



Standard Chartered Bank  
Macau Branch  
渣打銀行澳門分行

31 December 2016



## Independent auditor's report to the management of Standard Chartered Bank, Macau Branch

We have audited the accompanying financial statements of the Macau Branch of Standard Chartered Bank ("the Branch") set out on pages 3 to 33, which comprise the Branch's balance sheet as at 31 December 2016, and the income statement, statement of changes in reserves and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

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

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

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

### *Auditor's responsibility*

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

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



## Independent auditor's report to the management of Standard Chartered Bank, Macau Branch (continued)

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

An audit involves performing appropriate procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's professional judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and 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 entity'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.

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

### *Opinion*

In our opinion, the financial statements give a true and fair view of, in all material respects, the state of affairs of the Branch as at 31 December 2016, and of its profits and cash flows for the year then ended in accordance with the requirements set out in Decree-Law No. 32/93/M and the Financial Reporting Standards of the Macau SAR.

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

leong Lai Kun, Registered Auditor

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

**Income statement**  
**for the year ended 31 December 2016**  
(Expressed in thousands of Macau Patacas)

	Note	2016 MOP'000	2015 MOP'000
Interest income	3(a)	34,325	46,279
Interest expenses	3(b)	<u>(10,592)</u>	<u>(9,627)</u>
<b>Net interest income</b>		23,733	36,652
Fee and commission income	3(c)	20,942	22,584
Exchange gain		<u>4,260</u>	<u>5,471</u>
<b>Operating income</b>		48,935	64,707
Operating expenses	3(d)	<u>(15,150)</u>	<u>(15,771)</u>
<b>Operating profit before impairment</b>		33,785	48,936
Impairment release on loans and advances	3(e)	<u>862</u>	<u>23,975</u>
<b>Profit before taxation</b>		34,647	72,911
Income tax	4(a)	<u>(4,111)</u>	<u>(8,696)</u>
<b>Profit for the year</b>		<u>30,536</u>	<u>64,215</u>
<b>Effects of additional provisions for loans and advances to customers under AMCM rules</b>			
Profit after taxation		30,536	64,215
(Addition)/reduction in provisions under AMCM rules	11(b)	<u>(3,554)</u>	<u>6,745</u>
<b>Result for the year under AMCM rules</b>		<u>26,982</u>	<u>70,960</u>

The notes on pages 8 to 33 form part of these financial statements.

## Balance sheet at 31 December 2016

(Expressed in thousands of Macau Patacas)

	Note	2016 MOP'000	2015 MOP'000
<b>Assets</b>			
Cash, balances and placements with banks and other financial institutions	5	285,871	353,431
Trade bills	6(a)	17,800	3,355
Loans and advances to customers	6(a)	1,565,464	1,103,658
Available-for-sale securities	8	29,704	69,754
Amounts due from head office, other branches and group companies	10(a)	1,110,133	1,223,111
Other assets		523,458	630,067
		<u>3,532,430</u>	<u>3,383,376</u>
<b>Liabilities</b>			
Deposits from customers	9	1,145,669	1,049,747
Amounts due to head office, other branches and group companies	10(b)	1,827,266	1,584,997
Bank loans and overdrafts		-	12
Current taxation	4(a)	3,692	9,692
Deferred tax liabilities	4(c)	2,400	1,915
Other liabilities		507,816	651,889
		<u>3,486,843</u>	<u>3,298,252</u>
<b>Reserves</b>	11	<u>45,587</u>	<u>85,124</u>
		<u>3,532,430</u>	<u>3,383,376</u>

Approved and authorised for issue by management on

)  
 )  
 ) Management  
 )  
 )

The notes on pages 8 to 33 form part of these financial statements.

Statement of changes in reserves  
for the year ended 31 December 2016  
(Expressed in thousands of Macau Patacas)

	Note	Available- for-sale reserve MOP'000	Retained profits MOP'000	Regulatory reserve MOP'000	Total MOP'000
<b>At 1 January 2015</b>		64	44,472	20,791	65,327
Profit for the year		-	64,215	-	64,215
Available-for-sale securities					
- Changes in fair value during the year		(18)	-	-	(18)
Amount remitted to head office		-	(44,400)	-	(44,400)
Transfer to retained profits	11(b)	-	6,745	(6,745)	-
<b>At 31 December 2015 and 1 January 2016</b>		46	71,032	14,046	85,124
Profit for the year					
Available-for-sale securities		-	30,536	-	30,536
- Changes in fair value during the year		(73)	-	-	(73)
Amount remitted to head office		-	(70,000)	-	(70,000)
Transfer from retained profits	11(b)	-	(3,554)	3,554	-
<b>At 31 December 2016</b>		<u>(27)</u>	<u>28,014</u>	<u>17,600</u>	<u>45,587</u>

The notes on pages 8 to 33 form part of these financial statements.

## Cash flow statement for the year ended 31 December 2016 (Expressed in thousands of Macau Patacas)

	Note	2016 MOP'000	2015 MOP'000
<b>Operating activities</b>			
Profit from ordinary activities before taxation		34,647	72,911
Adjustments for non-cash items:			
Amortisation of discount on AMCM monetary bills		(353)	(466)
Impairment release on loans and advances		(862)	(17,425)
Loans and advances written off		(23,023)	(27,679)
Unwind of discount on loan impairment charge		-	-
		<hr/>	<hr/>
<b>Operating profit before changes in working capital</b>		10,409	27,341
<b>Decrease/(increase) in operating assets:</b>			
Balances with banks with original maturity beyond three months		(62,860)	323,335
Trade bills		(14,445)	4,890
Loans and advances to customers		(437,921)	706,288
Available-for-sale securities with maturity beyond three months		40,330	483
Amounts due from head office, other branches and group companies		(6)	25,940
Other assets		106,609	93,918
<b>(Decrease)/increase in operating liabilities:</b>			
Deposits from customers		95,922	(179,674)
Amounts due to head office, other branches and group companies		242,269	(685,883)
Other liabilities		(144,073)	(74,144)
		<hr/>	<hr/>
<b>Cash (used in)/generated from operations</b>		(163,766)	242,494
Macau complementary tax paid		(9,626)	(6,012)
		<hr/>	<hr/>
<b>Net cash (used in)/generated from operating activities</b>		<u>(173,392)</u>	<u>236,482</u>

