

### 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 2014

MOP

Assets	Total Amount	Provision, Accumulated Depreciation and Impairment	Net Amount
Cash			
Deposits with AMCM	19,873,283.98		19,873,283.98
Account Receivable	309.00		309.00
Due from other local credit institutions	16,007,773.02		16,007,773.02
Due from other foreign credit institutions	50,878,842.13		50,878,842.13
Gold and Silver			
Other Current Assets			
Loans and advances to customers	1,415,534,838.18		1,415,534,838.18
Placements with local credit institutions	83,000,000.00		83,000,000.00
Placements with foreign credit institutions	64,171,269.69		64,171,269.69
Shares, Bonds and Equity			
Debtors			
Other Investments			
Financial Investments			
Real Estate			
Equipment	5,547,764.18	4,594,576.53	953,187.65
Deferred Expenses			
Pre-opening Expenses			
Fixed assets in progress			
Other Fixed Assets	2,427,167.30	2,156,647.88	270,519.42
Internal and Adjustment accounts	148,184,130.81		148,184,130.81
TOTAL	1,805,625,378.29	6,751,224.41	1,798,874,153.88

## China CITIC Bank International Limited Macau Branch

Balance Sheet as at 31 December 2014

MOP

Liabilities	Sub-total	Total
Saving Deposits	291,917,225.47	
Deposits at short notice		
Time Deposits	193,373,382.70	485,290,608.17
Public sector deposits		
Due to local credit institutions		
Due to other local credit institutions		
Foreign currency takings	1,075,506,197.03	
Cheques and orders payable	324,136.83	
Creditors	246,338.58	
Other Liabilities		1,076,076,672.44
Internal and Adjustment accounts	164,671,161.78	
Provisions	16,059,789.11	
Capital	50,000,000.00	
Legal Reserve		
Voluntary Reserve		
Other Reserves *	2,432,869.67	233,163,820.56
Profit and loss accumulated balance		
Profit & Loss for the year	4,343,052.71	4,343,052.71
TOTAL		1,798,874,153.88

**\* Note:**

Other reserves include MOP2,432,869.67 for general provision. The Branch adopts Macau Financial Reporting Standards to prepare its financial statements and to provide collective impairment allowance. Such collective impairment allowance may be lower than the minimum general provision requirement of AMCM Rule 18/93. The Branch will transfer the amount equal to the difference between the minimum requirement of AMCM and the collective impairment allowance to other reserve (after considering the deferred tax liabilities of MOP331,754.96). This additional general provision is shown as "Additional provision under AMCM rules" in this summarized financial statements. In the income statement of the annual financial reports, this adjustment is shown between "Profit for the year" and "Result for the year under AMCM rules".

### China CITIC Bank International Limited Macau Branch

MOP

Memorandum items	Amount
Values received for safe keeping	
Bills for collection	49,303,277.76
Collateral	475,562,528.94
Guarantees on account of customers	143,942,642.00
Letters of credit outstanding	175,690,963.38
Bills and acceptance available for discount	
Deposit paid on behalf of customers	
Forward exchange contracts - purchases	
Forward exchange contracts - sales	
Other memorandum items	70,731,897.45

### China CITIC Bank International Limited Macau Branch

Operating Result for the year ended 31 December 2014

MOP

Debit	Amount	Credit	Amount
Costs of credit operations	5,068,781.46	Income from credit operations	29,753,246.76
Personnel costs		Income from banking services	13,871,551.62
Directors and Supervisory Council Expenses		Income from other banking services	1,139,444.54
Staff Expenses	10,143,410.88	Income from securities and equity investments	
Fixed Staff Benefits	612,810.23	Other banking income	
Other personnel costs	1,201,174.30	Income from non-banking operations	
Third party supply	179,487.71	Operatong Loss	
Third party services	4,286,453.77		
Other banking costs	136,496.11		
Taxation	(71,723.91)		
Costs of non-banking operations			
Depreciation allowances	623,364.29		
Provision allowances	18,138,160.00		
Operating Profit	4,445,828.08		
TOTAL	44,764,242.92	TOTAL	44,764,242.92

### China CITIC Bank International Limited Macau Branch

Profit and Loss Account for the year ended 31 December 2014

MOP

Debit	Amount	Credit	Amount
Operating Loss		Operating Profit	4,445,828.08
Losses related to previous years		Profit related to previous years	
Exceptional Losses		Exceptional Profits	
Profit tax provision	629,020.88	Provisions charged back	
Additional provision under AMCM rules		Additional provision under AMCM rules	526,245.51
Operating Result (Profit)	4,343,052.71	Operating Result (Loss)	
TOTAL	4,972,073.59	TOTAL	4,972,073.59

Executive Deputy General Manager & Branch Manager  
 Desmond Wong

Assistant Vice President  
 Emily Sio

## **China CITIC Bank International Limited Macau Branch**

### **Business Summary Report**

In spite of the increasing competitive environment in the year 2014, the Branch grew its operating profit before impairment from MOP13.2 million in 2013 to MOP22.5 million in 2014 thanks to the increase in net interest income. Due to increase in impairment and lack of provision write-back in 2014, the profit before taxation reduced from MOP39.2 million in 2013 to MOP4.4 million in 2014. As a result of increase in syndication loan business, net loans and advances to customers grew from MOP793 million in 2013 to MOP1,399 million in 2014. However, deposits from customers decreased from MOP691 million to MOP485 million as a result of highly competitive deposit market in Macau.

