				
	Gross loans and advances to customers MOP	*Past due or impaired loans and advances to customers* MOP	*Individually assessed impairment allowance* MOP	*Collectively assessed impairment allowance* MOP	*Impairment allowance written off during the year* MOP	*Gross loans and advances to customers* MOP	*Past due or impaired loans and advances to customers* MOP	*Individually assessed impairment allowance* MOP	*Collectively assessed impairment allowance* MOP	*Impairment allowance written off during the year* MOP
Loans and advances for use in Macau										
Industrial, commercial and financial:										
– Property investment	5,506,294	-	-	284,499	-	183,476,102	-	-	8,021,823	-
– Wholesale and retail trade	198,349,091	-	-	10,248,273	-	202,481,801	-	-	8,852,777	-
– Manufacturing	47,069,124	-	-	2,431,961	-	38,994,898	-	-	1,704,910	-
– Others	28,941,280	-	-	1,495,334	-	59,740,000	-	-	2,611,913	-
	279,865,789	-	-	14,460,067	-	484,692,801	-	-	21,191,423	-
Individuals:										
– Loans and advances for the purchase of other residential properties	18,201,205	-	-	940,417	-	28,627,218	-	-	1,251,621	-
– Loans and advances for the purchase of other properties for investment purpose	9,051,260	-	-	467,659	-	14,109,955	-	-	616,906	11,098,807
	27,252,465	-	-	1,408,076	-	42,737,173	-	-	1,868,527	11,098,807
Trade finance	403,951,823	-	-	20,871,325	-	310,954,420	-	-	13,595,346	12,163,733

14 Loans and advances to customers (continued)

(c) Loans and advances to customers analysed by industry sectors (continued)

	2012					*2011*				
	Gross loans and advances to customers MOP	*Past due or impaired loans and advances to customers* MOP	*Individually assessed impairment allowance* MOP	*Collectively assessed impairment allowance* MOP	*Impairment allowance written off during the year* MOP	*Gross loans and advances to customers* MOP	*Past due or impaired loans and advances to customers* MOP	*Individually assessed impairment allowance* MOP	*Collectively assessed impairment allowance* MOP	*Impairment allowance written off during the year* MOP
Loans and advances for use outside Macau										
Industrial, commercial and financial:										
– Property and investment	-	-	-	-	-	103,000,000	-		4,503,299	-
– Wholesale and retail trade	-	-	-	-	-	6,092,980	-		266,393	-
	-	-	-	-	-	109,092,980	-		4,769,692	-
Gross loans and advances to customers	711,070,077	-	-	36,739,468	-	947,477,374	-		41,424,988	23,262,540

14 Loans and advances to customers (continued)

(d) Impaired loans and advances to customers

Impaired loans and advances to customers are individually assessed loans which exhibit objective evidence of impairment on an individual basis. At 31 December 2012 and 2011, none of the loans and advances to customers has been classified as impaired loans. No individually assessed impairment allowances were made, nor any collaterals or guarantee provided by the Head Office on those impaired loans and advances.

15 Fixed assets

	Leasehold improvements MOP	*Furniture and fixtures* MOP	*Office equipment* MOP	*Computer equipment* MOP	*Motor vehicle* MOP	*Total* MOP
Cost:						
At 1 January 2012	1,458,773	424,779	355,963	4,084,224	471,740	6,795,479
Additions	-	-	8,403	138,086	-	146,489
Disposals	-	(1,823)	(8,781)	(31,620)	-	(42,224)
At 31 December 2012	1,458,773	422,956	355,585	4,190,690	471,740	6,899,744
Accumulated depreciation:						
At 1 January 2012	899,577	212,136	257,786	3,313,981	471,740	5,155,220
Charge for the year (note 6)	145,877	42,339	47,602	310,842	-	546,660
Disposals written off	-	(1,170)	(6,353)	(31,620)	-	(39,143)
At 31 December 2012	1,045,454	253,305	299,035	3,593,203	471,740	5,662,737
Net book value:						
At 31 December 2012	413,319	169,651	56,550	597,487	-	1,237,007