**Cash flow statement**  
**for the year ended 31 December 2016 (continued)**  
*(Expressed in thousands of Macau Patacas)*

	<i>Note</i>	2016 MOP'000	2015 MOP'000
<b>Financing activity</b>			
Amount remitted to head office		<u>(70,000)</u>	<u>(44,400)</u>
<b>Net cash used in financing activity</b>		<u><u>(70,000)</u></u>	<u><u>(44,400)</u></u>
<b>Net (decrease)/increase in cash and cash equivalents</b>		(243,392)	192,082
<b>Cash and cash equivalents at 1 January</b>		<u>1,567,461</u>	<u>1,375,379</u>
<b>Cash and cash equivalents at 31 December</b>	12	<u><u>1,324,069</u></u>	<u><u>1,567,461</u></u>
<b>Cash flows from operating activities include:</b>			
Interest received		33,189	46,675
Interest paid		<u>(10,106)</u>	<u>(11,101)</u>

The notes on pages 8 to 33 form part of these financial statements.



## Notes to the financial statements

(Expressed in thousands of Macau Patacas)

### 1 Principal activities

Standard Chartered Bank - Macau Branch (“the Branch”) is engaged in commercial banking business and provides related financial services.

### 2 Significant accounting policies

#### (a) Statement of compliance

These financial statements have been prepared in accordance with the requirements as set out in Decree Law No. 32/93/M and the Financial Reporting Standards issued under Administrative Regulation No. 25/2005 of the Macau Special Administrative Region (“Macau SAR”).

A summary of the significant accounting policies adopted by the Branch is set out below. The accounting policies have been applied consistently to all periods presented in these financial statements.

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

The Branch is part of Standard Chartered Bank (“SCB”), which is incorporated in the United Kingdom and registered in England and Wales, and therefore the Branch is not a separate legal entity. These financial statements have been prepared solely for use by the Branch and for submission to Autoridade Monetária de Macau (“AMCM”) by the Branch. They have been prepared from the records of the Branch and reflect all transactions recorded locally on the basis of the accounting policies adopted by the Branch.

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

#### (c) Revenue recognition

##### (i) Interest income and expense

Interest income and expense on available-for-sale assets, financial assets or liabilities held at amortised cost is recognised in the income statement using the effective interest method.

## 2 Significant accounting policies (continued)

### (c) Revenue recognition (continued)

#### (i) Interest income and expense (continued)

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that 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 or financial liability. When calculating the effective interest rate, the Branch estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all amounts 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.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised at the original effective interest rate of the financial asset applied to the impaired carrying amount.

#### (ii) Fees and commissions

Fees and commissions are generally recognised on an accrual basis when the service has been provided. Loan syndication fees are recognised as revenue when the syndication has been completed and the Branch has retained no part of the loan package for itself or has retained a part at the same effective interest rate as for the other participants. Portfolio and other management advisory and service fees are recognised based on the applicable service contracts, usually on a time-apportioned basis.

### (d) Financial assets and liabilities (excluding derivatives)

Financial assets are classified into the following categories: loans and receivables and available-for-sale assets. Financial liabilities are classified as held at amortised cost. Management determines the classification of its financial assets and liabilities on initial recognition.

#### (i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

#### (ii) Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets intended to be held for an indefinite period of time, which may be sold in response to liquidity requirements or changes in interest rates, exchange rates or equity prices.

## 2 Significant accounting policies (continued)

### (d) Financial assets and liabilities (excluding derivatives) (continued)

#### (ii) Available-for-sale financial assets (continued)

##### *Initial recognition*

Purchases and sales of available-for-sale financial assets are initially recognised on trade-date (the date on which the Branch commits to purchase or sell the asset). Loans and receivables are recognised when cash is advanced to the borrowers. Financial assets and financial liabilities are initially recognised at fair value plus directly attributable transaction costs.

##### *Subsequent measurement*

Available-for-sale financial assets are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method. Financial liabilities are measured at amortised cost using the effective interest method.

The fair values of quoted investments in active markets are based on current prices. If the market for a financial asset is not active, and for unlisted securities, the Branch establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, discounted cash flow analysis, and other valuation techniques commonly used by market participants.

##### *Derecognition*

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the Branch has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognised when they are extinguished.

##### *Income recognition*

For available-for-sale financial assets, financial assets and liabilities held at amortised cost, interest income and interest expense is recognised in the income statement using the effective interest method.

Gains and losses arising from changes in the fair value of available-for-sale financial assets other than foreign exchange gains and losses from monetary items are recognised directly in reserve, until the financial asset is derecognised or impaired at which time the cumulative gain or loss previously recognised in reserve is recognised in the income statement.

## 2 Significant accounting policies (continued)

### (e) *Derivative financial instruments and hedge accounting*

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 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 that does not qualify for hedge accounting are recognised immediately in the income statement.

### (f) *Impairment of assets*

#### (i) Assets carried at amortised cost

The Branch assesses at each balance sheet date whether there is objective evidence that a financial asset is impaired. A financial asset is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset that can be reliably estimated.

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Branch may measure impairment on the basis of an instrument's fair value using observable market price.

The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

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

### **(f) Impairment of assets (continued)**

#### **(i) Assets carried at amortised cost (continued)**

To the extent a loan is irrecoverable, it is written off against the related provision for loan impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off are credited to the income statement. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the income statement.

#### **(ii) Available-for-sale financial assets**

Where there is objective evidence that an available-for-sale financial asset is impaired, the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the income statement) is removed from available-for-sale reserve and is recognised in the income statement. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the income statement.

### **(g) Leases**

The leases entered into by the Branch are primarily operating leases. The total payments made under operating leases are charged to the income statement on a straight-line basis over the period of the leases.

### **(h) 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 and placements with banks and other financial institutions, and amounts due from group companies.