With the support of the PRC Central Government, we expect Macau's economy will remain prosperous though there was an economic slowdown in the second half of 2014. In 2015, we shall continue to focus on corporate banking business, including trade finance, commercial lending, mortgage finance as well as RMB related cross-border business, etc. At the same time, we will continue to work in close collaboration with our head office in Hong Kong and overseas branches as well as our parent bank, China CITIC Bank in the Mainland to provide 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

31 December 2014

## **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 2014.

### **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 2014 and the state of the Branch’s affairs at that date are set out in the financial statements on pages 4 to 46.

### **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 MOP4,343,052 (2013: MOP31,504,643) 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

We have audited the financial statements of China CITIC Bank International Limited Macau Branch ("the Branch") set out on pages 4 to 46, which comprise the Branch's balance sheet as at 31 December 2014, and the income statement, statement of changes in Head Office account and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

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 the Macau Special Administrative Region ("Macau SAR").

### *Branch management's responsibility for the financial statements*

The Branch management is responsible for the preparation and fair presentation of these financial statements in accordance with the requirements as set out in the Macau Financial System Act (Decree-Law No.32/93/M) and the Financial Reporting Standards issued under Administrative Regulation No.25/2005 of the Macau SAR. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the 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 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 the Macau SAR. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.



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

### *Auditor's responsibility (continued)*

An audit involves performing appropriate 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 and fair presentation of the financial statements 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 policies 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, in all material respects, the state of affairs of the Branch as at 31 December 2014 and of the Branch's profit and cash flows for the year then ended in accordance with the requirements set out in Decree-Law No. 32/93/M and the Financial Reporting Standards of the Macau SAR.

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

Ieong Lai Kun, Registered Auditor

KPMG

Certified Public Accountants

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

12 May 2015

# Income statement

## for the year ended 31 December 2014

(Expressed in Macau Patacas)

	Note	2014 MOP	2013 MOP
Interest income	3	29,753,247	18,739,356
Interest expense	3	(5,068,782)	(2,686,047)
<b>Net interest income</b>		<b>24,684,465</b>	<b>16,053,309</b>
Fee and commission income	4	12,375,384	10,514,836
Net trading income	5	-	17,815
Other operating income		2,635,612	2,655,668
<b>Operating income</b>		<b>39,695,461</b>	<b>29,241,628</b>
<b>Operating expenses</b>	6	<b>(17,182,957)</b>	<b>(16,071,551)</b>
<b>Operating profit before impairment</b>		<b>22,512,504</b>	<b>13,170,077</b>
Bad debt recovery		-	818,659
Impairment losses (charged on)/released from loans and advances to customers	7	(18,138,159)	25,184,835
<b>Operating profit</b>		<b>4,374,345</b>	<b>39,173,571</b>
Loss on disposal of fixed assets		(241)	-
<b>Profit before taxation</b>		<b>4,374,104</b>	<b>39,173,571</b>
Income tax charged	8(a)	(557,297)	(4,709,813)
<b>Profit for the year</b>		<b>3,816,807</b>	<b>34,463,758</b>
<b>Effects of additional provision for loans under Autoridade Monetária de Macau (“AMCM”) rules</b>			
Profit for the year		3,816,807	34,463,758
Write-back of/(additional) provision under AMCM rules, net of tax	19	526,245	(2,959,115)
<b>Result for the year under AMCM rules</b>		<b>4,343,052</b>	<b>31,504,643</b>

The notes on pages 10 to 46 form part of these financial statements.

## Balance sheet at 31 December 2014

*(Expressed in Macau Patacas)*

	<i>Note</i>	<i>2014</i> MOP	<i>2013</i> MOP
<b>Assets</b>			
Cash and balances with banks	9	66,886,615	109,960,282
Placements with bank	10	64,171,270	87,854,800
Deposits with AMCM	11	19,873,284	41,679,556
Trading assets	12	-	693,924
Held-to-maturity investments	13	82,983,047	79,986,481
Loans and advances to customers	14(a)	1,399,475,049	792,576,885
Fixed assets	15	1,223,707	1,141,812
Other assets		148,184,439	239,608,007
<b>TOTAL ASSETS</b>		<u>1,782,797,411</u>	<u>1,353,501,747</u>
<b>Liabilities</b>			
Deposits from customers	16	485,290,608	690,852,536
Deposits and balances from Head Office	17	1,075,506,197	375,380,387
Trading liabilities	18	-	676,109
Current taxation	8(c)	596,653	1,295,621
Deferred tax liabilities	8(d)	331,755	403,516
Other liabilities		164,296,276	200,429,820
		<u>1,726,021,489</u>	<u>1,269,037,989</u>

## Balance sheet at 31 December 2014 (continued)

(Expressed in Macau Patacas)

	<i>Note</i>	<i>2014</i> MOP	<i>2013</i> MOP
<b>Head Office account</b>			
Establishment fund		50,000,000	50,000,000
Provision under AMCM Rules			
– Regulatory reserve	19	2,432,870	2,959,115
Retained profits		4,343,052	31,504,643
		<u>56,775,922</u>	<u>84,463,758</u>
<b>TOTAL HEAD OFFICE ACCOUNT AND LIABILITIES</b>		<u>1,782,797,411</u>	<u>1,353,501,747</u>

Approved and authorised for issue by Branch management on 12 May 2015

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) Management  
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The notes on pages 10 to 46 form part of these financial statements.

