

**CHINA CITIC BANK INTERNATIONAL LIMITED MACAU BRANCH**  
**NON AUDIT ASSURANCE ENGAGEMENT REPORT ON**  
**ANNUAL FINANCIAL INFORMATION DISCLOSURE**  
**FOR THE YEAR ENDED**  
**31 DECEMBER 2016**

## **INDEPENDENT ASSURANCE REPORT**

**TO THE MANAGEMENT OF CHINA CITIC BANK INTERNATIONAL LIMITED MACAU BRANCH**

We have been engaged to perform a limited assurance engagement on the accompanying disclosure of annual financial information, which comprises the balance sheet of China CITIC Bank International Limited Macau Branch ('the Branch') as at 31 December 2016, the related income statement and the cash flow statement for the year then ended, and other disclosures in accordance with Annex 3 of the Guideline on the Disclosure of Financial Information ("Disclosure Rules") set out under Circular No.026/B/2012-DSB/AMCM on 16 November 2012 issued by the Monetary Authority of Macao ("AMCM").

### **Branch management's Responsibility for the disclosure of annual financial information**

Pursuant to the Disclosure Rules, the Branch management is responsible for the preparation and presentation of the disclosure of annual financial information. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and presentation of the disclosure of annual financial information that are free from material misstatements, whether due to fraud or error; applying an appropriate basis of preparation; and making estimates that are reasonable in the circumstances.

### **Our Independence and Quality Control**

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies International Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

### **Auditor's Responsibility**

It is our responsibility to express a conclusion on the disclosure of annual financial information based on our work performed and to report our conclusion 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. Within the scope of our engagement, we did not perform any audit or review procedures to verify the Branch's disclosure of annual financial information or the underlying records or other sources from which the Branch's disclosure of annual financial information were extracted.

We conducted our work in accordance with the International Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information". This Standard requires that we plan and perform our work to form the conclusion.

## **INDEPENDENT ASSURANCE REPORT (CONTINUED)**

### **Auditor's Responsibility (Continued)**

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for a reasonable assurance engagement. Consequently the level of assurance in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. The extent of procedures selected depends on the auditor's judgment and our assessment of the engagement risk. Within the scope of our work we performed amongst others the following procedures:

- Comparing the Branch's disclosure of annual financial information to the requirements of the Disclosure Rules;
- Obtaining an understanding of the Branch's process for compiling its disclosure of annual financial information with management;
- Agreeing, on a sample basis, data presented in the Branch's disclosure of annual financial information back to the underlying financial accounting systems or management prepared schedules;
- Agreeing manual adjustments, on a sample basis, to data extracted from the underlying financial accounting systems or management prepared schedules.

### **Conclusion**

Based on the procedures performed and evidence obtained, nothing has come to our attention that causes us to believe that the disclosure of annual financial information does not comply in all material respects with the Disclosure Rules.

### **Purpose and Restriction on Use and Distribution**

Without modifying our conclusion, we draw attention to the fact that the disclosure of annual financial information was prepared for the use of the Branch management using the Disclosure Rules designed for this purpose. As a result, the disclosure of annual financial information may not be suitable for another purpose. This report is not intended to be, and should not be distributed to any other parties or used for any other purpose.

**PricewaterhouseCoopers**

Macao, 27 April 2017

**CHINA CITIC BANK INTERNATIONAL LIMITED MACAU BRANCH**  
**DISCLOSURE OF ANNUAL FINANCIAL INFORMATION**  
**FOR THE YEAR ENDED**  
**31 DECEMBER 2016**

## 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 2016

			MOP
Assets	Total Amount	Provision, Accumulated Depreciation and Impairment	Net Amount
Cash			
Deposits with AMCM	66,918,002.43		66,918,002.43
Account Receivable	300,760.00		300,760.00
Due from other local credit institutions	4,775,503.09		4,775,503.09
Due from other foreign credit institutions	453,259,740.29		453,259,740.29
Gold and Silver			
Other Current Assets			
Loans and advances to customers	2,003,070,014.20		2,003,070,014.20
Placements with local credit institutions	87,000,000.00		87,000,000.00
Placements with foreign credit institutions	6,490,276.10		6,490,276.10
Shares, Bonds and Equity			
Debtors			
Other Investments			
Financial Investments			
Real Estate			
Equipment	6,920,420.61	6,033,959.31	886,461.30
Deferred Expenses			
Pre-opening Expenses			
Fixed assets in progress			
Other Fixed Assets	1,458,773.00	1,458,773.00	-
Internal and Adjustment accounts	142,571,937.71		142,571,937.71
TOTAL	2,772,765,427.43	7,492,732.31	2,765,272,695.12

## China CITIC Bank International Limited Macau Branch

Balance Sheet as at 31 December 2016

MOP

Liabilities	Sub-total	Total
Saving Deposits	1,005,425,958.81	1,089,821,440.83
Deposits at short notice		
Time Deposits	84,395,482.02	
Public sector deposits		
Due to local credit institutions		1,401,921,935.89
Due to other local credit institutions		
Foreign currency takings	1,400,482,290.61	
Cheques and orders payable	127,742.44	
Creditors	1,311,902.84	224,501,848.36
Other Liabilities		
Internal and Adjustment accounts	149,778,681.97	
Provisions	24,723,166.39	
Capital	50,000,000.00	49,027,470.04
Legal Reserve		
Voluntary Reserve		
Other Reserves		
Profit and loss accumulated balance		2,765,272,695.12
Profit & Loss for the year	49,027,470.04	
TOTAL		

## China CITIC Bank International Limited Macau Branch

Operating Result for the year ended 31 December 2016

MOP

Debit	Amount	Credit	Amount
Costs of credit operations	8,695,932.33	Income from credit operations	68,873,592.10
Personnel costs		Income from banking services	15,085,737.43
Directors and Supervisory Council Expenses		Income from other banking services	1,446,708.48
Staff Expenses	13,606,176.00	Income from securities and equity investments	
Fixed Staff Benefits	602,528.67	Other banking income	
Other personnel costs	903,784.74	Income from non-banking operations	
Third party supply	154,494.18	Operatong Loss	
Third party services	4,546,373.48		
Other banking costs	116,700.77		
Taxation	31.28		
Costs of non-banking operations			
Depreciation allowances	410,914.19		
Provision allowances	2,032,169.56		
Operating Profit	54,336,932.81		
<b>TOTAL</b>	<b>85,406,038.01</b>	<b>TOTAL</b>	<b>85,406,038.01</b>

Profit and Loss Account for the year ended 31 December 2016

MOP

Debit	Amount	Credit	Amount
Operating Loss		Operating Profit	54,336,932.81
Losses related to previous years		Profit related to previous years	1,250,679.46
Exceptional Losses		Exceptional Profits	
Profit tax provision	6,560,142.23	Provisions charged back	
Operating Result (Profit)	49,027,470.04	Operating Result (Loss)	
<b>TOTAL</b>	<b>55,587,612.27</b>	<b>TOTAL</b>	<b>55,587,612.27</b>