### **(i) Provisions and contingent liabilities**

Provisions for restructuring costs and legal claims are recognised when the Branch has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated.

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

### **(j) Income tax**

Income tax payable on profits for the period is recognised as an expense in the period in which profits arise. The tax effects of income tax losses available for carry forward are recognised as an asset when it is probable that future taxable profits will be available against which these losses can be utilised.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates, and laws that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised where it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Current and deferred tax relating to items which are charged or credited directly to reserve, is credited or charged directly to reserve and is subsequently recognised in the income statement together with the current or deferred gain or loss.

### **(k) Translation of foreign currencies**

Foreign currency transactions are translated into Macau Patacas 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.

Non-monetary assets and liabilities are translated at historical exchange rates if held at historical cost or year-end exchange rates if held at fair value, and the resulting foreign exchange gains and losses are recognised in either the income statement or reserve depending on the treatment of the gain or loss on the asset or liability.

## 2 Significant accounting policies (continued)

### (I) 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 Head Office.
- (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).
  - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Branch or to the Branch's Head Office.

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

### 3 Profit before taxation

Profit before taxation is stated after taking account of the following:

#### (a) Interest income

	2016 MOP'000	2015 MOP'000
Interest income from deposits with banks	8	6
Interest income from AMCM monetary bills	353	466
Interest income from loans and advances	29,150	41,848
Interest income from placements with a group company and other branches	4,814	3,959
	<u>34,325</u>	<u>46,279</u>

No interest income on unwinding of discount (note 7) on loan impairment charges is recognised in 2016 (2015: MOPNil).

#### (b) Interest expense

	2016 MOP'000	2015 MOP'000
Interest expense on deposits from customers	843	1,161
Interest expense on deposits from a group company and other branches	9,749	8,466
	<u>10,592</u>	<u>9,627</u>

#### (c) Fee and commission income

	2016 MOP'000	2015 MOP'000
Fee and commission income (arising from financial assets that are not at fair value through profit or loss)	<u>20,942</u>	<u>22,584</u>



### 3 Profit before taxation (continued)

#### (d) Operating expenses

	2016 MOP'000	2015 MOP'000
Management fee	3,008	3,383
Premises expenses	1,531	1,061
Equipment expenses	109	25
Auditor's remuneration	369	365
Others	10,133	10,937
	<u>15,150</u>	<u>15,771</u>

Staff costs have been borne by a group company, Standard Chartered Bank (Hong Kong) Limited. These costs are then recharged through a management fee.

Other operating expenses include recharges from head office, group companies, and other branches of MOP9,122,146 (2015: MOP9,879,595).

#### (e) Impairment (release)/charges on loans and advances

	2016 MOP'000	2015 MOP'000
Individual impairment charges/(releases) (note 7)	-	(17,804)
Portfolio impairment (releases)/charges (note 7)	(541)	379
Recoveries of advances written off in previous years	(321)	(6,550)
	<u>(862)</u>	<u>(23,975)</u>

**4 Income tax**

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

	2016 MOP'000	2015 MOP'000
<b>Current tax</b>		
Provision for the year	3,692	9,692
Over-provision relating to prior years	(66)	(77)
	<u>3,626</u>	<u>9,615</u>
<b>Deferred tax</b>		
Origination and reversal of temporary differences	485	(919)
	<u>4,111</u>	<u>8,696</u>

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

	2016 MOP'000	2015 MOP'000
Profit before taxation	<u>34,647</u>	<u>72,911</u>
Notional tax on profit before taxation, calculated at Macau Complementary Tax rate of 12%	4,157	8,749
Tax effect of non-deductible expenses	20	24
Over-provision relating to prior years	(66)	(77)
Actual tax expense	<u>4,111</u>	<u>8,696</u>

**4 Income tax (continued)**

**(c) Deferred tax liabilities recognised**

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

	2016 MOP'000	2015 MOP'000
<b>Deferred tax arising from:</b>		
<b>Regulatory reserve under AMCM Rules</b>		
At 1 January	1,915	2,834
Charged/(released) to income statement	485	(919)
	<u>2,400</u>	<u>1,915</u>
At 31 December	<u>2,400</u>	<u>1,915</u>

**5 Cash, balances and placements with banks and other financial institutions**

	2016 MOP'000	2015 MOP'000
Balances with banks and other financial institutions (note)	285,871	268,519
Placements with banks	-	84,912
	<u>285,871</u>	<u>353,431</u>

Note: Includes minimum deposits with AMCM of MOP38,684,417 (2015: MOP37,510,655).

**6 Advances to customers**

**(a) Advances to customers**

	2016 MOP'000	2015 MOP'000
Gross loans and advances to customers	1,566,524	1,128,282
Trade bills	17,800	3,355
	<u>1,584,324</u>	<u>1,131,637</u>
Less: Impairment provision		
- individually assessed (note 7)	-	(23,023)
- collectively assessed (note 7)	(1,060)	(1,601)
	<u>1,583,264</u>	<u>1,107,013</u>

**(b) Impaired loans and advances to customers**

	2016 MOP'000	2015 MOP'000
Gross impaired advances to customers	-	23,023
Impairment provision - individually assessed	-	(23,023)
	<u>-</u>	<u>-</u>
Gross impaired advances to customers as a % of gross advances to customers	<u>-%</u>	<u>2.03%</u>

No collateral was held against impaired loans and advances to customers in 2016 and 2015.

## 6 Advances to customers (continued)

### (c) Advances to customers and trade bills analysed by industry sector

The analysis of gross advances to customers and trade bills by industry sector is based on the categories used by the returns submitted to the AMCM.