15 Fixed assets (continued)

	Leasehold improvements MOP	*Furniture and fixtures* MOP	*Office equipment* MOP	*Computer equipment* MOP	*Motor vehicle* MOP	*Total* MOP
Cost:						
At 1 January 2011	1,458,773	424,779	322,529	3,468,284	471,740	6,146,105
Additions	-	-	33,434	615,940	-	649,374
At 31 December 2011	1,458,773	424,779	355,963	4,084,224	471,740	6,795,479
Accumulated depreciation:						
At 1 January 2011	753,700	169,661	208,616	3,165,267	471,740	4,768,984
Charge for the year (note 6)	145,877	42,475	49,170	148,714	-	386,236
At 31 December 2011	899,577	212,136	257,786	3,313,981	471,740	5,155,220
Net book value:						
At 31 December 2011	559,196	212,643	98,177	770,243	-	1,640,259

16 Deposits from customers

	2012 MOP	*2011* MOP
Current accounts	39,839,380	60,705,445
Savings deposits	106,580,468	302,018,274
Time, call and notice deposits	253,007,453	344,306,763
	399,427,301	707,030,482

17 Deposits and balances from Head Office

Deposits and balances from Head Office bears interest at commercial rates and matures within twelve months.

18 Trading liabilities

	2012 MOP	*2011* MOP
Negative fair value of derivatives (note 21(b)(ii))	578,305	3,806,919

19 Regulatory reserve

In accordance with Aviso n.°18/93-AMCM, credit institutions are required to maintain a minimum level of specific provision for a bad and doubtful loan, net of the realisable value of any existing and duly formalised tangible collateral, at a percentage depending on the overdue period of the loan, and a general provision at a minimum of 1% of the aggregate value of loans and advances to customers that are not overdue for more than three months and certain credit-related off-balance sheet exposure at the balance sheet date. The Branch recognises allowance for impairment losses on loans and advances to customers in accordance with the policy as set out in note 2(i)(i). In case where such impairment allowances are different from the minimum level as required by AMCM, the Branch will transfer an amount, which is equal to the difference between the allowance and the minimum level, after adjustment for tax impact, between its retained profits and the regulatory reserve. The movement of regulatory reserve during the year is as follows:

	2012 MOP	*2011* MOP
At 1 January	-	7,278,302
Release of provision under AMCM rules	-	(8,270,798)
Tax effect on the release of provision	-	992,496
	-	(7,278,302)
At 31 December	-	-

20 Cash and cash equivalents

	2012 MOP	*2011* MOP
Cash and balances with banks	48,967,723	30,334,533
Placements with bank with original maturity within three months	159,680,000	256,723,404
Unlisted monetary bills issued by AMCM with original maturity within three months	104,977,421	67,992,683
Cash and cash equivalents in the cash flow statement	313,625,144	355,050,620

21 Off-balance sheet exposures

(a) Contingent liabilities and commitments to extend credit

The following is a summary of the contractual amounts of each significant class of contingent liabilities and commitments:

	2012 MOP	*2011* MOP
Transaction-related contingencies	131,823,977	111,501,853
Trade-related contingencies	206,797,576	276,913,078
	338,621,553	388,414,931
Other commitments:		
– with an original maturity of not more than 1 year	1,854,140,929	2,459,412,882
– with an original maturity of more than 1 year	-	44,787,030
	1,854,140,929	2,504,199,912
	2,192,762,482	2,892,614,843

Contingent liabilities and commitments are credit-related instruments which include letters of credits, guarantees and commitments to extend credit. The risk involved is essentially the same as the credit risk involved in extending loan facilities to customers. 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.

(b) Derivatives

The use of derivatives for sale to customers as risk management products is an integral part of the Branch's business activities. These instruments are also used to manage the Branch's own exposures to market risk as part of its asset and liability management process. The principal derivative instruments used by the Branch are foreign exchange related contracts, which are primarily over-the-counter derivatives. Most of the Branch's derivative positions have been entered into to meet customer demand.

(i) Notional amounts of derivatives

Derivatives are contracts whose value depends on the value of one or more underlying financial instruments, interest or exchange rates or indices. The notional amounts of these instruments indicate the volume of transactions outstanding and do not represent amounts at risk.

21 Off-balance sheet exposures (continued)

(b) Derivatives (continued)

(i) Notional amounts of derivatives (continued)

The following is a summary of the notional amounts of each significant type of derivative entered into by the Branch:

	2012 MOP	*2011* MOP
Exchange rate contracts	389,567,880	1,119,741,380

(ii) Fair values and credit risk-weighted amounts of derivatives

	2012			*2011*		
	Fair value assets MOP	*Fair value liabilities* MOP	*Credit risk-weighted amount* MOP	*Fair value assets* MOP	*Fair value liabilities* MOP	*Credit risk-weighted amount* MOP
Exchange rate contracts	578,305	578,305	3,466,000	3,837,037	3,806,919	19,479,000

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 year and accordingly these amounts are shown on a gross basis.