# Statement of changes in Head Office account for the year ended 31 December 2014 (Expressed in Macau Patacas)

	Note	Establishment fund MOP	Retained profits MOP	Regulatory reserve MOP	Total MOP
<b>Head Office account at 1 January 2014</b>		50,000,000	31,504,643	2,959,115	84,463,758
Remittance to Head Office		-	(31,504,643)	-	(31,504,643)
Profit for the year		-	3,816,807	-	3,816,807
Transfer from regulatory reserve	19	-	526,245	(526,245)	-
<b>Head Office account at 31 December 2014</b>		<u>50,000,000</u>	<u>4,343,052</u>	<u>2,432,870</u>	<u>56,775,922</u>
<b>Head Office account at 1 January 2013</b>		50,000,000	32,741,649	-	82,741,649
Remittance to Head Office		-	(32,741,649)	-	(32,741,649)
Profit for the year		-	34,463,758	-	34,463,758
Transfer to regulatory reserve	19	-	(2,959,115)	2,959,115	-
<b>Head Office account at 31 December 2013</b>		<u>50,000,000</u>	<u>31,504,643</u>	<u>2,959,115</u>	<u>84,463,758</u>

The notes on pages 10 to 46 form part of these financial statements.

# Cash flow statement

## for the year ended 31 December 2014

(Expressed in Macau Patacas)

	Note	2014 MOP	2013 MOP
<b>Operating activities</b>			
Profit before taxation		4,374,104	39,173,571
Adjustments for:			
Depreciation expense	6	623,364	543,668
Impairment losses on loans and advances to customers	7	18,138,159	(25,184,835)
Loss on disposal of fixed assets		241	-
		<u>23,135,868</u>	<u>14,532,404</u>
(Increase)/decrease in operating assets:			
Placements with bank with original maturity beyond three months		(1,850,050)	425,875
Deposits with AMCM		21,806,272	(24,438,389)
Trading assets		693,924	(115,619)
Loans and advances to customers		(625,036,323)	(93,061,441)
Other assets		91,423,568	(116,301,040)
		<u>(512,962,609)</u>	<u>(233,490,614)</u>
Increase/(decrease) in operating liabilities:			
Deposits from customers		(205,561,928)	291,425,235
Deposits and balances from Head Office		700,125,810	(124,060,929)
Trading liabilities		(676,109)	97,804
Other liabilities		(36,246,720)	53,283,050
		<u>457,641,053</u>	<u>220,745,160</u>

**Cash flow statement**  
**for the year ended 31 December 2014 (continued)**  
*(Expressed in Macau Patacas)*

	<i>Note</i>	<i>2014</i> MOP	<i>2013</i> MOP
<b>Cash (used in)/generated from operations</b>		(32,185,688)	1,786,950
Tax paid		<u>(1,328,026)</u>	<u>(4,420,409)</u>
<b>Net cash used in operating activities</b>		<u>(33,513,714)</u>	<u>(2,633,459)</u>
<b>Investing activities</b>			
Purchase of fixed assets		<u>(592,324)</u>	<u>(448,473)</u>
<b>Net cash used in investing activities</b>		<u>(592,324)</u>	<u>(448,473)</u>
<b>Financing activities</b>			
Retained profits remitted to Head Office		<u>(31,504,643)</u>	<u>(32,741,649)</u>
<b>Net cash used in financing activities</b>		<u>(31,504,643)</u>	<u>(32,741,649)</u>
<b>Net decrease in cash and cash equivalents</b>		(65,610,681)	(35,823,581)
<b>Cash and cash equivalents at 1 January</b>		<u>277,801,563</u>	<u>313,625,144</u>
<b>Cash and cash equivalents at 31 December</b>	20	<u><u>212,190,882</u></u>	<u><u>277,801,563</u></u>
<b>Cash flows from operating activities include:</b>			
Interest received		30,023,527	18,169,521
Interest paid		<u>(5,214,052)</u>	<u>(2,808,101)</u>

The notes on pages 10 to 46 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 for 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 the 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 reporting period 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 reporting period 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 of disposal 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 whenever 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 of disposal (if measurable) or value in use (if determinable).

- Reversals of impairment losses

In respect of assets, 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 end of reporting period, 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 end of reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each reporting period 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 end of reporting period. 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 measured.

## 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

	2014 MOP	2013 MOP
Interest income from:		
– loans and advances to customers	29,342,460	18,417,479
– deposits with banks and investments	289,464	262,925
– placements with Head Office	121,323	58,952
	<u>29,753,247</u>	<u>18,739,356</u>
Interest expense from:		
– deposits and balances from Head Office	3,747,251	1,525,445
– deposits from customers	1,321,531	1,160,602
	<u>5,068,782</u>	<u>2,686,047</u>
Net interest income	<u>24,684,465</u>	<u>16,053,309</u>

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 2014 and 2013.