	2016 MOP'000	2015 MOP'000
Gross advances for use in Macau		
Industrial, commercial and financial		
– Textile productions	136,653	65,198
– Leather articles	9,143	-
– Paper, printing and publishing	806,789	582,398
– Machinery and other electrical and electronic goods	371,814	159,993
– Other manufacturing industries	18,988	23,291
– Wholesale and retail trade	240,937	224,737
– Others	-	52,997
	<hr/>	<hr/>
Gross advances for use in Macau	1,584,324	1,108,614
Gross advances for use outside Macau	-	23,023
	<hr/>	<hr/>
Total gross advances to customers and trade bills	<u>1,584,324</u>	<u>1,131,637</u>

## 7 Movement in impairment provision on loans and advances to customers

	2016		Total MOP'000
	<i>Individually assessed</i> MOP'000	<i>Collectively assessed</i> MOP'000	
At 1 January 2016	23,023	1,601	24,624
Net release to the income statement (note 3(e))	-	(541)	(541)
Amounts written off	(23,023)	-	(23,023)
	<hr/>	<hr/>	<hr/>
At 31 December 2016 (note 6(a))	<u>-</u>	<u>1,060</u>	<u>1,060</u>

**7 Movement in impairment provision on loans and advances to customers (continued)**

	<u>2015</u>		<i>Total</i> MOP'000
	<i>Individually assessed</i> MOP'000	<i>Collectively assessed</i> MOP'000	
At 1 January 2015	68,506	1,222	69,728
Net (release)/charge to the income statement (note 3(e))	(17,804)	379	(17,425)
Amounts written off	(27,679)	-	(27,679)
	<u>23,023</u>	<u>1,601</u>	<u>24,624</u>
At 31 December 2015 (note 6(a))	<u>23,023</u>	<u>1,601</u>	<u>24,624</u>

**8 Available-for-sale securities**

	<u>2016</u> MOP'000	<u>2015</u> MOP'000
<b>Unlisted:</b>		
AMCM monetary bills	<u>29,704</u>	<u>69,754</u>

**9 Deposits from customers**

	<u>2016</u> MOP'000	<u>2015</u> MOP'000
Demand deposits and current accounts	266,408	334,289
Savings deposits	849,631	672,314
Time, call and notice deposits	28,974	43,144
Other deposits	656	-
	<u>1,145,669</u>	<u>1,049,747</u>

## 10 Amounts due from/to head office, other branches and group companies

During the year, the Branch entered into transactions with head offices, other branches and group companies in the ordinary course of its banking business and on substantially the same terms as for comparable transactions with external counterparties.

### (a) Amounts due from head office, other branches and group companies

	2016 MOP'000	2015 MOP'000
Balances and placements with banks	1,109,720	1,222,704
Other assets	413	407
	<u>1,110,133</u>	<u>1,223,111</u>
<b>Analysed into counterparty</b>		
Head office	1,553	3,274
Other branches	116,083	32,343
Group companies	992,497	1,187,494
	<u>1,110,133</u>	<u>1,223,111</u>

### (b) Amounts due to head office, other branches and group companies

	2016 MOP'000	2015 MOP'000
Balances from banks	42,721	130,847
Deposits from banks	1,774,142	1,445,880
Other liabilities	10,403	8,270
	<u>1,827,266</u>	<u>1,584,997</u>
<b>Analysed into counterparty</b>		
Head office	7,951	5,692
Other branches	2,821	85,317
Group companies	1,816,494	1,493,988
	<u>1,827,266</u>	<u>1,584,997</u>

## 11 Reserves

### *Nature and purpose of reserves*

(a) Available-for-sale reserves

The available-for-sale reserve comprises the cumulative net change in the fair value of available-for-sale securities held at the balance sheet date and is dealt with in accordance with the accounting policies in note 2(d)(ii).

(b) Regulatory reserves

In accordance with Notice No. 18/93-AMCM, credit institutions are required to establish (1) provisions for bad and doubtful loans at certain percentage depending on the duration that the loans are overdue and (2) a general provision on credit granted based on a fixed percentage specified by the AMCM. As explained in note 2(f), the Branch assesses whether objective evidence of impairment exists individually and collectively in providing for impairment allowances for credit loss. In case such impairment allowances do not meet the requirements of Notice No. 18/93-AMCM, the Branch sets aside an amount in reserves to satisfy the statutory provisioning requirements. The amount of regulatory reserve transfer for the year is as follows:

	2016 MOP'000	2015 MOP'000
Addition/(reduction) in provision under AMCM rules	4,039	(7,664)
Tax effect of the (addition)/reduction in provision	(485)	919
	3,554	(6,745)



## 12 Cash and cash equivalents

### *Composition of cash and cash equivalents in the cash flow statement*

	2016 MOP'000	2015 MOP'000
Cash, balances and placements with banks and other financial institutions with original maturity less than three months	285,871	353,431
Amounts due from head office, other branches and group companies		
– Balances and placements with banks	1,038,198	1,214,042
	<hr/>	<hr/>
Cash and cash equivalents in the statement of financial position	1,324,069	1,567,473
Bank overdraft	-	(12)
	<hr/>	<hr/>
Cash and cash equivalents in the cash flow statement	<u>1,324,069</u>	<u>1,567,461</u>

## 13 Off-balance sheet exposures

### (a) *Contractual amount of contingent liabilities and commitments*

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

	2016 MOP'000	2015 MOP'000
Trade-related contingencies	441,739	536,100
Other commitments	3,725,636	4,231,521
	<hr/>	<hr/>
	<u>4,167,375</u>	<u>4,767,621</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. These transactions are, therefore, subject to the same credit application, portfolio maintenance and collateral requirements as for customers applying for loans. The contractual amounts represents the amounts at risk should the contract be fully drawn upon and the client default. As the facilities may expire without being drawn upon, the contractual amounts do not represent expected future cash flows.

### 13 Off-balance sheet exposures (continued)

#### (b) Derivatives

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

#### (i) Notional amounts of derivatives

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

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

	2016 MOP'000	2015 MOP'000
<b>Exchange rate contracts</b>		
Forwards	<u>488,443</u>	<u>1,190,533</u>

#### (ii) Fair values of derivatives

	2016		2015	
	<i>Fair value assets</i> (note (ii)(a)) MOP'000	<i>Fair value liabilities</i> (note (ii)(b)) MOP'000	<i>Fair value assets</i> (note (ii)(a)) MOP'000	<i>Fair value liabilities</i> (note (ii)(b)) MOP'000
Exchange rate contracts	<u>1,659</u>	<u>1,500</u>	<u>807</u>	<u>603</u>

Notes:

Note (ii)(a): The amount is included in other assets and amount due from head office, other branches and group companies.