Acting Branch Manager  
Edward Ngou

Assistant Vice President  
Emily Sio

China CITIC Bank International Limited Macau Branch

MOP	
Memorandum items	Amount
Values received for safe keeping	
Bills for collection	192,976,742.26
Collateral	4,385,644,817.35
Guarantees on account of customers	114,431,804.80
Letters of credit outstanding	212,981,761.20
Bills and acceptance available for discount	
Deposit paid on behalf of customers	
Forward exchange contracts - purchases	
Forward exchange contracts - sales	
Other memorandum items	165,734,446.57



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

### **Business Summary Report**

As of 31 December 2016, loan assets increased by MOP316 million or 19%, Y-O-Y from MOP1,687 million to MOP2,003 million due to increase in trade finance and cross-border loan business. Customer deposits increased by MOP688 million or 171%, Y-O-Y from MOP402 million to MOP 1,090 million. As a result of increase in loan business and hence the net interest income, the Branch grew its operating profit before impairment from MOP43.9 million in 2015 to MOP56.4 million in 2016. With good credit control and therefore, no individual impairment made in 2016, our profit before taxation increased significantly by MOP15.3 million or 38%, Y-O-Y from MOP40.3 million in 2015 to MOP55.6 million in 2016.

With the support of the PRC Central Government, we expect Macau's economy will remain stable though there was an economic slowdown in the year of 2016. In 2017, we shall continue to focus on corporate banking business, including trade finance, commercial lending, mortgage finance, real estate finance as well as cross-border loan 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.

Edward Ngou  
Acting Branch Manager

**CHINA CITIC BANK INTERNATIONAL LIMITED MACAU BRANCH**  
**REPORT OF THE BRANCH MANAGEMENT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED**  
**31 DECEMBER 2016**

## **CHINA CITIC BANK INTERNATIONAL LIMITED MACAU BRANCH**

### **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 2016.

#### **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 Macao 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, Macao.

#### **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 2016 and the state of the Branch's affairs at that date are set out in the financial statements on pages 3 to 29.

#### **Plant and equipment**

Movements in plant and equipment are set out in note 15 to the financial statements.

#### **Head Office account**

Profit for the year MOP49,027,470 (2015: MOP35,571,876) 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.

On behalf of the Branch management

Edward Ngou

Acting Branch Manager

Macao, 27 April 2017

**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 3 to 29, which comprise the balance sheet as at 31 December 2016, 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 explanatory notes.

**Management's responsibility for the financial statements**

The management is responsible for the preparation and the true and fair presentation of the financial statements in accordance with Financial Reporting Standards issued by the Government of the Macao Special Administrative Region. This responsibility includes designing, implementing and maintaining appropriate internal control relevant to the preparation and the true and fair presentation of the 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 proper and accurate accounting records.

**Auditor's responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit and to report our opinion solely to you, as a body, 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 the audit in accordance with the Auditing Standards and Technical Standards on Auditing issued by the Government of the Macao Special Administrative Region. Those standards require that the auditor complies with relevant ethical requirements and plans and performs the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit includes performing appropriate audit procedures to obtain audit evidence supporting the amounts and disclosures in the financial statements. The procedures are selected according to the auditor's professional judgment, 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 true 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's management, as well as evaluating the overall presentation of the financial statements.

**INDEPENDENT AUDITOR'S REPORT  
TO THE MANAGEMENT OF CHINA CITIC BANK INTERNATIONAL LIMITED  
MACAU BRANCH (CONTINUED)**

**Auditor's responsibility (Continued)**

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

**Audit Opinion**

In our opinion, the financial statements give a true and fair view, in all material respects, of the financial position of China CITIC Bank International Limited Macau Branch as at 31 December 2016 and of its operating results and cash flows for the year then ended in accordance with Financial Reporting Standards issued by the Government of the Macao Special Administrative Region. The accounting policies used in the preparation of the financial statements for the year ended 31 December 2016 are consistent with those used in the preceding year.

Cheung Pui Peng Grace  
Registered Auditor  
PricewaterhouseCoopers

Macao, 27 April 2017

**CHINA CITIC BANK INTERNATIONAL LIMITED MACAU BRANCH**

**INCOME STATEMENT**  
**FOR THE YEAR ENDED 31 DECEMBER 2016**  
 (Expressed in Macao Patacas)

	Note	2016 MOP	2015 MOP
Interest income	4	68,873,592	53,035,148
Interest expense	4	(8,695,932)	(6,366,991)
<b>Net interest income</b>		<u>60,177,660</u>	<u>46,668,157</u>
Fee and commission income	5	13,851,982	11,806,580
Other operating income		2,680,464	3,802,563
<b>Operating income</b>		<u>76,710,106</u>	<u>62,277,300</u>
Operating expenses	6	(20,340,972)	(18,381,439)
<b>Operating profit before impairment</b>		<u>56,369,134</u>	<u>43,895,861</u>
Recoveries of loans previously written off		1,250,679	285,541
Impairment losses charged on loans and advances to customers	7	(2,032,170)	(3,866,583)
<b>Profit before taxation</b>		<u>55,587,643</u>	<u>40,314,819</u>
Income tax charged	8(a)	(6,560,173)	(4,742,943)
<b>Profit for the year</b>		<u><u>49,027,470</u></u>	<u><u>35,571,876</u></u>

Approved by the Branch management on 27 April 2017 and signed on behalf by:

\_\_\_\_\_  
 Acting Branch Manager

\_\_\_\_\_  
 Assistant Vice President

The notes on pages 8 to 29 form part of these financial statements.

**CHINA CITIC BANK INTERNATIONAL LIMITED MACAU BRANCH**

**BALANCE SHEET**

**AT 31 DECEMBER 2016**

(Expressed in Macao Patacas)

	Note	2016 MOP	2015 MOP
<b>Assets</b>			
Cash and balances with banks	9	458,035,244	84,087,380
Placements with bank	10	6,490,276	6,924,765
Deposits with AMCM	11	66,918,002	49,497,753
Held-to-maturity investments	12	86,970,823	92,975,406
Loans and advances to customers	13(a)	1,978,346,849	1,664,443,536
Other assets	14	142,872,698	89,630,498
Plant and equipment	15	886,461	1,163,450
<b>Total Assets</b>		<b>2,740,520,353</b>	<b>1,988,722,788</b>
<b>Liabilities</b>			
Deposits from customers	16	1,089,821,441	402,060,622
Deposits and balances from Head Office	17	1,400,482,291	1,391,296,607
Current income tax	8(c)	6,598,517	4,787,807
Other liabilities	18	144,590,634	105,005,876
		<b>2,641,492,883</b>	<b>1,903,150,912</b>
<b>Head Office Account</b>			
Establishment fund	19	50,000,000	50,000,000
Retained profits		49,027,470	35,571,876
		<b>99,027,470</b>	<b>85,571,876</b>
<b>Total Head Office Account and Liabilities</b>		<b>2,740,520,353</b>	<b>1,988,722,788</b>

Approved by the Branch management on 27 April 2017 and signed on behalf by:

\_\_\_\_\_  
Acting Branch Manager

\_\_\_\_\_  
Assistant Vice President

The notes on pages 8 to 29 form part of these financial statements.