(c) Operating lease commitments

At 31 December 2012, the total future minimum lease payment under non-cancellable operating leases are payable as follows:

	2012 MOP	*2011* MOP
Properties:		
– Within one year	62,745	1,075,987
– After one year but within five years	-	88,517
	62,745	1,164,504

21 Off-balance sheet exposures (continued)

(c) Operating lease commitments (continued)

	2012	*2011*
	MOP	MOP
Others:		
– Within one year	33,125	13,843
– After one year but within five years	112,987	36,915
	146,112	50,758

The Branch leases two properties, two car-parking spaces and two items of equipment under operating leases. The lease for property typically runs for an initial period of two years, with an option to renew the lease when all terms are renegotiated. The lease for car-parking spaces runs for an initial period of one year. The lease for equipment runs for an initial period of five years. None of the leases includes contingent rentals.

22 Financial risk management

This section presents information about the Branch's exposure to and its management and control of risks, in particular, the primary risks associated with its use of financial instruments:

- Credit risk: loss resulting from client or counterparty default and arises on credit exposure in all forms, including settlement risk.
- Market risk: exposure to market variables such as interest rates, exchange rates and other price risks.
- Liquidity and funding risk: risk that the Branch is unable to meet its payment obligations when due, or that it is unable, on an ongoing basis, to borrow funds in the market on an unsecured, or even secured basis at an acceptable price to fund actual or proposed commitments.
- Operational risk: risk arising from matters such as non-adherence to systems and procedures or from frauds resulting in financial or reputation loss.

The Branch has established policies and procedures to identify and analyse these risks, to set appropriate risk limits and controls, and to monitor the risks and limits continually by means of reliable and up-to-date management and information systems. The Branch continually modifies and enhances its risk management policies and systems to reflect changes in markets, products and best practice risk management processes. The internal auditors also perform regular audits to ensure compliance with the policies and procedures.

In addition to the Branch's exposure to and management of the aforesaid risks, this note also includes information about the Branch's capital management.

22 Financial risk management (continued)

(a) Credit risk management

Credit risk is managed by a regular analysis of the current and potential risk of loss arising from a customer's or counterparty's inability to meet financial obligations. The Branch is exposed to credit risk mainly through its lending. The Branch defines the credit exposure to a customer as the amount of maximum potential loss arising from all these activities. These exposures include both on and off-balance sheet transactions, including unfunded lending commitments such as loan commitments, and letters of credit and financial guarantees.

Credit risk management is effected by monitoring implementation of adopted credit policies that determine the borrower's creditworthiness, credit risks classification, loan application procedure and procedures for lending decisions making. The Branch applies the same credit policy in respect of contingent liabilities as in respect of financial instruments recorded on the balance sheet, based on loan approval procedures, use of limits to reduce risk and monitoring. Credit risk is also minimised by obtaining collateral in the form of pledged assets and guarantees from borrowers and third parties.

Concentration of credit risk exists when changes in geographic, economic or industry factors similarly affect groups of counterparties whose aggregate credit exposure is material in relation to the Branch's total exposures. An analysis of loans and advances to customers by industry sectors is disclosed in note 14(c).

(i) Credit quality of loans and advances to customers

The credit quality of loans and advances to customers can be analysed as follows:

	2012	*2011*
	MOP	MOP
Gross loans and advances to customers		
– neither past due nor impaired	711,070,077	947,477,374
	711,070,077	947,477,374

The Branch classifies the loans and advances to customers in accordance with the loan classification system required to be adopted for reporting to the AMCM.

Loans and advances with a specific repayment date are classified as past due when the principal or interest is overdue and remains unpaid at the year-end. Loans repayable on demand are classified as past due when a demand for repayment has been served on the borrower but repayment has not been made in accordance with the demand notice, and/or when the loans have remained continuously outside the approved limit advised to the borrower for more than the overdue period in question.

At 31 December 2012 and 2011, none of the loans and advances to customers have been classified as past due but not impaired or impaired.

22 Financial risk management (continued)

(a) Credit risk management (continued)

(ii) Credit quality of financial assets other than loans and advances to customers

At 31 December 2012 and 2011, the Branch only had held-to-maturity investments in unlisted monetary bills issued by AMCM. None of these assets (2011: Nil) have been past due with respect to either principal or interest.