Note (ii)(b): The amount is included in other liabilities and amounts due to head office, other branches and group companies.

### 13 Off-balance sheet exposures (continued)

#### (b) Derivatives (continued)

(iii) Credit risk weighted amounts of derivatives

	2016 MOP'000	2015 MOP'000
Exchange rate contracts	<u>2,824</u>	<u>3,800</u>

Credit risk weighted amounts for 2016 and 2015 refer to the amounts as calculated in accordance with Notice 028/B/2015-DSB/AMCM and Notice 013/93-AMCM respectively.

#### (c) Lease commitments

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

	2016 MOP'000	2015 MOP'000
Properties		
– Within one year	940	666
– After one year but within five years	<u>219</u>	<u>-</u>
	<u>1,159</u>	<u>666</u>

The Branch leases a number of properties under operating leases. The leases typically run 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.

### 14 Financial risk management

#### (a) Credit risk management

Credit risk is the potential for loss due to the failure of a counterparty to meet its obligation to pay in accordance with agreed terms. Credit exposures arise from both the banking and trading books.

Credit risk is managed through a framework that sets out policies and procedures covering the measurement and management of credit risk. There is a clear segregation of duties between transaction originators in the businesses and the approvers in the Risk function. All credit exposures limits are approved within a defined credit approval authority framework. The Branch manages its credit exposures following the principle of diversification across products, geographies, industries, collateral types and client segments.

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

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

A standard alphanumeric credit risk-grade system for quantifying the risk associated with a counterparty is used. The numeric grades run from 1 to 14 and some of the grades are further sub-classified. Lower credit grades are indicative of a lower likelihood of default. Credit grades 1 to 12 are assigned to performing customers or accounts, while credit grades 13 and 14 are assigned to non-performing or defaulted customers.

The Branch regularly monitors credit exposures, portfolio performance, and external trends that may impact risk management outcomes. Internal risk management reports contain information on key environmental, political and economic trends across major portfolios; portfolio delinquency and loan impairment performance; as well as credit grade migration.

#### *Credit concentration risk*

Credit concentration 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. Analysis of geographical and industry concentration of the Branch's gross advances to customers and trade bills is disclosed in note 6(c).

#### *Maximum exposure to credit risk*

The maximum exposures to credit risk of on-balance sheet financial instruments, before taking account of any collateral or other credit enhancements, are the carrying amount reported on the balance sheet. For off-balance sheet instruments, the maximum exposure to credit risk, excluding loans commitments which are unconditionally cancellable, represents the contractual nominal amounts as disclosed under "trade-related contingencies" in note 13(a).

## 14 Financial risk management (continued)

### (b) Market risk management

Market risk is the potential for loss of earnings or economic value due to adverse changes in financial market rates or prices. The Branch's exposure to market risk arises in support of its client activities, facilitation of which entails the Branch taking moderate market risk positions.

The primary categories of market risk for the Branch are:

- interest rate risk: arising from changes in yield curves and credit spreads;
- currency exchange rate risk: arising from changes in exchange rates.

The Branch has established framework for market risk. The Hong Kong Market and Traded Credit Risk function ("MTCR") approves the limits within delegated authorities and monitors exposures against these limits. The Asset and Liability Committee ("ALCO") is responsible for overseeing the effective implementation of policies and other standards for the control of market risk.

#### (i) Foreign exchange risk

The foreign exchange positions of the Branch arise from foreign exchange trading and commercial banking operations. Foreign exchange trading exposures are principally derived from customer driven transactions. Foreign exchange risk in the non-trading book is minimized by match funding assets and liabilities in the same currency.

	2016 MOP'000	2015 MOP'000
Total net long position in foreign currencies	<u>29,480</u>	<u>38,200</u>

Significant foreign currency exposures which exceeded 10% of the net position in all foreign currencies are as follows:

	2016 MOP'000	2015 MOP'000
<b>HK dollar exposure</b>		
Spot assets	1,258,658	1,194,323
Spot liabilities	(1,219,224)	(1,190,958)
Forward purchases	102,198	257,717
Forward sales	(101,882)	(251,112)
Net long non-structural position	<u>39,750</u>	<u>9,970</u>

## 14 Financial risk management (continued)

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

#### (i) Foreign exchange risk (continued)

	2016 MOP'000	2015 MOP'000
<b>US dollar exposure</b>		
Spot assets	1,737,387	1,575,913
Spot liabilities	(1,747,130)	(1,551,227)
Forward purchases	102,617	255,551
Forward sales	(102,517)	(252,403)
	<u>(9,643)</u>	<u>27,834</u>
Net (short)/long non-structural position	<u>(9,643)</u>	<u>27,834</u>

#### (ii) Interest rate risk

Interest rate risk in the banking book is managed mainly by the Hong Kong Asset and Liability Management (“ALM”) function within Financial Markets. These interest rate risk positions are measured, reported and monitored independently against limits on a daily basis.

Assumptions on loan prepayment and behaviour of deposits are country and product specific. Transfer pricing of interest rate risk is overseen by ALCO in accordance with the Fund Transfer Pricing Guideline.

### (c) Liquidity and funding risk management

Liquidity and Funding Risk is the potential that the Bank does not have sufficient financial resources or stable sources of funding in the medium or long term, to meet its obligations as they fall due, or can access these financial resources only at excessive cost.

- Liquidity Risk is “Potential for loss because the Branch, although solvent, does not have available sufficient financial resources to enable it to meet its obligations as they fall due, or can access these financial resources only at excessive cost”.
- Funding risk is “Potential for actual or opportunity loss because the Branch does not have stable or diversified sources of funding in the medium and long term to enable it to meet its financial obligations, in pursuit of its desired business strategy or growth objectives”.

The Branch’s policy is to manage liquidity and funding prudently and hence to be in a position to fulfil obligations as they fall due.

## 14 Financial risk management (continued)

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

#### (i) 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. The disclosure does not imply that the asset will be held to maturity or that the liabilities will be withdrawn on maturity.