**CHINA CITIC BANK INTERNATIONAL LIMITED MACAU BRANCH**

**STATEMENT OF CHANGES IN HEAD OFFICE ACCOUNT  
FOR THE YEAR ENDED 31 DECEMBER 2016**

(Expressed in Macao Patacas)

	Establishment fund MOP	Retained profits MOP	Total MOP
<b>Head Office account at 1 January 2015</b>	50,000,000	4,343,052	54,343,052
Transfer to Head Office	-	(4,343,052)	(4,343,052)
Profit for the year	-	35,571,876	35,571,876
<b>Head Office account at 31 December 2015</b>	50,000,000	35,571,876	85,571,876
Transfer to Head Office	-	(35,571,876)	(35,571,876)
Profit for the year	-	49,027,470	49,027,470
<b>Head Office account at 31 December 2016</b>	50,000,000	49,027,470	99,027,470

The notes on pages 8 to 29 form part of these financial statements.



**CHINA CITIC BANK INTERNATIONAL LIMITED MACAU BRANCH**

**CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED 31 DECEMBER 2016**  
 (Expressed in Macao Patacas)

	Note	2016 MOP	2015 MOP
<b>Operating activities</b>			
Profit before income tax		55,587,643	40,314,819
Adjustments for:			
Depreciation expense	6	410,915	551,718
Impairment losses on loans and advances to customers	7	2,032,170	3,866,583
		<u>58,030,728</u>	<u>44,733,120</u>
		-----	-----
(Increase)/decrease in operating assets:			
Placements with bank with original maturity beyond three months		2,250,665	(5,074,715)
Minimum statutory deposits with AMCM	11	(26,627,000)	(1,124,000)
Loans and advances to customers		(315,935,482)	(271,599,695)
Other assets		(53,242,200)	58,553,941
		<u>(393,554,017)</u>	<u>(219,244,469)</u>
		-----	-----
Increase/(decrease) in operating liabilities:			
Deposits from customers		687,760,819	(83,229,986)
Deposits and balances from Head Office		9,185,684	315,790,410
Other liabilities		39,584,758	(59,290,400)
		<u>736,531,261</u>	<u>173,270,024</u>
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The notes on pages 8 to 29 form part of these financial statements.

**CHINA CITIC BANK INTERNATIONAL LIMITED MACAU BRANCH**

**CASH FLOW STATEMENT (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2016**  
 (Expressed in Macao Patacas)

	Note	2016 MOP	2015 MOP
<b>Cash generated from/(used in) in operations</b>		401,007,972	(1,241,325)
Income tax paid		(4,749,464)	(551,789)
<b>Net cash generated from/(used in) operating activities</b>		396,258,508	(1,793,114)
<b>Investing activities</b>			
Purchases of plant and equipment	15	(133,926)	(491,461)
<b>Net cash used in investing activities</b>		(133,926)	(491,461)
<b>Financing activities</b>			
Retained profits transferred to Head Office		(35,571,876)	(4,343,052)
<b>Net cash used in financing activities</b>		(35,571,876)	(4,343,052)
<b>Net increase/(decrease) in cash and cash equivalents</b>		360,552,706	(6,627,627)
<b>Cash and cash equivalents at 1 January</b>		215,028,539	221,656,166
<b>Cash and cash equivalents at 31 December</b>	20	575,581,245	215,028,539
<b>Cash flows from operating activities include:</b>			
Interest received		66,663,318	53,124,059
Interest paid		(8,734,914)	(6,288,697)

The notes on pages 8 to 29 form part of these financial statements.

## **CHINA CITIC BANK INTERNATIONAL LIMITED MACAU BRANCH**

### **NOTES TO THE FINANCIAL STATEMENTS**

(Expressed in Macao Patacas)

#### **1 General**

China CITIC Bank International Limited Macau Branch (“the Branch”) is a branch of China CITIC Bank International Limited (“Head Office” or “the Bank”). The Branch is engaged in commercial banking business and provision of related financial services.

The Branch is registered as a licensed bank under the Macao Financial System Act on 3 October 2005. The Branch domiciled in Macao. The address of its registered office and principal place of business is Unit B, 31st Floor, Bank of China building, No. 323 Avenida Doutor Mario Soares, Macao.

The financial statements have been approved for issue by the management of the Branch on 27 April 2017, it was resolved that Mr Edward Ngou and Ms Emily Sio be authorized to sign the financial statements.

#### **2 Significant accounting policies**

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented in these financial statements.

##### **(a) Basis of preparation**

The financial statements of the Branch have been prepared in accordance with Financial Reporting Standards issued by the Government of Macao Special Administrative Region under Administrative Regulation No. 25/2005 on 9 December 2005 (“MFRS”).

The preparation of financial statements in conformity with MFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Branch’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

The financial statements have been prepared under the historical cost convention 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(f))

## **CHINA CITIC BANK INTERNATIONAL LIMITED MACAU BRANCH**

### **NOTES TO THE FINANCIAL STATEMENTS**

(Expressed in Macao Patacas)

#### **2 Significant accounting policies (Continued)**

##### **(b) 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.

###### **(ii) Fee and commission income**

Fee and commission income, including loan arrangement fee, insurance commission, remittance fee, is recognised on an accrual basis 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.

##### **(c) 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 reported on the balance sheet as at the principal amount outstanding, less impairment losses, if any (see note 2(h)(i)).

All loans and advances are recognized when cash is advanced to borrowers.

## **CHINA CITIC BANK INTERNATIONAL LIMITED MACAU BRANCH**

### **NOTES TO THE FINANCIAL STATEMENTS**

(Expressed in Macao Patacas)

#### **2 Significant accounting policies (Continued)**

##### **(d) 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.

###### **(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(h)(ii)).

##### **(e) Financial liabilities**

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

##### **(f) 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.

## **CHINA CITIC BANK INTERNATIONAL LIMITED MACAU BRANCH**

### **NOTES TO THE FINANCIAL STATEMENTS**

(Expressed in Macao Patacas)

#### **2 Significant accounting policies (Continued)**

##### **(g) Plant and equipment**

Plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any (see note 2(h)(iii)).

Gains or losses arising from the retirement or disposal of an item of plant and equipment 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 plant and equipment, 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

Where parts of an item of plant and equipment 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.

##### **(h) Impairment of assets**

The carrying amount of the Branch's assets is 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 becomes 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.

## **CHINA CITIC BANK INTERNATIONAL LIMITED MACAU BRANCH**

### **NOTES TO THE FINANCIAL STATEMENTS**

(Expressed in Macao Patacas)

#### **2 Significant accounting policies (Continued)**

##### **(h) Impairment of assets (Continued)**

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, 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.