(iii) Collateral and other credit enhancements

The Branch holds collateral against loans and advances to customers in the form of mortgages over property, cash deposits and guarantees. Collaterals held as security for financial assets other than advances is determined by the nature of the instrument.

The lower of gross loans and advances and the estimate of the fair value of collateral and other credit enhancements held against financial assets is as follows:

	2012 MOP	*2011* MOP
Lower of gross loans and advances and the fair value of collaterals and other credit enhancements held against financial assets that are:		
– neither past due nor impaired	699,803,011	942,192,111
	699,803,011	942,192,111

(b) Market risk management

The Branch's short-term and long-term strategic businesses give rise to market risk exposures from the movements in foreign exchange rates and interest rates. To identify and control various market risk exposures and credit risk concentration in respect of loans and advances to customers of the Branch, the Bank's Credit and Risk Management Committee ("CRMC"), Asset and Liability Committee ("ALCO") and its delegated sub-committees have set up a hierarchy of limits and a series of risk measurements. Hierarchy limits are composed of policy, business and transaction limits. Each hierarchy level has a series of risk measurements like profit and loss limits, position limits and sensitivity limits to alert and trigger adequate actions of different management levels for specific market risk control.

22 Financial risk management (continued)

(b) Market risk management (continued)

(i) Currency risk

The Branch's foreign exchange risk stems from taking foreign exchange positions. All foreign exchange positions are subject to exposure limits approved by ALCO.

Significant foreign currency exposures (at equivalent in MOP) at the balance sheet date were as follows:

	2012					
	Renminbi MOP	*Euro dollars* MOP	*United States dollars* MOP	*Hong Kong dollars* MOP	*Other currencies* MOP	*Total* MOP
Spot assets	32,956	7,858,766	290,337,167	594,356,098	5,851,119	898,436,106
Spot liabilities	-	(7,816,942)	(290,244,934)	(592,665,976)	(5,850,166)	(896,578,018)
Forward purchases	-	-	-	-	-	-
Forward sales	-	-	-	-	-	-
Net long/(short) position	32,956	41,824	92,233	1,690,122	953	1,858,088

	2011					
	Renminbi MOP	*Euro dollars* MOP	*United States dollars* MOP	*Hong Kong dollars* MOP	*Other currencies* MOP	*Total* MOP
Spot assets	32,156	127,380,404	343,921,052	752,240,312	30,336,419	1,253,910,343
Spot liabilities	-	(127,367,469)	(343,781,669)	(754,676,287)	(30,308,927)	(1,256,134,352)
Forward purchases	16,523,087	-	16,292,600	-	-	32,815,687
Forward sales	(16,523,087)	-	(16,292,600)	-	-	(32,815,687)
Net long/(short) position	32,156	12,935	139,383	(2,435,975)	27,492	(2,224,009)

For the foreign exchange currency exposures arising from financial instruments that are denominated in United States dollars ("USD") or Hong Kong dollars ("HKD"), the Branch considers the risk of movements in exchange rates among MOP, USD and HKD on the Branch's profits after tax and reserves to be insignificant as MOP and HKD are both pegged to the USD.

In respect of financial instruments denominated in other currencies, the Branch ensures that the net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates where necessary to address short-term imbalances. Consequently, the Branch considers the risk of movements in exchange rates of other currencies exposures in existence at that date, on the Branch's profits after tax and reserves, to be insignificant, assuming that all other variables, in particular interest rates, remain constant.

22 Financial risk management (continued)

(b) Market risk management (continued)

(ii) Interest rate risk

Interest rate risk primarily results from timing differences in the repricing of interest bearing assets, liabilities and commitments. The Branch's interest rate position arises mainly from lending activities undertaken. The Bank's ALCO oversees all interest rate risk arising from the interest rate profile of the Branch's assets and liabilities. These interest rate risk are comprised of maturity gaps, basis risk among different interest rate benchmarks, yield curve movements, interest rate repricing risk and risk from embedded options, if any. ALCO supervises the interest rate risk of the banking book through gap mismatch reports, sensitivity analysis and various stress testing.

The Branch measures the interest rate risk of the banking book by conducting a sensitivity analysis on the interest rate exposure on a quarterly basis.