### 4 Fee and commission income

	2014 MOP	2013 MOP
Trade finance business	8,118,484	8,099,612
Credit facility fee	3,182,441	1,636,561
Others	1,074,459	778,663
	<u>12,375,384</u>	<u>10,514,836</u>

Included in the total fee and commission income are fee and commission income of MOP11,497,064 (2013: MOP9,953,807) (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**

	<i>2014</i> MOP	<i>2013</i> MOP
Gain less loss from dealing in foreign currencies	<u>-</u>	<u>17,815</u>

**6 Operating expenses**

	<i>2014</i> MOP	<i>2013</i> MOP
Staff costs	11,957,396	11,035,684
Rental expenses	1,859,783	1,698,123
Depreciation (note 15)	623,364	543,668
Others	<u>2,742,414</u>	<u>2,794,076</u>
	<u>17,182,957</u>	<u>16,071,551</u>

**7 Impairment losses (charged on)/released from loans and advances to customers**

	<i>2014</i> MOP	<i>2013</i> MOP
Impairment losses (charged on)/released from loans and advances to customers		
- individually assessed (note 14(b))	(13,633,003)	-
- collectively assessed (note 14(b))	<u>(4,505,156)</u>	<u>25,184,835</u>
	<u>(18,138,159)</u>	<u>25,184,835</u>

## 8 Taxation

(a) *Taxation in the income statement represents:*

	2014 MOP	2013 MOP
<b>Current tax - Macau Complementary Tax</b>		
Provision for the year	596,653	1,295,621
Under/(over)-provision in respect of the prior years	32,368	(48,185)
	<u>629,021</u>	<u>1,247,436</u>
<b>Current tax- overseas</b>		
Withholding tax	37	57,169
<b>Deferred tax</b>		
(Reversal)/origination of temporary differences (note 8(d))	<u>(71,761)</u>	<u>3,405,208</u>
	<u><u>557,297</u></u>	<u><u>4,709,813</u></u>

The provision for Macau Complementary Tax for 2014 is calculated at 12% (2013: 12%) of the estimated assessable profits for the year.

(b) *Reconciliation between tax expense and accounting profit at applicable tax rates:*

	2014 MOP	2013 MOP
Profit before taxation	<u>4,374,104</u>	<u>39,173,571</u>
Notional tax on profit before taxation, calculated at Macau Complementary Tax rate of 12% (2013: 12%)	524,892	4,700,829
Under/(over)-provision in respect of prior years	32,368	(48,185)
Withholding tax	<u>37</u>	<u>57,169</u>
Actual tax expense	<u><u>557,297</u></u>	<u><u>4,709,813</u></u>

## 8 Taxation (continued)

### (c) Current taxation in the balance sheet represents:

	2014 MOP	2013 MOP
Balance of Macau Complementary Tax provision	<u>596,653</u>	<u>1,295,621</u>

### (d) Deferred tax assets/(liabilities) recognised:

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

	<i>Temporary difference on regulatory reserve MOP</i>	<i>Impairment allowances for loans and advances MOP</i>	<i>Total MOP</i>
At 1 January 2014	(403,516)	-	(403,516)
Released to income statement (note 8(a))	<u>71,761</u>	<u>-</u>	<u>71,761</u>
At 31 December 2014	<u>(331,755)</u>	<u>-</u>	<u>(331,755)</u>
At 1 January 2013	-	3,001,692	3,001,692
Charged to income statement (note 8(a))	<u>(403,516)</u>	<u>(3,001,692)</u>	<u>(3,405,208)</u>
At 31 December 2013	<u>(403,516)</u>	<u>-</u>	<u>(403,516)</u>

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

	2014 MOP	2013 MOP
Cash and balances with banks	<u>66,886,615</u>	<u>109,960,282</u>

**10 Placements with bank**

	<i>2014</i> MOP	<i>2013</i> MOP
Placements with Head Office	<u>64,171,270</u>	<u>87,854,800</u>

**11 Deposits with AMCM**

	<i>2014</i> MOP	<i>2013</i> MOP
Deposits with AMCM	<u>19,873,284</u>	<u>41,679,556</u>

At 31 December 2014 and 2013, 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**

	<i>2014</i> MOP	<i>2013</i> MOP
Positive fair values of derivatives (note 21(b)(ii))	<u>-</u>	<u>693,924</u>

**13 Held-to-maturity investments**

	<i>2014</i> MOP	<i>2013</i> MOP
Unlisted monetary bills issued by AMCM	<u>82,983,047</u>	<u>79,986,481</u>



## 14 Loans and advances to customers

### (a) Loans and advances to customers less impairment allowances

	2014 MOP	2013 MOP
Gross loans and advances to customers	1,415,534,838	804,131,518
Impairment allowance		
– individually assessed (note 14(b))	-	-
– collectively assessed (note 14(b))	(16,059,789)	(11,554,633)
	<u>1,399,475,049</u>	<u>792,576,885</u>

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

	<i>Individually assessed MOP</i>	<i>Collectively assessed MOP</i>	<i>Total MOP</i>
At 1 January 2014	-	11,554,633	11,554,633
Impairment losses charged to income statement (note 7)	13,633,003	4,505,156	18,138,159
Amounts written off	<u>(13,633,003)</u>	<u>-</u>	<u>(13,633,003)</u>
At 31 December 2014 (note 14(a))	<u>-</u>	<u>16,059,789</u>	<u>16,059,789</u>
At 1 January 2013	-	36,739,468	36,739,468
Impairment losses released to income statement (note 7)	<u>-</u>	<u>(25,184,835)</u>	<u>(25,184,835)</u>
At 31 December 2013 (note 14(a))	<u>-</u>	<u>11,554,633</u>	<u>11,554,633</u>