	2016							Total MOP'000
	Repayable on demand MOP'000	Within one month MOP'000	Between one to three months MOP'000	Between three months to one year MOP'000	Between one year to three years MOP'000	More than three years MOP'000	Undated or overdue more than one month MOP'000	
<b>Assets</b>								
Cash, balances and placement with banks and other financial institutions	247,187	-	-	-	-	-	38,684	285,871
Trade bills	1,424	3,282	13,094	-	-	-	-	17,800
Loans and advances to customers	68	842,933	336,430	387,093	-	-	(1,060)	1,565,464
Available-for-sale securities	-	-	-	29,704	-	-	-	29,704
Amounts due from head office, other branches and group companies	203,988	722,796	175,729	7,620	-	-	-	1,110,133
Other assets	19,064	142,547	240,827	121,002	-	-	18	523,458
<b>Total assets</b>	<b>471,731</b>	<b>1,711,558</b>	<b>766,080</b>	<b>545,419</b>	<b>-</b>	<b>-</b>	<b>37,642</b>	<b>3,532,430</b>
<b>Liabilities</b>								
Deposits from customers	1,116,039	21,354	-	8,276	-	-	-	1,145,669
Amounts due to head office, other branches and group companies	50,456	1,035,079	437,446	304,285	-	-	-	1,827,266
Other liabilities	4,604	141,127	242,857	122,920	-	-	2,400	513,908
<b>Total liabilities</b>	<b>1,171,099</b>	<b>1,197,560</b>	<b>680,303</b>	<b>435,481</b>	<b>-</b>	<b>-</b>	<b>2,400</b>	<b>3,486,843</b>
<b>Net liquidity gap</b>	<b>(699,368)</b>	<b>513,998</b>	<b>85,777</b>	<b>109,938</b>	<b>-</b>	<b>-</b>	<b>35,242</b>	<b>45,587</b>

## 14 Financial risk management (continued)

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

#### (i) Analysis of assets and liabilities by remaining maturity (continued)

	2015							Total MOP'000
	Repayable on demand MOP'000	Within one month MOP'000	Between one to three months MOP'000	Between three months to one year MOP'000	Between one year to three years MOP'000	More than three years MOP'000	Undated or overdue more than one month MOP'000	
<b>Assets</b>								
Cash, balances and placement with banks and other financial institutions	232,106	74,996	8,818	-	-	-	37,511	353,431
Trade bills	631	2,061	-	663	-	-	-	3,355
Loans and advances to customers	33,626	743,028	166,514	93,424	68,667	-	(1,601)	1,103,658
Available-for-sale securities	-	-	-	69,754	-	-	-	69,754
Amounts due from head office, other branches and group companies	453,070	600,583	161,752	7,620	-	-	86	1,223,111
Other assets	278	147,505	343,863	137,674	-	-	747	630,067
<b>Total assets</b>	<b>719,711</b>	<b>1,568,173</b>	<b>680,947</b>	<b>309,135</b>	<b>68,667</b>	<b>-</b>	<b>36,743</b>	<b>3,383,376</b>
<b>Liabilities</b>								
Deposits from customers	1,006,603	33,440	2,084	7,620	-	-	-	1,049,747
Amounts due to head office, other branches and group companies	137,899	934,111	360,797	82,957	68,667	-	566	1,584,997
Other liabilities	21,512	146,307	343,863	151,606	180	-	40	663,508
<b>Total liabilities</b>	<b>1,166,014</b>	<b>1,113,858</b>	<b>706,744</b>	<b>242,183</b>	<b>68,847</b>	<b>-</b>	<b>606</b>	<b>3,298,252</b>
<b>Net liquidity gap</b>	<b>(446,303)</b>	<b>454,315</b>	<b>(25,797)</b>	<b>66,952</b>	<b>(180)</b>	<b>-</b>	<b>36,137</b>	<b>85,124</b>



## 14 Financial risk management (continued)

### (d) Fair value

All financial instruments are stated at fair value or carried at amounts not materially different from their fair values as at 31 December 2016 and 2015 unless otherwise stated.

#### (i) Financial assets

The Branch's financial assets mainly include cash, amounts due from banks and other financial institutions, loans and advances to customers, and investments.

*Amounts due from banks and other financial institutions, loans and advances to customers*

Amounts due from banks and other financial institutions, loans and advances to customers are mainly priced at market interest rate or will mature within one year. Accordingly, the carrying values approximate the fair values.

*Investments*

Available-for-sale securities are stated at fair value in the financial statements.

#### (ii) Financial liabilities

The Branch's financial liabilities mainly include amounts due to banks and other financial institutions and deposits from customers.

*Deposits and balances with banks and other financial institutions, deposits from customers*

Deposits and balances with banks and other financial institutions, deposits from customers are mainly priced at market interest rate or will mature within one year. Accordingly, the carrying values approximate the fair values.

## 15 Significant accounting estimates and judgements

In determining the carrying amounts of some assets and liabilities, the Branch makes assumptions of the effects of uncertain future events on those assets and liabilities at the balance sheet date. The Branch's estimations and assumptions are based on historical experience and expectation of future events and are reviewed periodically.

### ***Impairment of financial assets***

Policies on impairment of financial assets are set out in note 2(f).

### ***Income Tax***

Determining income tax provisions involves judgement on the future tax treatment of certain transactions. Deferred tax liabilities are recognised on all temporary differences and deferred tax assets are recognised on temporary differences where it is probable that there will be taxable revenue against which these can be offset. Management has made judgements as to the probability of future taxable revenues being generated against which tax losses will be available for offset.

### ***Fair value of financial instruments***

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the principal market or in the absence of a principal market the most advantageous market to which the Branch has access at that date. The fair value of a liability reflects its non-performance risk. Notes 2(d) and 2(e) provide further information on the Branch's fair value accounting policy and process.

## Unaudited supplementary financial information (Expressed in thousands of Macau Patacas)

These notes set out on pages 34 to 46 are supplementary to and should be read in conjunction with the financial statements set out on pages 3 to 33. The financial statements and these unaudited supplementary financial information ("supplementary notes") taken together comply with the Guideline on Disclosure of Financial Information made under Circular No. 026/B/2012-DSB/AMCM.