The sensitivity analysis, which is based on an interest rate risk profile of assets and liabilities, is used for risk management purposes only. The analysis is based on the following assumptions:

(1) there is a parallel shift in the yield curve and in interest rates:

(2) there are no other changes to the portfolio;

(3) no loan prepayment is assumed as the majority of loans are on a floating base; and

(4) deposits without fixed maturity dates are assumed to be repriced the next day.

22 Financial risk management (continued)

(c) Liquidity risk management

Liquidity risk is the risk that the Branch may not be able to fund an increase in assets or meet obligations as they fall due without incurring unacceptable losses. Such funding liquidity risk is a result of the maturity mismatch of the assets and liabilities that the Branch manages.

Liquidity management is conducted at Group level, Bank level, at individual overseas branches and at subsidiaries. The Branch is responsible for implementing its own liquidity management policies under the framework established by ALCO of the Bank and local regulatory requirements. The liquidity situation is monitored as a whole by the ALCO. Counterparty limits are set for the Branch in respect of the funding support extended to them. The Branch expects all business units to contribute to the success of managing liquidity under normal and contingency situations by maintaining a rapport with depositors, customers, interbank counterparties, related companies and the regulatory authorities.

The objective of liquidity management is to meet the obligations payable under normal and emergency circumstances, to fund asset growth and to comply with statutory liquidity ratio.

The Branch always maintains a high liquidity ratio in order to meet unexpected increases of customer demand on cash.

22 Financial risk management (continued)

(c) Liquidity risk management (continued)

Analysis of assets and liabilities by remaining maturity

The following maturity profile is based on the remaining period at the balance sheet date to the contractual maturity date.

	2012							
	Total MOP	*Repayable on demand* MOP	*Within 1 month* MOP	*3 months or less but over 1 month* MOP	*1 year or less but over 3 months* MOP	*3 years or less but over 1 year* MOP	*Over 3 years* MOP	*Undated* MOP
Assets								
Cash and balances with banks	48,967,723	48,967,723	-	-	-	-	-	-
Placements with bank	160,105,875	-	159,680,000	-	425,875	-	-	-
Deposits with AMCM	17,241,167	17,241,167	-	-	-	-	-	-
Trading assets	578,305	-	14,084	-	443,112	121,109	-	-
Held-to-maturity investments	104,977,421	-	78,988,021	25,989,400	-	-	-	-
Loans and advances to customers	674,330,609	4,434,518	407,815,572	138,260,306	53,654,891	7,792,008	62,373,314	-
Undated assets	127,545,666	-	-	-	-	-	-	127,545,666
Total assets	1,133,746,766	70,643,408	646,497,677	164,249,706	54,523,878	7,913,117	63,373,314	127,545,666
Liabilities								
Deposits from non-bank customers	399,427,301	146,419,848	197,039,489	-	55,967,964	-	-	-
Deposits and balances from Head Office	499,441,316	-	499,441,316	-	-	-	-	-
Trading liabilities	578,305	-	14,084	-	443,112	121,109	-	-
Undated liabilities	151,558,195	-	-	-	-	-	-	151,558,195
Total liabilities	1,051,005,117	146,419,848	696,494,889	-	56,411,076	121,109	-	151,558,195
Asset-liability gap		(75,776,440)	(49,997,212)	164,249,706	(1,887,198)	7,792,008	62,373,314	

22 Financial risk management (continued)

(c) Liquidity risk management (continued)

Analysis of assets and liabilities by remaining maturity (continued)

	2011							
	Total MOP	*Repayable on demand* MOP	*Within 1 month* MOP	*3 months or less but over 1 month* MOP	*1 year or less but over 3 months* MOP	*3 years or less but over 1 year* MOP	*Over 3 years* MOP	*Undated* MOP
Assets								
Cash and balances with banks	30,334,533	30,334,533	-	-	-	-	-	-
Placements with bank	280,737,504	-	276,617,504	4,120,000	-	-	-	-
Deposits with AMCM	19,711,049	19,711,049	-	-	-	-	-	-
Trading assets	3,837,037	-	247,275	80,213	-	3,509,549	-	-
Held-to-maturity investments	67,992,683	-	59,995,106	7,997,577	-	-	-	-
Loans and advances to customers	906,052,386	40,751,300	381,556,006	175,278,573	30,603,671	164,315,568	113,547,268	-
Undated assets	271,990,231	-	-	-	-	-	-	271,990,231
Total assets	1,580,655,423	90,796,882	718,415,891	187,476,363	30,603,671	167,825,117	113,547,268	271,990,231
Liabilities								
Deposits from non-bank customers	707,030,482	362,723,718	329,463,118	14,778,985	64,661	-	-	-
Deposits and balances from Head Office	548,274,676	-	486,148,790	62,125,886	-	-	-	-
Trading liabilities	3,806,919	-	232,989	64,381	-	3,509,549	-	-
Undated liabilities	278,492,558	-	-	-	-	-	-	278,492,558
Total liabilities	1,537,604,635	362,723,718	815,844,897	76,969,252	64,661	3,509,549	-	278,492,558
Asset-liability gap		(271,926,836)	(97,429,006)	110,507,111	30,539,010	164,315,568	113,547,268	