##### **(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. In determining the amount of impairment losses, the Branch also made reference to the impairment allowance guidelines pursuant to AMCM notice no. 18/93-AMCM, the higher of the sum of the individual impairment allowances and collective impairment allowances or the allowances calculated under AMCM's allowance guidelines would be recognised as impairment allowance balance in the balance sheet and the corresponding allowance balance movement would be recognised in the income statement.

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.

## **CHINA CITIC BANK INTERNATIONAL LIMITED MACAU BRANCH**

### **NOTES TO THE FINANCIAL STATEMENTS**

(Expressed in Macao Patacas)

#### **2 Significant accounting policies (Continued)**

##### **(h) Impairment of assets (Continued)**

###### **(i) Loans and advances to customers (Continued)**

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.

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.

Under notice no. 18/93-AMCM, all 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.

After calculating the individual impairment allowances and collective impairment allowances, the Branch would then compare the sum of these two impairment allowances with the impairment allowance guidelines pursuant to AMCM notice no. 18/93-AMCM, the higher of the sum of the individual impairment allowances and collective impairment allowances or the allowances calculated under AMCM's allowance guidelines would be recognised as impairment allowance balance in the balance sheet and the corresponding allowance balance movement would be recognised in the income statement.

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.



## **CHINA CITIC BANK INTERNATIONAL LIMITED MACAU BRANCH**

### **NOTES TO THE FINANCIAL STATEMENTS**

(Expressed in Macao Patacas)

#### **2 Significant accounting policies (Continued)**

##### **(h) Impairment of assets (Continued)**

###### **(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) Plant and equipment**

Internal and external sources of information are reviewed at each reporting period to identify indications that plant and equipment 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.

###### **- 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.

## **CHINA CITIC BANK INTERNATIONAL LIMITED MACAU BRANCH**

### **NOTES TO THE FINANCIAL STATEMENTS**

(Expressed in Macao Patacas)

#### **2 Significant accounting policies (Continued)**

##### **(i) 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.

##### **(j) 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.

##### **(k) Cash and cash equivalents**

For the purposes of the cash flow statement, cash and cash equivalents comprise balances with less than three months' maturity from the date of acquisition including cash, balances with banks and other financial institutions, treasury bills, other eligible bills and certificates of deposits.

##### **(l) 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.

## **CHINA CITIC BANK INTERNATIONAL LIMITED MACAU BRANCH**

### **NOTES TO THE FINANCIAL STATEMENTS**

(Expressed in Macao Patacas)

#### **2 Significant accounting policies (Continued)**

##### **(l) 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.

##### **(m) 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.

##### **(n) Foreign currencies**

###### **(i) Functional and presentation currency**

Items included in the financial statements of the Branch are measured using the currency of the primary economic environment in which the Branch operates ("the functional currency"). The financial statements are presented in Macao Official Patacas ("MOP"), which is the Branch's presentation currency and functional currency.

###### **(ii) Transaction and balances**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

## **CHINA CITIC BANK INTERNATIONAL LIMITED MACAU BRANCH**

### **NOTES TO THE FINANCIAL STATEMENTS**

(Expressed in Macao Patacas)

#### **2 Significant accounting policies (Continued)**

##### **(n) Foreign currencies (Continued)**

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

##### **(o) 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.

## **CHINA CITIC BANK INTERNATIONAL LIMITED MACAU BRANCH**

### **NOTES TO THE FINANCIAL STATEMENTS**

(Expressed in Macao Patacas)

#### **3 Critical accounting estimates and assumptions**

The Branch makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Areas susceptible to changes in essential estimates and judgements, which affect the carrying amount of assets and liabilities, are set out below. The effect of changes to either the key assumptions or other estimation uncertainties will be presented below if it is practicable to determine. It is possible that actual results may require material adjustments to the estimates referred to below.

##### **(a) Impairment allowance for 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(h). 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.

##### **(b) Current and deferred income taxes**

There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Branch recognised liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

**CHINA CITIC BANK INTERNATIONAL LIMITED MACAU BRANCH**

**NOTES TO THE FINANCIAL STATEMENTS**

(Expressed in Macao Patacas)

**4 Net interest income**

	2016 MOP	2015 MOP
Interest income from:		
- loans and advances to customers	67,526,828	52,477,938
- deposits with banks and AMCM	63,176	32,001
- held-to-maturity investments	381,031	236,003
- placements with Head Office	902,557	289,206
	<u>68,873,592</u>	<u>53,035,148</u>
Interest expense from:		
- deposits and balances from Head Office	7,742,282	5,509,871
- deposits from customers	953,650	857,120
	<u>8,695,932</u>	<u>6,366,991</u>
Net interest income	<u>60,177,660</u>	<u>46,668,157</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 2016 and 31 December 2015.

**5 Fee and commission income**

	2016 MOP	2015 MOP
Trade finance business	6,713,339	7,651,313
Credit facility fee	5,918,218	2,934,161
Others	1,220,425	1,221,106
	<u>13,851,982</u>	<u>11,806,580</u>

Included in the total fee and commission income are fee and commission income of MOP12,633,690 (2015: MOP11,265,306) (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.

# CHINA CITIC BANK INTERNATIONAL LIMITED MACAU BRANCH

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Macao Patacas)

### 6 Operating expenses

	2016 MOP	2015 MOP
Staff costs	15,112,489	13,098,788
Rental expenses	2,019,987	1,984,154
Depreciation (note 15)	410,915	551,718
Others	2,797,581	2,746,779
	<u>20,340,972</u>	<u>18,381,439</u>

### 7 Impairment losses charged on loans and advances to customers

	2016 MOP	2015 MOP
Impairment losses charged on loans and advances to customers		
- individually assessed (note 13(b))	-	-
- collectively assessed (note 13(b))	2,032,170	3,866,583
	<u>2,032,170</u>	<u>3,866,583</u>

### 8 Taxation

Current tax comprises of Macao complementary tax. According to Macao complementary tax law, Macao complementary tax is levied at progressive rates ranging from 3% to 9% on the taxable income above MOP32,000 but below MOP300,000, and thereafter at a fixed rate at 12%. For the years 2016 and 2015, special tax incentives were provided to effect that tax free income threshold are increased to MOP600,000 respectively, the profit thereafter at a fixed rate of 12%.

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

	2016 MOP	2015 MOP
<b>Current tax - Macao Complementary Tax</b>		
Provision for the year	6,598,517	4,769,462
Over-provision in respect of the prior years	(38,375)	(26,549)
	<u>6,560,142</u>	<u>4,742,913</u>
<b>Current tax- overseas</b>		
Withholding tax	31	30
	<u>6,560,173</u>	<u>4,742,943</u>

**CHINA CITIC BANK INTERNATIONAL LIMITED MACAU BRANCH**

**NOTES TO THE FINANCIAL STATEMENTS**

(Expressed in Macao Patacas)

**8 Taxation (Continued)**

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

	2016 MOP	2015 MOP
Profit before taxation	55,587,643	40,314,819
Notional tax on profit before taxation, calculated at Macao Complementary Tax rate of 12% (2015: 12%)	6,670,517	4,837,778
Effect of progressive tax rate before 12%	(17,260)	(17,260)
Special complementary tax incentives	(54,740)	(54,740)
Tax effect of expenses not deductible for tax purpose	-	3,684
Over-provision in respect of prior years	(38,375)	(26,549)
Withholding tax	31	30
Actual tax expense	6,560,173	4,742,943

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

	2016 MOP	2015 MOP
Balance of Macao Complementary Tax provision	6,598,517	4,787,807

The Branch does not have any significant unprovided deferred taxation as at 31 December 2016 and 31 December 2015.