## 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.

	2014					2013				
	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
<b>Loans and advances for use in Macau</b>										
Industrial, commercial and financial:										
– Restaurants and hotels	519,143,690	-	-	5,889,885	-	-	-	-	-	-
– Property investment	915,762	-	-	10,390	-	4,961,000	-	-	71,285	-
– Wholesale and retail trade	89,134,567	-	-	1,011,266	13,633,003	195,087,974	-	-	2,803,235	-
– Manufacturing	23,248,164	-	-	263,759	-	64,520,014	660,014	-	927,093	-
– Others	83,813,241	-	-	950,894	-	91,678,214	-	-	1,317,332	-
	716,255,424	-	-	8,126,194	13,633,003	356,247,202	660,014	-	5,118,945	-
Individuals:										
– Loans and advances for the purchase of other residential properties	38,024,486	-	-	431,402	-	34,170,495	-	-	490,999	-
– Loans and advances for the purchase of other properties for investment purpose	40,201,351	-	-	456,100	-	7,552,741	-	-	108,526	-
	78,225,837	-	-	887,502	-	41,723,236	-	-	599,525	-
Trade finance	309,404,877	-	-	3,510,318	-	358,240,280	-	-	5,147,585	-

## 14 Loans and advances to customers (continued)

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

	2014					2013				
	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
<b>Loans and advances for use outside Macau</b>										
Industrial, commercial and financial:										
– Manufacturing	-	-	-	-	-	23,960,400	-	-	344,289	-
– Wholesale and retail trade	311,648,700	-	-	3,535,775	-	23,960,400	-	-	344,289	-
	<u>311,648,700</u>	<u>-</u>	<u>-</u>	<u>3,535,775</u>	<u>-</u>	<u>47,920,800</u>	<u>-</u>	<u>-</u>	<u>688,578</u>	<u>-</u>
Gross loans and advances to customers	<u>1,415,534,838</u>	<u>-</u>	<u>-</u>	<u>16,059,789</u>	<u>13,633,003</u>	<u>804,131,518</u>	<u>660,014</u>	<u>-</u>	<u>11,554,633</u>	<u>-</u>

## 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 2014 and 2013, 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

	<i>Leasehold improvements</i> MOP	<i>Furniture and fixtures</i> MOP	<i>Office equipment</i> MOP	<i>Computer equipment</i> MOP	<i>Motor vehicle</i> MOP	<i>Total</i> MOP
<b>Cost:</b>						
At 1 January 2014	1,458,773	496,654	418,925	4,458,265	471,740	7,304,357
Reclassification	-	-	165,624	-	-	165,624
Additions	-	-	24,309	568,015	-	592,324
Disposals	-	-	(87,375)	-	-	(87,375)
At 31 December 2014	<u>1,458,773</u>	<u>496,654</u>	<u>521,483</u>	<u>5,026,280</u>	<u>471,740</u>	<u>7,974,930</u>
<b>Accumulated depreciation:</b>						
At 1 January 2014	1,191,331	298,035	319,754	3,881,685	471,740	6,162,545
Reclassification	-	-	52,448	-	-	52,448
Charge for the year (note 6)	145,878	49,663	53,675	374,148	-	623,364
Disposals written off	-	-	(87,134)	-	-	(87,134)
At 31 December 2014	<u>1,337,209</u>	<u>347,698</u>	<u>338,743</u>	<u>4,255,833</u>	<u>471,740</u>	<u>6,751,223</u>
<b>Net book value:</b>						
At 31 December 2014	<u>121,564</u>	<u>148,956</u>	<u>182,740</u>	<u>770,447</u>	<u>-</u>	<u>1,223,707</u>

## 15 Fixed assets (continued)

	<i>Leasehold improvements MOP</i>	<i>Furniture and fixtures MOP</i>	<i>Office equipment MOP</i>	<i>Computer equipment MOP</i>	<i>Motor vehicle MOP</i>	<i>Total MOP</i>
<b>Cost:</b>						
At 1 January 2013	1,458,773	422,956	355,585	4,190,690	471,740	6,899,744
Additions	-	73,698	73,900	300,875	-	448,473
Disposals	-	-	(10,560)	(33,300)	-	(43,860)
At 31 December 2013	<u>1,458,773</u>	<u>496,654</u>	<u>418,925</u>	<u>4,458,265</u>	<u>471,740</u>	<u>7,304,357</u>
<b>Accumulated depreciation:</b>						
At 1 January 2013	1,045,454	253,305	299,035	3,593,203	471,740	5,662,737
Charge for the year (note 6)	145,877	44,730	31,279	321,782	-	543,668
Disposals written off	-	-	(10,560)	(33,300)	-	(43,860)
At 31 December 2013	<u>1,191,331</u>	<u>298,035</u>	<u>319,754</u>	<u>3,881,685</u>	<u>471,740</u>	<u>6,162,545</u>
<b>Net book value:</b>						
At 31 December 2013	<u>267,442</u>	<u>198,619</u>	<u>99,171</u>	<u>576,580</u>	<u>-</u>	<u>1,141,812</u>

## 16 Deposits from customers

	<i>2014 MOP</i>	<i>2013 MOP</i>
Current accounts	178,102,125	121,028,281
Savings deposits	113,815,100	204,745,410
Time, call and notice deposits	<u>193,373,383</u>	<u>365,078,845</u>
	<u>485,290,608</u>	<u>690,852,536</u>