22 Financial risk management (continued)

(d) Operational risk management

The Bank manages the Branch's operational risk through the Management Committee and the Operations & Control Committee. The Management Committee ensures that the Branch is operating properly and managed in accordance with pre-set risk policies and procedures of the Branch. The Operations & Control Committee periodically review, update, and test as necessary the operational policies, procedures and contingency plans of the Branch. For better monitoring of the risk, new products and services are evaluated by various functional units before they are approved by the Bank's senior management to ensure that staff, processes and technology can adequately support prior to launching.

(e) Capital management

The Branch's primary objectives when managing capital are to safeguard the Branch's ability to continue as a going concern, so that it can continue to provide returns for the Bank's shareholders and benefits the other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Branch defines "capital" as including all components of Head Office account and regulatory reserve. On this basis the amount of capital employed at 31 December 2012 was MOP82,741,649 (2011: MOP43,050,788).

The Branch actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might otherwise be possible with greater gearing and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

23 Fair value information

(a) Estimation of fair values

Where available, the most suitable measure for fair value is the quoted and observable market prices. In the absence of such quoted and observable market prices for most financial instruments, and in particular for loans and deposits, the fair values are estimated based on a range of methodologies and assumptions regarding risk characteristics of various financial instruments, discount rates, estimates of future cash flows, future expected loss experience and other factors. Changes in the uncertainties and assumptions could materially affect these estimates and the resulting fair value estimates.

(b) Fair value

All financial instruments are stated at fair value or carried at amounts not materially different from their fair values as at 31 December 2012 and 2011.

24 Material related party transactions

In addition to the transactions and balances disclosed elsewhere in these financial statements, the Branch entered into the following material related party transactions.

During the year, the Branch entered into a number of transactions with the Head Office, in the normal course of its banking business including, inter alia, lending, the acceptance and placement of inter-bank deposits, correspondent banking transactions and foreign exchange transactions. The transactions were priced based on relevant market rates at the time of each transaction, and were under the same terms as those available to other counterparties and customers of the Branch. In the opinion of the Branch management, these transactions were conducted on normal commercial terms.

The amounts of related party transactions during the year and outstanding balances at the end of the year are set out below:

	2012 MOP	*2011* MOP
Interest income	495,700	2,464,486
Interest expense	3,098,856	6,317,657
Net trading gain/(loss) from exchange rate contracts entered with Head Office	336,086	(3,806,919)
Placements with Head Office:		
At 1 January	280,737,504	78,186,680
At 31 December	160,105,875	280,737,504
Average for the year	111,840,029	245,912,330
Interest receivables from Head Office and other branch:		
At 1 January	563,138	5,024
At 31 December	60,351	563,138
Average for the year	35,845	93,311
Deposits and balances from Head Office:		
At 1 January	548,274,676	574,394,260
At 31 December	499,441,316	548,274,676
Average for the year	852,203,999	811,521,519

24 Material related party transactions (continued)

	2012 MOP	*2011* MOP
Interest payables to Head Office:		
At 1 January	376,636	217,764
At 31 December	30,485	376,636
Average for the year	135,681	334,940
Off-balance sheet items entered with Head Office:		
Forward contracts - notional amounts	194,783,940	559,740,420

No impairment allowances were made in respect of the above placements with related parties.

25 Accounting estimates and judgements

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of these financial statements and the reported amounts of revenues and expenses for the years presented. Changes in assumptions may have a significant impact on the financial statements in the periods where the assumptions are changed. The application of assumptions and estimates means that any selection of different assumptions would cause the Branch's reporting to differ. The Branch believes that the assumptions that have been made are appropriate and that the financial statements therefore present the financial position and results fairly, in all material respects.