**CHINA CITIC BANK INTERNATIONAL LIMITED MACAU BRANCH**

**NOTES TO THE FINANCIAL STATEMENTS**

(Expressed in Macao Patacas)

**9 Cash and balances with banks**

	2016 MOP	2015 MOP
Balances with banks and other financial institutions maturing within one month	<u>458,035,244</u>	<u>84,087,380</u>

**10 Placements with bank**

	2016 MOP	2015 MOP
Placements with Head Office maturing within one to twelve months	<u>6,490,276</u>	<u>6,924,765</u>

**11 Deposits with AMCM**

	2016 MOP	2015 MOP
Deposits with AMCM (Note)	<u>66,918,002</u>	<u>49,497,753</u>

Note: According to the statutory requirement, the Branch is required to maintain a minimum deposit balance with AMCM for liquidity purpose. The required daily amount of the MOP current deposit balance in each week should not be less than 70% of the following percentage of the average of the basic liabilities classified by term and calculated in the preceding week:

- (a) 3% on all the liabilities which are repayable on demand;
- (b) 2% on all the liabilities which are repayable within 3 months (3 months inclusive) except for those already counted in (a);
- (c) 1% on all the liabilities which are repayable beyond 3 months.

As at 31 December 2016, the amount of minimum statutory deposit balance with AMCM required for the Branch is MOP38,159,000 (31 December 2015: MOP11,532,000) .

**12 Held-to-maturity investments**

	2016 MOP	2015 MOP
Unlisted monetary bills issued by AMCM, at amortised cost - current	<u>86,970,823</u>	<u>92,975,406</u>

**CHINA CITIC BANK INTERNATIONAL LIMITED MACAU BRANCH**

**NOTES TO THE FINANCIAL STATEMENTS**

(Expressed in Macao Patacas)

**13 Loans and advances to customers**

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

	2016 MOP	2015 MOP
Gross loans and advances to customers	2,003,070,016	1,687,134,533
Impairment allowance		
- individually assessed (note 13(b))	-	-
- collectively assessed (note 13(b))	(24,723,167)	(22,690,997)
	<u>1,978,346,849</u>	<u>1,664,443,536</u>
Current	1,811,167,562	1,006,090,692
Non-current	167,179,287	658,352,844
	<u>1,978,346,849</u>	<u>1,664,443,536</u>

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

	Individually assessed MOP	Collectively assessed MOP	Total MOP
At 1 January 2015 (Restated)	-	18,824,414	18,824,414
Impairment losses charged to income statement (note 7)	-	3,866,583	3,866,583
At 31 December 2015 (note 13(a))	-	22,690,997	22,690,997
Impairment losses charged to income statement (note 7)	-	2,032,170	2,032,170
At 31 December 2016 (note 13(a))	-	24,723,167	24,723,167

Under AMCM notice no. 18/93, impairment allowances on loan and advances to customers as at 31 December 2016 is MOP24,723,167 ( 31 December 2015: MOP20,013,196).

**14 Other assets**

	2016 MOP	2015 MOP
Interest receivable	3,598,022	1,387,748
Trust receipt acceptance	138,367,032	85,628,057
Prepayment and deposits	606,884	624,001
Cheque clearance	300,760	1,938,003
Others	-	52,689
	<u>142,872,698</u>	<u>89,630,498</u>
Current	142,098,174	88,638,382
Non-current	774,524	992,116
	<u>142,872,698</u>	<u>89,630,498</u>

**CHINA CITIC BANK INTERNATIONAL LIMITED MACAU BRANCH**

**NOTES TO THE FINANCIAL STATEMENTS**

(Expressed in Macao Patacas)

**15 Plant and equipment**

	Leasehold improvements MOP	Furniture and fixtures MOP	Office equipment MOP	Computer equipment MOP	Motor vehicle MOP	Total MOP
<b>Cost:</b>						
At 1 January 2016	1,458,773	496,654	915,163	5,034,484	471,740	8,376,814
Additions	-	-	-	133,926	-	133,926
Disposals	-	(1,236)	(7,292)	(123,018)	-	(131,546)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2016	1,458,773	495,418	907,871	5,045,392	471,740	8,379,194
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>Accumulated depreciation:</b>						
At 1 January 2016	1,458,773	392,310	420,485	4,470,056	471,740	7,213,364
Charge for the year (note 6)	-	19,222	109,922	281,771	-	410,915
Disposals written off	-	(1,236)	(7,292)	(123,018)	-	(131,546)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2016	1,458,773	410,296	523,115	4,628,809	471,740	7,492,733
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>Net book value:</b>						
At 31 December 2016	-	85,122	384,756	416,583	-	886,461
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

**CHINA CITIC BANK INTERNATIONAL LIMITED MACAU BRANCH**

**NOTES TO THE FINANCIAL STATEMENTS**

(Expressed in Macao Patacas)

**15 Plant and equipment (Continued)**

	Leasehold improvements MOP	Furniture and fixtures MOP	Office equipment MOP	Computer equipment MOP	Motor vehicle MOP	Total MOP
<b>Cost:</b>						
At 1 January 2015	1,458,773	496,654	521,483	5,026,280	471,740	7,974,930
Additions	-	-	393,680	97,781	-	491,461
Disposals	-	-	-	(89,577)	-	(89,577)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2015	1,458,773	496,654	915,163	5,034,484	471,740	8,376,814
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>Accumulated depreciation:</b>						
At 1 January 2015	1,337,209	347,698	338,743	4,255,833	471,740	6,751,223
Charge for the year (note 6)	121,564	44,612	81,742	303,800	-	551,718
Disposals written off	-	-	-	(89,577)	-	(89,577)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2015	1,458,773	392,310	420,485	4,470,056	471,740	7,213,364
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>Net book value:</b>						
At 31 December 2015	-	104,344	494,678	564,428	-	1,163,450
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

**CHINA CITIC BANK INTERNATIONAL LIMITED MACAU BRANCH**

**NOTES TO THE FINANCIAL STATEMENTS**

(Expressed in Macao Patacas)

**16 Deposits from customers**

	2016 MOP	2015 MOP
Current accounts	77,788,401	202,102,814
Savings deposits	927,637,558	131,141,072
Time, call and notice deposits	84,395,482	68,816,736
	<u>1,089,821,441</u>	<u>402,060,622</u>
Current	<u>1,089,821,441</u>	<u>402,060,622</u>

**17 Deposits and balances from Head Office**

The amount represents short term deposits from head office, which are unsecured, repayable within one month and bearing interest at the rates ranging from 0.6% to 12% per annum (2015: 0.11% to 0.5% per annum).