## 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

	<i>2014 MOP</i>	<i>2013 MOP</i>
Negative fair value of derivatives (note 21(b)(ii))	<u>-</u>	<u>676,109</u>

## 19 Regulatory reserve

In accordance with Aviso n.º18/93-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:

	2014 MOP	2013 MOP
At 1 January	2,959,115	-
(Write-back of)/additional provision under AMCM rules	(598,006)	3,362,631
Tax effect on the write-back of/(additional) provision	71,761	(403,516)
	<u>(526,245)</u>	<u>2,959,115</u>
At 31 December	<u>2,432,870</u>	<u>2,959,115</u>

## 20 Cash and cash equivalents

### (a) Components of cash and cash equivalents in the cash flow statement

	2014 MOP	2013 MOP
Cash and balances with banks	66,886,615	109,960,282
Placements with bank with original maturity within three months	62,321,220	87,854,800
Unlisted monetary bills issued by AMCM with original maturity within three months	<u>82,983,047</u>	<u>79,986,481</u>
	<u>212,190,882</u>	<u>277,801,563</u>

## 20 Cash and cash equivalents (continued)

### (b) Reconciliation with the balance sheet

	2014 MOP	2013 MOP
Cash and balances with banks	66,886,615	109,960,282
Placements with bank	64,171,270	87,854,800
Unlisted monetary bills issued by AMCM	82,983,047	79,986,481
	<hr/>	<hr/>
Amounts shown in the balance sheet	214,040,932	277,801,563
Less: Amounts with an original maturity of over 3 months	(1,850,050)	-
	<hr/>	<hr/>
Cash and cash equivalents in the cash flow statement	<u>212,190,882</u>	<u>277,801,563</u>

## 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:

	2014 MOP	2013 MOP
Transaction-related contingencies	143,942,642	154,591,761
Trade-related contingencies	175,690,963	337,262,139
	<hr/>	<hr/>
	319,633,605	491,853,900
Other commitments:		
– with an original maturity of not more than 1 year	3,851,769,219	3,416,430,030
	<hr/>	<hr/>
	<u>4,171,402,824</u>	<u>3,908,283,930</u>

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.

## 21 Off-balance sheet exposures (continued)

### (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 refer to financial contracts whose value depends on the value of one or more underlying assets or indices. The notional amounts of these instruments indicate the volume of outstanding transactions and do not represent amounts at risk.

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

	2014 MOP	2013 MOP
Exchange rate contracts	-	58,396,602

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

	2014			2013		
	<i>Fair value assets MOP</i>	<i>Fair value liabilities MOP</i>	<i>Credit risk- weighted amount MOP</i>	<i>Fair value assets MOP</i>	<i>Fair value liabilities MOP</i>	<i>Credit risk- weighted amount MOP</i>
Exchange rate contracts	-	-	-	693,924	676,109	411,000

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.



## 21 Off-balance sheet exposures (continued)

### (c) Operating lease commitments

At 31 December 2014, the total future minimum lease payment under non-cancellable operating leases are payable as follows:

	2014 MOP	2013 MOP
Properties:		
– Within one year	139,622	1,425,869
– After one year but within five years	-	139,185
	<u>139,622</u>	<u>1,565,054</u>
Others:		
– Within one year	-	33,125
– After one year but within five years	-	79,862
	<u>-</u>	<u>112,987</u>

The Branch leases two properties 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. 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: risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices and market risk comprises currency risk, interest rate risk and other price risk.
- 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.

## 22 Financial risk management (continued)

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.

### (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:

	2014 MOP	2013 MOP
Gross loans and advances to customers		
– neither past due nor impaired	1,415,534,838	803,471,504
– past due but not impaired	-	660,014
	<u>1,415,534,838</u>	<u>804,131,518</u>

## 22 Financial risk management (continued)

### (a) Credit risk management (continued)

#### (i) Credit quality of loans and advances to customers (continued)

The ageing analysis of loans and advances to customers that are past due but not impaired is as follows:

	2014 MOP	2013 MOP
Gross loans and advances to customers that are past due but not impaired		
– overdue 3 months or less	-	660,014

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 2014 and 2013, none of the loans and advances to customers have been classified as impaired.

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

At 31 December 2014 and 2013, the Branch only had held-to-maturity investments in unlisted monetary bills issued by AMCM. None of these assets (2013: Nil) have been past due with respect to either principal or interest.

## 22 Financial risk management (continued)

### (a) Credit risk management (continued)

#### (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:

	2014 MOP	2013 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	882,896,845	793,184,737
– past due but not impaired	-	660,014
	<u>882,896,845</u>	<u>793,844,751</u>