Management discussed with the Audit Committee of the Bank the development, selection and disclosure of the significant accounting policies and estimates and the application of these policies and estimates.

25 Accounting estimates and judgements (continued)

Critical accounting judgements in applying the Branch's accounting policies

(i) Impairment losses on loans and advances to customers

Loan portfolios are reviewed periodically to assess whether impairment losses exist. The Branch makes judgements as to whether there is any objective evidence that a loan portfolio is impaired, i.e. whether there is a decrease in estimated future cash flows. Objective evidence for impairment is described in the accounting policy note 2(i). If management has determined, based on their judgement, that objective evidence of impairment exists, expected future cash flows are estimated based on historical loss experience for assets with credit risk characteristics similar to those of the Branch. Historical loss experience is adjusted on the basis of the current observable data. Management reviews the methodology and assumptions used in estimating future cash flows regularly to reduce any difference between loss estimates and actual loss experience.

(ii) Held-to-maturity investments

The Branch classifies non-derivative financial assets with fixed or determinable payments and fixed maturity and where the Branch has a positive intention and ability to hold to maturity as held-to-maturity investments. In making this judgement, the Branch evaluates its intention and ability to hold such investments till maturity. If the Branch fails to hold these investments to maturity other than for certain specific circumstances, the Branch will have to reclassify the entire portfolio of held-to-maturity investments as available-for-sale, as such class is deemed to have been tainted. This would result in held-to-maturity investments being measured at fair value instead of at amortised cost.

Unaudited disclosures of financial information for the year ended 31 December 2012

(Expressed in Macau Patacas unless otherwise indicated)

1 Credit risk management

Distribution of loans and advances to customers and commitments by region over or equal 10% of total loans and commitments.

(a) Geographical analysis of loans and advances to customers and commitments

	2012				
Region	*Gross loans and advances to customers and commitments* MOP	*Past due loans and advances to customers* MOP	*Impaired loans and advances to customers* MOP	*Individually assessed impairment allowance* MOP	*Collectively assessed impairment allowance* MOP
Macau SAR	2,479,045,577	-	-	-	33,585,416
Total	2,479,045,577	-	-	-	33,585,416

	2011				
Region	*Gross loans and advances to customers and commitments* MOP	*Past due loans and advances to customers* MOP	*Impaired loans and advances to customers* MOP	*Individually assessed impairment allowance* MOP	*Collectively assessed impairment allowance* MOP
Macau SAR	2,634,670,761	-	-	-	27,941,946
Hong Kong SAR	521,072,427	-	-	-	544,404
Total	3,155,743,188	-	-	-	28,486,350

The geographical analysis is classified based on the countries where the counterparties were incorporated, without taking into account the transfer of risk. In general, risk transfer applies when the exposure is guaranteed by a party situated in an area different from the counterparty.

The portion of collectively assessed impairment allowance of MOP3,154,052 (2011: MOP12,938,638) was not allocated to the above geographical areas.

Unaudited disclosures of financial information for the year ended 31 December 2012 (continued)

(Expressed in Macau Patacas unless otherwise indicated)

1 Credit risk management (continued)

(b) Geographical analysis of debt securities and derivatives

Debt investments (including AMCM Monetary Bills) and derivatives by geographical areas over or equal 10% of total credit exposure. The carrying value below represents the amount of the financial asset in the balance sheet.

	2012			
	Debt Investments		*Derivatives*	
	Notional amounts MOP	*Carrying value* MOP	*Notional amounts* MOP	*Carrying value* MOP
Region				
Macau SAR	105,000,000	104,977,421	194,783,940	(336,086)
Hong Kong SAR	-	-	194,783,940	336,086
Total	105,000,000	104,977,421	389,567,880	-

	2011			
	Debt Investments		*Derivatives*	
	Notional amounts MOP	*Carrying value* MOP	*Notional amounts* MOP	*Carrying value* MOP
Region				
Macau SAR	68,000,000	67,992,683	560,000,960	3,837,037
Hong Kong SAR	-	-	559,740,420	(3,806,919)
Total	68,000,000	67,992,683	1,119,741,380	30,118

At 31 December 2012 and 2011, the Branch only had held-to-maturity investments in unlisted monetary bills issued by AMCM.

At 31 December 2012 and 2011, the Branch entered into back-to-back transactions with Head Office to square off the position of all derivative contracts of the Branch.