**18 Other liabilities**

	2016 MOP	2015 MOP
Interest payable	331,065	370,046
Trust receipt acceptance	138,367,032	85,628,057
Deferred income	3,789,164	12,766,102
Interest receipt in advance	1,127,138	4,779,582
Cashier order and bills payable	127,742	870,088
Accounts payable	184,765	212,980
Accrued expenses	663,728	379,021
	<u>144,590,634</u>	<u>105,005,876</u>
Current	140,646,970	91,317,347
Non-current	3,943,664	13,688,529
	<u>144,590,634</u>	<u>105,005,876</u>

**19 Establishment fund**

Balance represents the set up capital of the Branch in accordance with article 23 of Decree Law No.32/93/M (2015: same).

**CHINA CITIC BANK INTERNATIONAL LIMITED MACAU BRANCH**

**NOTES TO THE FINANCIAL STATEMENTS**

(Expressed in Macao Patacas)

**20 Cash and cash equivalents**

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

	2016 MOP	2015 MOP
Cash and balances with banks	458,035,244	84,087,380
Placement with an original maturity within 3 months	1,816,176	-
Deposits with AMCM in excess of minimum statutory requirement (Note 11)	28,759,002	37,965,753
Unlisted monetary bills issued by AMCM with original maturity within three months	86,970,823	92,975,406
	<u>575,581,245</u>	<u>215,028,539</u>

**(b) Reconciliation with the balance sheet**

	2016 MOP	2015 MOP
Cash and balances with banks	458,035,244	84,087,380
Placements with bank	6,490,276	6,924,765
Deposits with AMCM	66,918,002	49,497,753
Unlisted monetary bills issued by AMCM	86,970,823	92,975,406
	<u>618,414,345</u>	<u>233,485,304</u>
Amounts shown in the balance sheet	618,414,345	233,485,304
Less: Amounts with an original maturity of over 3 months	(4,674,100)	(6,924,765)
Less: Minimum statutory deposits with AMCM (Note 11)	(38,159,000)	(11,532,000)
	<u>575,581,245</u>	<u>215,028,539</u>
Cash and cash equivalents in the cash flow statement	<u>575,581,245</u>	<u>215,028,539</u>

**21 Contingent liabilities and commitments**

	2016 MOP	2015 MOP
Loan commitment	2,685,692,185	2,667,049,342
Letters of guarantee	114,431,805	148,740,407
Letters of credit	212,981,761	78,648,661
	<u>3,013,105,751</u>	<u>2,894,438,410</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.

## CHINA CITIC BANK INTERNATIONAL LIMITED MACAU BRANCH

### NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Macao Patacas)

#### 22 Operating lease commitments

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

	2016 MOP	2015 MOP
Properties:		
- Within one year	2,048,019	1,664,095
- After one year but within five years	1,975,536	90,640
	<u>4,023,555</u>	<u>1,754,735</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.

#### 23 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 and other branches, 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.

- (a) During the year, the Branch earned income and incurred expense on balances with group companies as follows:

	2016 MOP	2015 MOP
Interest income from Head office and other branches	910,870	295,352
Interest expense to Head office	<u>7,742,282</u>	<u>5,509,872</u>

# CHINA CITIC BANK INTERNATIONAL LIMITED MACAU BRANCH

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Macao Patacas)

### 23 Material related party transactions (Continued)

- (b) Balances with group companies and related parties included in various balance sheet items are shown as follows:

	2016 MOP	2015 MOP
<b>Due from Head Office and other branches:</b>		
At 1 January	30,795,629	98,819,704
At 31 December	413,983,754	30,795,629
Average for the year	194,803,385	33,629,957
	<hr/>	<hr/>
<b>Interest receivables from Head Office and other branch:</b>		
At 1 January	219,837	44,254
At 31 December	131,997	219,837
Average for the year	112,948	104,731
	<hr/>	<hr/>
<b>Deposits and balances from Head Office:</b>		
At 1 January	1,391,296,607	1,075,506,197
At 31 December	1,400,482,291	1,391,296,607
Average for the year	1,646,892,855	1,242,001,006
	<hr/>	<hr/>
<b>Interest payables to Head Office:</b>		
At 1 January	60,668	97,561
At 31 December	141,461	60,668
Average for the year	142,720	192,176
	<hr/>	<hr/>

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

Key management personnel are deemed to be the members of the Board of Directors of the Head Office which are responsible for the planning, directing and controlling the activities of the Head Office and the Branch. Compensation of key management personnel were borne by the Head Office for both years.



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## **CHINA CITIC BANK INTERNATIONAL LIMITED MACAU BRANCH**

### **UNAUDITED DISCLOSURE OF FINANCIAL INFORMATION FOR THE YEAR ENDED 31 DECEMBER 2016**

(Expressed in Macao Patacas)

#### **1 Off-balance sheet exposures**

##### **Derivatives**

The use of derivatives for sale to customers as risk management products is 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.

The Branch did not enter into any derivative arrangements for the year ended 31 December 2016 and 31 December 2015 respectively.

#### **2 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.

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.

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**2 Financial risk management (Continued)**

**(a) Credit risk management (Continued)**

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 2(a)(vi).

**(i) Credit quality of loans and advances to customers**

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

	2016 MOP	2015 MOP
Gross loans and advances to customers		
- neither past due nor impaired	1,986,579,464	1,681,935,890
- past due but not impaired	16,490,552	5,198,643
	<u>2,003,070,016</u>	<u>1,687,134,533</u>

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

	2016 MOP	2015 MOP
Gross loans and advances to customers that are past due but not impaired		
- overdue 3 months or less	<u>16,490,552</u>	<u>5,198,643</u>

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 2016 and 2015, none of the loans and advances to customers has been classified as impaired.

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**2 Financial risk management (Continued)**

**(a) Credit risk management (Continued)**

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

At 31 December 2016 and 2015, the Branch only had held-to-maturity investments in unlisted monetary bills issued by AMCM. None of these assets (2015: Nil) have been past due with respect to either principal or interest.