### (a) **Brief management report on Branch's activities in Macau**

Management are pleased to announce the results of the Macau Branch of Standard Chartered Bank (the "Branch") for the year ended 31 December 2016.

#### *Principal activities*

The Branch is part of Standard Chartered Bank, which is incorporated in the United Kingdom and registered in England and Wales. The Branch's principal activities are the provision of commercial banking and related financial services.

#### *2016 Results*

Profit before taxation decreased by 52.48 per cent from MOP 72.911 million to MOP 34.647 million. Net interest income decreased by 35.25 per cent to MOP 23.733 million. Other revenue including fee and commission income, decreased by 7.27 per cent over 2015. Total operating income decreased by 24.37 per cent to MOP 48.935 million.

Operating expenses decreased by 3.9 per cent in 2016 to MOP 15.150 million. Impairment release on loans and advances was MOP 0.862 million in 2016 when comparing to impairment release on loans and advances was MOP 23.975 million in, 2015. Profit after taxation was MOP 30.536 million, a decrease of MOP 33.679 million over MOP 64.215 million recorded in 2015.

Result under AMCM rules was MOP 26.982 million, a decrease of MOP 43.978 million over MOP 70.960 million recorded in 2015.

## Unaudited supplementary financial information (continued)

(Expressed in thousands of Macau Patacas)

### (b) Segmental information

The following geographical analysis are classified by the location of the counterparties.

#### (i) Geographical analysis of loans and advances to customers

Except for Macau SAR of China, none of the remaining geographical segments represents more than 10% of the Branch's gross loans and advances to customers.

All the loans and advances to customers are granted to corporate entities.

	2016					
	Loan and advances to customers MOP'000	of which		Individually-assessed impairment provision MOP'000	Collectively-assessed impairment provision MOP'000	Additional provision under AMCM rules MOP'000
		Overdue loans MOP'000	Impaired loans MOP'000			
Macau SAR of China	1,584,324	1,424	-	-	1,060	20,000
	<u>1,584,324</u>	<u>1,424</u>	<u>-</u>	<u>-</u>	<u>1,060</u>	<u>20,000</u>
	2015					
	Loan and advances to customers MOP'000	of which		Individually-assessed impairment provision MOP'000	Collectively-assessed impairment provision MOP'000	Additional provision under AMCM rules MOP'000
		Overdue loans MOP'000	Impaired loans MOP'000			
Macau SAR of China	1,108,614	-	-	-	1,601	15,961
Others	23,023	-	23,023	23,023	-	-
	<u>1,131,637</u>	<u>-</u>	<u>23,023</u>	<u>23,023</u>	<u>1,601</u>	<u>15,961</u>

## Unaudited supplementary financial information (continued)

(Expressed in thousands of Macau Patacas)

**(b) Segmental information (continued)**

(ii) Geographical analysis of notional amounts of contingent liabilities and commitments

	<u>2016</u>		
	<i>Bank</i> MOP'000	<i>Corporate entities</i> MOP'000	<i>Total</i> MOP'000
Hong Kong SAR of China	3,405	-	3,405
Macau SAR of China	-	4,163,828	4,163,828
Singapore	142	-	142
	<u>3,547</u>	<u>4,163,828</u>	<u>4,167,375</u>

	<u>2015</u>		
	<i>Bank</i> MOP'000	<i>Corporate entities</i> MOP'000	<i>Total</i> MOP'000
Hong Kong SAR of China	1,952	-	1,952
Macau SAR of China	-	4,762,363	4,762,363
Singapore	142	-	142
Taiwan, Province of China	3,164	-	3,164
	<u>5,258</u>	<u>4,762,363</u>	<u>4,767,621</u>

Unaudited supplementary financial information  
(continued)  
(Expressed in thousands of Macau Patacas)

(b) **Segmental information (continued)**

(iii) Geographical analysis of exposure on financial derivatives

	<u>2016</u>		
	<i>Bank</i>	<i>Corporate</i>	<i>Total</i>
	MOP'000	entities MOP'000	MOP'000
United Kingdom	91	-	91
Macau SAR of China	-	1,568	1,568
	<u>91</u>	<u>1,568</u>	<u>1,659</u>
	<u>2015</u>		
	<i>Bank</i>	<i>Corporate</i>	<i>Total</i>
	MOP'000	entities MOP'000	MOP'000
United Kingdom	86	-	86
Macau SAR of China	-	721	721
	<u>86</u>	<u>721</u>	<u>807</u>

Unaudited supplementary financial information  
(continued)  
(Expressed in thousands of Macau Patacas)

(c) **Advances to customers analysed by industry sector**

	2016					
	<i>Impaired loans</i> MOP'000	<i>Overdue loans</i> MOP'000	<i>Individually-assessed impairment provision</i> MOP'000	<i>Collectively assessed impairment provision</i> MOP'000	<i>Additional provision under AMCM rules</i> MOP'000	<i>Write off</i> MOP'000
Textile productions	-	1,424	-	91	1,725	-
Leather articles	-	-	-	6	116	-
Paper, printing and publishing	-	-	-	540	10,185	-
Machinery and other electrical and electronic goods	-	-	-	249	4,693	-
Other manufacturing industries	-	-	-	13	240	-
Wholesale and retail trade	-	-	-	161	3,041	-
Others	-	-	-	-	-	23,023
	-	1,424	-	1,060	20,000	23,023

Unaudited supplementary financial information  
(continued)  
(Expressed in thousands of Macau Patacas)

(c) **Advances to customers analysed by industry sector (continued)**

	2015					
	<i>Impaired loans</i> MOP'000	<i>Overdue loans</i> MOP'000	<i>Individually-assessed impairment provision</i> MOP'000	<i>Collectively assessed impairment provision</i> MOP'000	<i>Additional provision under AMCM rules</i> MOP'000	<i>Write off</i> MOP'000
Textile productions	-	-	-	92	920	-
Paper, printing and publishing	-	-	-	824	8,214	-
Machinery and other electrical and electronic goods	-	-	-	226	2,257	-
Other manufacturing industries	-	-	-	33	328	-
Wholesale and retail trade	-	-	-	318	3,170	-
Others	23,023	-	23,023	108	1,072	27,679
	<u>23,023</u>	<u>-</u>	<u>23,023</u>	<u>1,601</u>	<u>15,961</u>	<u>27,679</u>