Unaudited disclosures of financial information for the year ended 31 December 2012 (continued)

(Expressed in Macau Patacas unless otherwise indicated)

2 Liquidity ratio

The following table indicates the arithmetic mean of liquid assets held and liquidity ratios for the year ended 31 December for the Branch:

	2012	*2011*
	MOP	MOP
Minimum weekly amount of cash in hand required to be held	10,650,000	13,305,000
Average weekly amount of cash in hand	12,733,000	15,766,000
Specified liquid assets at the end of each month	469,657,000	598,809,000

	2012	*2011*
	%	%
Average ratio of specified liquid asset to total basic liabilities at the end of each month	111	104
One-month liquidity ratio in the last week of each month	91	74
Three-month liquidity ratio in the last week of each month	107	104

The liquid assets held and average liquidity ratio for the year are determined and calculated in accordance with the rules on cash in hand and minimum liquidity requirements as set out and defined in the AMCM Guideline Notice no. 006/93-AMCM.

Unaudited disclosures of financial information for the year ended 31 December 2012 (continued)

(Expressed in Macau Patacas unless otherwise indicated)

3 Other information in relation to positions of Head Office

The Branch does not itself publish consolidated accounts. Unless otherwise stated, all information disclosed is extracted from the corresponding information in the most recently available annual consolidated accounts of Head Office of which the Branch is a member.

(a) Consolidated capital adequacy ratio

	2012 %	*2011* %
Capital adequacy ratio at 31 December	18.22	18.30
Core capital ratio at 31 December	11.77	10.38

The capital adequacy ratio ("CAR") and core capital ratio, at 31 December 2012 and 2011, are computed on the consolidated basis covering the Bank and certain of its subsidiaries as required by HKMA for its regulatory purposes, and are in accordance with the Banking (Capital) Rules. The Bank has adopted the "Standardised approach" for the calculation of the risk-weighted amount for credit risk and market risk and the "Basic indicator approach" for the calculation of operational risk.

	2012 HK$	*2011* HK$
Share capital	7,283,341,000	7,283,341,000
Total reserves	7,768,515,000	5,821,856,000
Total equity	15,051,856,000	13,105,197,000

Unaudited disclosures of financial information for the year ended 31 December 2012 (continued)

(Expressed in Macau Patacas unless otherwise indicated)

3 Other information in relation to positions of Head Office (continued)

(b) Consolidated assets, liabilities and profits positions

	2012 HK$	*2011* HK$
Total assets	177,181,440,000	171,426,125,000
Total liabilities	162,129,584,000	158,320,928,000
Loans and advances to customers and other accounts	107,474,923,000	96,365,280,000
Deposits and balances of banks and other financial institutions	3,685,575,000	5,121,298,000
Deposits from customers	130,719,661,000	127,040,396,000
Profit before taxation	1,865,960,000	1,692,029,000

(c) List of shareholders with qualifying holdings

Qualifying holdings refers to holding which is owned directly or indirectly by the shareholder and which represents 10% or more of the share capital or voting right of the Bank or, in any other form which confers the possibility to exercise a significant influence over the management of the Bank.

At 31 December 2012, the directors consider the immediate parent of the Bank to be CITIC International Financial Holdings Limited, which is incorporated in Hong Kong, and the ultimate controlling party of the Bank to be CITIC Group Corporation, which is incorporated in the mainland China.

Unaudited disclosures of financial information for the year ended 31 December 2012 (continued)

(Expressed in Macau Patacas unless otherwise indicated)

3 Other information in relation to positions of Head Office (continued)

(d) Members of the company boards

As at the date of this report, the Board of Directors of the Bank comprise:

Chairman
Dr. Chen Xiaoxian

Executive Directors

Mr Zhang Xiaowei Samuel *(Chief Executive Officer)*	(appointed on 22 October 2012)
Ms Margaret Man *(Deputy Chief Executive Officer)*	(appointed on 28 June 2012)
Ms Kan Ng Chau Yuk Helen *(Alternate Chief Executive Officer)*	(appointed on 15 March 2013)

Non-executive Directors

Mr Cao Guoqiang	
Mr Cao Tong	
Mr Patrick George Gillot	
Mr Ju Weimin	
Mr Sun Deshun	(appointed on 15 March 2013)
Mr Gonzalo Torano	
Mr Peter Warbanoff	(appointed on 1 January 2013)

Independent Non-executive Directors
Mr Rafael Gil-Tienda
Mr Lam Kwong Siu
Mr Tsang Yiu Keung Paul