### (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:

	2014							
	<i>Euro dollars MOP</i>	<i>United States dollars MOP</i>	<i>Pound sterlings MOP</i>	<i>Japanese yen MOP</i>	<i>Chinese yuan MOP</i>	<i>Hong Kong dollars MOP</i>	<i>Other currencies MOP</i>	<i>Total MOP</i>
Spot assets	705,252	254,665,692	10,271	366,719	2,023,542	1,290,346,101	4,800	1,548,122,377
Spot liabilities	(703,991)	(254,726,522)	(17,295)	(349,555)	(1,982,245)	(1,290,286,494)	(841)	(1,548,066,943)
Net long/(short) position	1,261	(60,830)	(7,024)	17,164	41,297	59,607	3,959	55,434
	2013							
	<i>Euro dollars MOP</i>	<i>United States dollars MOP</i>	<i>Pound sterlings MOP</i>	<i>Japanese yen MOP</i>	<i>Chinese yuan MOP</i>	<i>Hong Kong dollars MOP</i>	<i>Other currencies MOP</i>	<i>Total MOP</i>
Spot assets	1,726,270	416,968,676	11,038	39,222,083	35,244	589,084,961	5,220	1,047,053,492
Spot liabilities	(1,711,944)	(416,905,235)	(21,115)	(39,185,112)	-	(589,145,499)	(914)	(1,046,969,819)
Forward purchases	-	-	-	12,907,238	-	13,524,345	-	26,431,583
Forward sales	-	-	-	(12,907,238)	-	(13,524,345)	-	(26,431,583)
Net long/(short) position	14,326	63,441	(10,077)	36,971	35,244	(60,538)	4,306	83,673

## 22 Financial risk management (continued)

### (b) Market risk management (continued)

#### (i) Currency risk (continued)

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.

#### (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.
- (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 arises from the maturity mismatch of the assets and liabilities that the Branch manages.

Liquidity management is conducted at the Group and the Bank levels, and at individual overseas branches and 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 obligations payable under normal and emergency circumstances, to fund asset growth and to comply with the 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.

	2014							
	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
<b>Assets</b>								
Cash and balances with banks	66,886,615	66,886,615	-	-	-	-	-	-
Placements with bank	64,171,270	-	62,321,220	1,850,050	-	-	-	-
Deposits with AMCM	19,873,284	19,873,284	-	-	-	-	-	-
Held-to-maturity investments	82,983,047	-	66,990,673	15,992,374	-	-	-	-
Loans and advances to customers	1,399,475,049	3,041,679	491,493,389	166,321,130	54,969,448	89,266,949	594,382,454	-
Undated assets	149,408,146	-	-	-	-	-	-	149,408,146
<b>Total assets</b>	<u>1,782,797,411</u>	<u>89,801,578</u>	<u>620,805,282</u>	<u>184,163,554</u>	<u>54,969,448</u>	<u>89,266,949</u>	<u>594,382,454</u>	<u>149,408,146</u>
<b>Liabilities</b>								
Deposits from customers	485,290,608	291,917,225	143,241,806	3,599,528	46,532,049	-	-	-
Deposits and balances from Head Office	1,075,506,197	25,904,153	1,049,602,044	-	-	-	-	-
Undated liabilities	165,224,684	-	-	-	-	-	-	165,224,684
<b>Total liabilities</b>	<u>1,726,021,489</u>	<u>317,821,378</u>	<u>1,192,843,850</u>	<u>3,599,528</u>	<u>46,532,049</u>	<u>-</u>	<u>-</u>	<u>165,224,684</u>
<b>Asset-liability gap</b>		<u>(228,019,800)</u>	<u>(572,038,568)</u>	<u>180,564,026</u>	<u>8,437,399</u>	<u>89,266,949</u>	<u>594,382,454</u>	



## 22 Financial risk management (continued)

### (c) Liquidity risk management (continued)

Analysis of assets and liabilities by remaining maturity (continued)

	2013							
	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	109,960,282	109,960,282	-	-	-	-	-	-
Placements with bank	87,854,800	-	87,854,800	-	-	-	-	-
Deposits with AMCM	41,679,556	41,679,556	-	-	-	-	-	-
Trading assets	693,924	-	-	655,412	38,512	-	-	-
Held-to-maturity investments	79,986,481	-	70,990,079	8,996,402	-	-	-	-
Loans and advances to customers	792,576,885	4,199,748	353,802,438	169,426,429	125,312,412	26,847,441	112,988,417	-
Undated assets	240,749,819	-	-	-	-	-	-	240,749,819
Total assets	1,353,501,747	155,839,586	512,647,317	179,078,243	125,350,924	26,847,441	112,988,417	240,749,819
Liabilities								
Deposits from customers	690,852,536	325,773,691	253,635,751	10,300,000	101,143,094	-	-	-
Deposits and balances from Head Office	375,380,387	20,446,101	354,934,286	-	-	-	-	-
Trading liabilities	676,109	-	-	637,597	38,512	-	-	-
Undated liabilities	202,128,957	-	-	-	-	-	-	202,128,957
Total liabilities	1,269,037,989	346,219,792	608,570,037	10,937,597	101,181,606	-	-	202,128,957
Asset-liability gap		(190,380,206)	(95,922,720)	168,140,646	24,169,318	26,847,441	112,988,417	

## **22 Financial risk management (continued)**

### **(d) Operational risk management**

The Bank manages the Branch's operational risk through the Management Committee and the Operational Risk Management 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 Operational Risk Management 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 2014 was MOP56,775,922 (2013: MOP84,463,758).

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 2014 and 2013.