**(iii) Collateral and other credit enhancements**

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

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

	2016 MOP	2015 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	1,107,307,835	983,504,460
- past due but not impaired	16,490,552	5,198,643
	<u>1,123,798,387</u>	<u>988,703,103</u>

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**2 Financial risk management (Continued)**

**(a) Credit risk management (Continued)**

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

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

	31 December 2016				
	Gross loans and advances to customers and commitments MOP	Past due or impaired loans and advances to customers MOP	Impaired loans and advances to customers MOP	Individually assessed impairment allowance MOP	Collectively assessed impairment allowance MOP
<b>Region</b>					
Hong Kong	1,329,881,419	-	-	-	7,012,273
Macao SAR	2,403,609,743	-	-	-	12,673,887
British Virgin Islands	929,933,805	-	-	-	4,903,407
<b>Total</b>	<b>4,663,424,967</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>24,589,567</b>

  

	31 December 2015				
	Gross loans and advances to customers and commitments MOP	Past due or impaired loans and advances to customers MOP	Impaired loans and advances to customers MOP	Individually assessed impairment allowance MOP	Collectively assessed impairment allowance MOP
<b>Region</b>					
Hong Kong	945,731,719	-	-	-	4,928,500
Macao SAR	2,740,492,256	5,198,643	-	-	14,281,551
British Virgin Islands	663,081,319	-	-	-	3,455,522
<b>Total</b>	<b>4,349,305,294</b>	<b>5,198,643</b>	<b>-</b>	<b>-</b>	<b>22,665,573</b>

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

The portion of collectively assessed impairment allowance of MOP133,600 (31 December 2015: MOP25,424) was not allocated to the above geographical areas.

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**2 Financial risk management (Continued)**

**(a) Credit risk management (Continued)**

(v) 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.

	31 December 2016			
	Debt Investments		Derivatives	
	Notional amounts MOP	Carrying value MOP	Notional amounts MOP	Carrying value MOP
<b>Region</b>				
Macao SAR	87,000,000	86,970,823	-	-
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
	31 December 2015			
	Debt Investments		Derivatives	
	Notional amounts MOP	Carrying value MOP	Notional amounts MOP	Carrying value MOP
<b>Region</b>				
Macao SAR	93,000,000	92,975,406	-	-
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>

At 31 December 2016 and 31 December 2015, the Branch only had held-to-maturity investments in unlisted monetary bills issued by AMCM.

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## UNAUDITED DISCLOSURE OF FINANCIAL INFORMATION FOR THE YEAR ENDED 31 DECEMBER 2016

(Expressed in Macao Patacas)

### 2 Financial risk management (Continued)

#### (a) Credit risk management (Continued)

##### (vi) 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.

	31 December 2016					31 December 2015				
	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 allowances 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 allowances MOP (Restated, note 4)	Impairment allowance written off during the year MOP
<b>Loans and advances for use in Macao</b>										
Industrial, commercial and financial:										
- Restaurants and hotels	-	-	-	-	-	519,143,690	-	-	6,982,186	-
- Construction and public works	-	-	-	-	-	804,694	-	-	10,823	-
- Wholesale and retail trade	282,982,329	-	-	3,492,748	-	77,871,075	-	-	1,047,322	-
- Manufacturing	41,649,848	-	-	514,069	-	23,179,937	-	-	311,757	-
- Others	166,824,742	-	-	2,059,057	-	68,527,581	-	-	921,656	-
	491,456,919	-	-	6,065,874	-	689,526,977	-	-	9,273,744	-
Individuals:										
- Loans and advances for the purchase of other residential properties	18,540,905	-	-	228,844	-	24,047,526	-	-	323,426	-
- Loans and advances for the purchase of other properties for investment purpose	34,770,923	16,490,552	-	429,165	-	37,475,423	-	-	504,023	-
	53,311,828	16,490,552	-	658,009	-	61,522,949	-	-	827,449	-
Trade finance	525,342,461	-	-	6,484,111	-	424,104,252	5,198,643	-	5,703,960	-

# CHINA CITIC BANK INTERNATIONAL LIMITED MACAU BRANCH

## UNAUDITED DISCLOSURE OF FINANCIAL INFORMATION FOR THE YEAR ENDED 31 DECEMBER 2016

(Expressed in Macao Patacas)

### 2 Financial risk management (Continued)

#### (a) Credit risk management (Continued)

##### (vi) Loans and advances to customers analysed by industry sectors (Continued)

	31 December 2016					31 December 2015				
	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 allowances 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 allowances MOP (Restated, note 4)	Impairment allowance written off during the year MOP
<b>Loans and advances for use outside Macao</b>										
Industrial, commercial and financial:										
- Manufacturing	-	-	-	-	-	-	-	-	-	-
- Wholesale and retail trade	531,786,787	-	-	6,563,651	-	476,587,636	-	-	6,409,832	-
- Others	365,184,030	-	-	4,507,335	-	-	-	-	-	-
	<u>896,970,817</u>	<u>-</u>	<u>-</u>	<u>11,070,986</u>	<u>-</u>	<u>476,587,636</u>	<u>-</u>	<u>-</u>	<u>6,409,832</u>	<u>-</u>
Individuals:										
- Loans and advances for the purchase of other residential properties	2,664,909	-	-	32,892	-	-	-	-	-	-
- Loans and advances for the purchase of other properties for investment purpose	33,323,082	-	-	411,295	-	35,392,719	-	-	476,012	-
	<u>35,987,991</u>	<u>-</u>	<u>-</u>	<u>444,187</u>	<u>-</u>	<u>35,392,719</u>	<u>-</u>	<u>-</u>	<u>476,012</u>	<u>-</u>
<b>Gross loans and advances to customers</b>	<u>2,003,070,016</u>	<u>16,490,552</u>	<u>-</u>	<u>24,723,167</u>	<u>-</u>	<u>1,687,134,533</u>	<u>5,198,643</u>	<u>-</u>	<u>22,690,997</u>	<u>-</u>



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**UNAUDITED DISCLOSURE OF FINANCIAL INFORMATION  
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**2 Financial risk management (Continued)**

**(a) Credit risk management (Continued)**

(vii) 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.

	31 December 2016							
	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	458,035,244	56,660,686	401,374,558	-	-	-	-	-
Placements with bank	6,490,276	-	-	3,581,871	2,908,405	-	-	-
Deposits with AMCM	66,918,002	66,918,002	-	-	-	-	-	-
Held-to-maturity investments	86,970,823	-	70,980,938	15,989,885	-	-	-	-
Loans and advances to customers	1,978,346,849	3,620,092	841,414,165	719,255,692	246,877,614	1,759,875	165,419,411	-
Other assets	142,271,371	-	43,747,240	94,814,126	3,536,807	2,454	170,744	-
Undated assets	1,487,788	-	-	-	-	-	-	1,487,788
<b>Total assets</b>	<b>2,740,520,353</b>	<b>127,198,780</b>	<b>1,357,516,901</b>	<b>833,641,574</b>	<b>253,322,826</b>	<b>1,762,329</b>	<b>165,590,155</b>	<b>1,487,788</b>
<b>Liabilities</b>								
Deposits from customers	1,089,821,441	1,005,425,959	51,776,423	7,062,670	25,556,389	-	-	-
Deposits and balances from Head Office	1,400,482,291	16,441,225	1,384,041,066	-	-	-	-	-
Other liabilities	147,245,487	132,459	43,969,351	92,770,344	10,373,333	-	-	-
Undated liabilities	3,943,664	-	-	-	-	-	-	3,943,664
<b>Total liabilities</b>	<b>2,641,492,883</b>	<b>1,021,999,643</b>	<b>1,479,786,840</b>	<b>99,833,014</b>	<b>35,929,722</b>	<b>-</b>	<b>-</b>	<b>3,943,664</b>
<b>Asset-liability gap</b>		<b>(894,800,863)</b>	<b>(122,269,939)</b>	<b>733,808,560</b>	<b>217,393,104</b>	<b>1,762,329</b>	<b>165,590,155</b>	