## 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:

	2014 MOP	2013 MOP
Interest income	131,566	69,941
Interest expense	3,747,251	1,526,966
Net trading loss from exchange rate contracts entered with Head Office	<u>-</u>	<u>(599,084)</u>

### Placements with Head Office:

At 1 January	87,854,800	160,105,875
At 31 December	64,171,270	87,854,800
Average for the year	<u>33,751,077</u>	<u>23,228,986</u>

### Interest receivables from Head Office and other branch:

At 1 January	228	60,351
At 31 December	44,254	228
Average for the year	<u>26,401</u>	<u>3,489</u>

### Deposits and balances from Head Office:

At 1 January	375,380,387	499,441,316
At 31 December	1,075,506,197	375,380,387
Average for the year	<u>652,760,324</u>	<u>522,254,371</u>

## 24 Material related party transactions (continued)

	2014 MOP	2013 MOP
<b>Interest payables to Head Office:</b>		
At 1 January	63,043	30,485
At 31 December	97,561	63,043
Average for the year	<u>149,859</u>	<u>39,004</u>
<b>Off-balance sheet items entered with Head Office:</b>		
Exchange rate contracts - notional amounts	<u>-</u>	<u>28,880,838</u>

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 when 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 2014 (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

Region	2014				
	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	4,590,924,883	-	-	-	13,997,537
British Virgin Islands	666,631,350	-	-	-	2,032,531
Total	5,257,556,233	-	-	-	16,030,068

Region	2013				
	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	4,049,643,763	660,014	-	-	11,086,711
Total	4,049,643,763	660,014	-	-	11,086,711

The above 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 MOP29,721 (2013: MOP467,922) was not allocated to the above geographical areas.

# Unaudited disclosures of financial information for the year ended 31 December 2014 (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.

Region	2014			
	Debt Investments		Derivatives	
	Notional amounts	Carrying value	Notional amounts	Carrying value
	MOP	MOP	MOP	MOP
Macau SAR	83,000,000	82,983,047	-	-
Total	83,000,000	82,983,047	-	-

Region	2013			
	Debt Investments		Derivatives	
	Notional amounts	Carrying value	Notional amounts	Carrying value
	MOP	MOP	MOP	MOP
Macau SAR	80,000,000	79,986,481	29,515,763	616,900
Hong Kong SAR	-	-	28,880,839	(599,085)
Total	80,000,000	79,986,481	58,396,602	17,815

At 31 December 2014 and 2013, the Branch only had held-to-maturity investments in unlisted monetary bills issued by AMCM.

At 31 December 2014, the Branch had no derivatives outstanding. At 31 December 2013, 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 2014 (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:

	2014 MOP	2013 MOP
Minimum weekly amount of cash in hand required to be held	12,817,000	10,955,000
Average weekly amount of cash in hand	29,801,000	24,499,000
Specified liquid assets at the end of each month	461,760,000	507,115,000
	2014 %	2013 %
Average ratio of specified liquid asset to total basic liabilities at the end of each month	112	110
One-month liquidity ratio in the last week of each month	83	85
Three-month liquidity ratio in the last week of each month	108	107

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. 002/2013-AMCM.



## Unaudited disclosures of financial information for the year ended 31 December 2014 (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 ratios

	2014 %	2013 %
Common Equity Tier 1 capital ratio	10.5	10.1
Tier 1 capital ratio	11.8	10.1
Total capital ratio	17.3	16.5

Capital adequacy ratios (“CARs”) are complied with in accordance with the Banking (Capital) Rules issued by the Hong Kong Monetary Authority (“HKMA”). The CARs are computed on a consolidated basis covering the Bank and some of its subsidiaries as required by the HKMA. The Bank has adopted the “standardised approach” for calculating the risk-weighted amount for credit risk and market risk and the “basis indicator approach” for calculating operational risk.

	2014 HK\$	2013 HK\$
<b>Equity</b>		
Share capital	7,566,271,000	7,283,341,000
Reserves	12,374,910,000	9,892,676,000
Total equity attributable to equity shareholders of the Bank	19,941,181,000	17,176,017,000
Additional equity instruments	2,310,168,000	-
Total equity	<u>22,251,349,000</u>	<u>17,176,017,000</u>

Unaudited disclosures of financial information  
for the year ended 31 December 2014 (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**

	2014 HK\$	2013 HK\$
Total assets	249,140,871,000	216,307,906,000
Total liabilities	226,889,522,000	199,131,889,000
Loans and advances to customers and other accounts	153,872,296,000	132,531,544,000
Deposits and balances of banks and other financial institutions	4,129,401,000	7,522,382,000
Deposits from customers	188,929,559,000	154,658,966,000
Profit before taxation	3,374,409,000	2,554,354,000

**(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.

## Unaudited disclosures of financial information for the year ended 31 December 2014 (continued) (Expressed in Macau Patacas unless otherwise indicated)

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

#### **(c) List of shareholders with qualifying holdings (continued)**

At 31 December 2014, 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.

#### **(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 (*President and Chief Executive Officer*)

Ms Margaret Man (*Deputy Chief Executive Officer*)

Mrs Kan Ng Chau Yuk Helen  
(*Alternate Chief Executive Officer*)

##### **Non-executive Directors**

Mr Jaime Pablo Azcoiti Leyva

Mr Cao Guoqiang

Mr Ju Weimin

Mr Sun Deshun

Mr Gonzalo Torano

Mr Zhang Qiang

##### **Independent Non-executive Directors**

Mr Rafael Gil-Tienda

Mr Tang Shisheng

Mr Tsang Yiu Keung Paul

Mr Wu Jiesi

Ms Yin Fenglan