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**2 Financial risk management (Continued)**

**(a) Credit risk management (Continued)**

(vii) Analysis of assets and liabilities by remaining maturity (Continued)

	31 December 2015							
	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	84,087,380	84,087,380	-	-	-	-	-	-
Placements with bank	6,924,765	-	-	5,289,681	1,635,084	-	-	-
Deposits with AMCM	49,497,753	49,497,753	-	-	-	-	-	-
Held-to-maturity investments	92,975,406	-	64,989,813	27,985,593	-	-	-	-
Loans and advances to customers	1,664,443,536	9,061,050	368,727,866	304,233,679	324,068,097	560,263,875	98,088,969	-
Other assets	88,958,834	24,840	33,191,569	54,743,472	678,501	210,291	110,161	-
Undated assets	1,835,114	-	-	-	-	-	-	1,835,114
<b>Total assets</b>	<b>1,988,722,788</b>	<b>142,671,023</b>	<b>466,909,248</b>	<b>392,252,425</b>	<b>326,381,682</b>	<b>560,474,166</b>	<b>98,199,130</b>	<b>1,835,114</b>
<b>Liabilities</b>								
Deposits from customers	402,060,622	333,243,886	35,502,884	9,230,927	24,082,925	-	-	-
Deposits and balances from Head Office	1,391,296,607	14,878,187	1,376,418,420	-	-	-	-	-
Other liabilities	96,105,154	154,992	31,052,769	54,268,136	10,629,257	-	-	-
Undated liabilities	13,688,529	-	-	-	-	-	-	13,688,529
<b>Total liabilities</b>	<b>1,903,150,912</b>	<b>348,277,065</b>	<b>1,442,974,073</b>	<b>63,499,063</b>	<b>34,712,182</b>	<b>-</b>	<b>-</b>	<b>13,688,529</b>
<b>Asset-liability gap</b>		<b>(205,606,042)</b>	<b>(976,064,825)</b>	<b>328,753,362</b>	<b>291,669,500</b>	<b>560,474,166</b>	<b>98,199,130</b>	

(viii) Analysis on past due assets

As at 31 December 2016 and 31 December 2015, there were no assets that have been past due for more than 3 months.

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(Expressed in Macao Patacas)

**2 Financial risk management (Continued)**

**(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 subcommittees 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.

**(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:

31 December 2016							
	Euro dollars	United States dollars	Pound sterling	Japanese yen	Chinese yuan	Hong Kong dollars	Other currencies
	MOP	MOP	MOP	MOP	MOP	MOP	MOP
Spot assets	520,700	1,280,346,394	6,773	687,942	9,722,193	1,139,312,024	40,890,181
Spot liabilities	(546,726)	(1,280,188,542)	(12,987)	(680,556)	(9,500,198)	(1,139,438,219)	(40,889,506)
Net long/(short) position	(26,026)	157,852	(6,214)	7,386	221,995	(126,195)	675
31 December 2015							
	Euro dollars	United States dollars	Pound sterling	Japanese yen	Chinese yuan	Hong Kong dollars	Other currencies
	MOP	MOP	MOP	MOP	MOP	MOP	MOP
Spot assets	906,415	645,510,228	16,054	218,966	7,343,553	1,127,517,516	4,278
Spot liabilities	(917,820)	(645,461,112)	(15,642)	(218,550)	(7,261,800)	(1,127,497,786)	(749)
Net long/(short) position	(11,405)	49,116	412	416	81,753	19,730	3,529

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### **UNAUDITED DISCLOSURE OF FINANCIAL INFORMATION FOR THE YEAR ENDED 31 DECEMBER 2016**

(Expressed in Macao Patacas)

#### **2 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.

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**2 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.

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

	31 December 2016 MOP	31 December 2015 MOP
Minimum weekly amount of cash in hand required to be held	16,387,000	11,529,000
Average weekly amount of cash in hand	49,087,000	35,896,000
Specified liquid assets at the end of each month	636,089,000	427,682,000
	31 December 2016 %	31 December 2015 %
Average ratio of specified liquid asset to total basic liabilities at the end of each month	111	112
One-month liquidity ratio in the last week of each month	73	80
Three-month liquidity ratio in the last week of each month	106	110

The liquid assets held and average liquidity ratio for the period 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.

## CHINA CITIC BANK INTERNATIONAL LIMITED MACAU BRANCH

### UNAUDITED DISCLOSURE OF FINANCIAL INFORMATION FOR THE YEAR ENDED 31 DECEMBER 2016

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#### 2 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. On this basis the amount of capital employed at 31 December 2016 was MOP99,027,470 (2015 restated: MOP85,571,876).

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.

#### 3 Other information in relation to positions of Head Office, China CITIC Bank International Limited

The Branch is one of the branches of China CITIC Bank International Limited ("Head Office" or "the Bank") and therefore, it does not require to prepare 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

	31 December 2016 %	31 December 2015 %
Common Equity Tier 1 capital ratio	10.8	10.5
Tier 1 capital ratio	13.7	11.7
Total capital ratio	17.8	16.5

Capital adequacy ratios ("CAR") comply with in accordance with the Banking (Capital) Rules issued by the Hong Kong Monetary Authority ("HKMA"). The CAR are computed on a consolidated basis covering the Bank and certain 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.

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**3 Other information in relation to positions of Head Office, China CITIC Bank International Limited (Continued)**

**(a) Consolidated capital adequacy ratios (Continued)**

	31 December 2016 HK\$	31 December 2015 HK\$
<b>Equity</b>		
Share capital	9,366,271,000	7,566,271,000
Reserves	16,414,493,000	14,177,766,000
Additional equity instruments	6,173,252,000	2,310,168,000
Total equity	<u>31,954,016,000</u>	<u>24,054,205,000</u>

**(b) Consolidated assets, liabilities and profit positions**

	31 December 2016 HK\$	31 December 2015 HK\$
Total assets	306,416,955,000	282,534,968,000
Total liabilities	274,462,939,000	258,480,763,000
Loans and advances to customers and other accounts	191,286,538,000	173,479,925,000
Deposits and balances of banks and other financial institutions	5,256,660,000	2,658,301,000
Deposits from customers	235,574,700,000	220,683,709,000
Profit before taxation	<u>3,053,239,000</u>	<u>2,601,446,000</u>

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

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

At 31 December 2016, 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.

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**3 Other information in relation to positions of Head Office, China CITIC Bank International Limited (Continued)**

**(d) Members of the company boards**

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

**Chairman**

Mr. SUN Deshun

**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. ZHANG Qiang

Mr. FANG Heying

**Independent Non-executive Directors**

Mr. TANG Shisheng

Ms. TSANG King Suen Katherine

Mr. Wang Guoliang

Mr. WU Jiesi