## Unaudited supplementary financial information (continued)

(Expressed in thousands of Macau Patacas)

**(d) Overdue loans and advances to customers**

	2016	
	Amount MOP'000	% of total loans
Loans and advances to customers that have been past due for periods of		
– six months or less but over three months	-	-
– one year or less but over six months	-	-
– over one year	-	-
	<u>          </u>	<u>          </u>
	<u>          </u>	<u>          </u>
Individually-assessed impairment provision	<u>          </u>	
Collateral value	<u>          </u>	
	2015	
	Amount MOP'000	% of total loans
Loans and advances to customers that have been past due for periods of		
– six months or less but over three months	-	-
– one year or less but over six months	-	-
– over one year	23,023	2.03
	<u>23,023</u>	<u>2.03</u>
	<u>23,023</u>	<u>2.03</u>
Individually-assessed impairment provision	<u>23,023</u>	
Collateral value	<u>          </u>	

## Unaudited supplementary financial information (continued)

*(Expressed in thousands of Macau Patacas)*

### **(e) Operational risk management**

Operational risk is the potential for loss from inadequate or failed internal processes, people, and system or from the impact of external events, including legal risks. Operational risk is managed within tolerances aligned to achieve the Risk Appetite Statement approved by the Board. The Group aims to control operational risks to ensure that operational losses (financial or reputational), including any related to conduct of business matters, do not cause material damage to the Group's franchise.

Operational risks can arise from all business lines and functions and thus from all activities carried out by the Branch. Although operational risk exposures can take many varied forms, we seek to manage them in accordance with standards that drive systematic risk identification, assessment, control and monitoring. We achieve this by mapping all activities across the Group into a set of processes with key control standards defined to mitigate risks. We benchmark practices against peers, other industries and regulatory requirements.

The Bank uses operational risk sub-types principally as an aid to ensure comprehensive and consistent identification of operational risks, wherever they may arise.

Operational Risk is classified into 10 risk sub-types to enable effective risk identification and assessment.

## Unaudited supplementary financial information (continued)

(Expressed in thousands of Macau Patacas)

### (e) Operational risk management (continued)

#### Operational risk subtypes

Damage or loss of physical assets	Potential for loss or damage or denial of use of property or other physical assets
Safety and security	Potential for loss or damage relating to health and safety or physical security
Internal crime or dishonesty	Potential for loss due to action by staff which is intended to defraud, or to circumvent the law or company policy
External financial crime	Potential for loss due to criminal acts by external parties such as fraud or theft of financial assets
Model	<p>Potential for loss due to a significant discrepancy between the output of credit and market risk measurement models and actual experience.</p> <p>Potential for regulatory breach due to a significant discrepancy between the output of client risk scoring, name screening and surveillance detection models and actual experience.</p>

The Hong Kong Country Operational Risk Committee, oversees the management of operational risks across the Branch, supported by business, functional, and country-level committees. All operational risk committees operate on the basis of a defined structure of delegated authorities and terms of reference derived from the Hong Kong Executive Risk Committee.

Compliance with operational risk policies and procedures is the responsibility of all staff within the Bank.

Unaudited supplementary financial information  
(continued)  
(Expressed in thousands of Macau Patacas)

(f) **Liquidity risk**

	<i>January to December 2016 MOP'000</i>	<i>January to December 2015 MOP'000</i>
Arithmetic mean of the minimum weekly amount of cash in hand that is required to be held during the year (note (i))	<u>32,263</u>	<u>34,520</u>
Arithmetic mean of the average weekly amount of cash in hand during the year (note (i))	<u>190,763</u>	<u>172,036</u>
Arithmetic mean of the specified liquid assets at the end of each month during the year (note (i))	<u>1,092,143</u>	<u>1,196,749</u>
	<i>January to December 2016</i>	<i>January to December 2015</i>
Average ratio of specified liquid asset to total basic liabilities at the end of each month during the year (note (i))	<u>103.83%</u>	<u>92.36%</u>
Arithmetic mean of its one-month liquidity ratio in the last week of each month during the year (note (ii))	<u>94.42%</u>	<u>87.94%</u>
Arithmetic mean of its three-month liquidity ratio in the last week of each month during the year (note (ii))	<u>99.29%</u>	<u>94.95%</u>

## Unaudited supplementary financial information (continued)

*(Expressed in thousands of Macau Patacas)*

**(f) Liquidity risk (continued)**

Notes:

- (i) The arithmetic means are computed as the simple average of the following amounts as defined in the Notice No. 006/93-AMCM.
- minimum weekly amount of cash in hand
  - daily amount of cash in hand
  - specified liquid assets
  - specified liquid assets to total basic liabilities
- (ii) The arithmetic means are computed as the simple average of the following ratios as reported in the Reporting of Liquidity Position for submission to the AMCM.
- one-month liquidity ratio
  - three-month liquidity ratio

## Unaudited supplementary financial information (continued)

(Expressed in thousands of Macau Patacas)

**(g) Information of Standard Chartered PLC Group (“the Group”)**

(i) Consolidated capital adequacy ratio of the Group

	2016	2015
Consolidated capital adequacy ratio	<u>21.3%</u>	<u>19.5%</u>

The consolidated capital adequacy ratio was computed in accordance with the Basel III framework.

(ii) Other consolidated financial information of the Group

	2016 US\$ million	2015 US\$ million
Total assets	646,692	640,483
Total liabilities	598,034	591,971
Total capital and reserves	48,658	48,512
Total loans and advances to banks and customers	330,565	328,172
Total customer deposits and deposits from banks	415,914	397,375
Pre-tax profit/(loss)	<u>409</u>	<u>(1,523)</u>

## Unaudited supplementary financial information (continued)

(Expressed in thousands of Macau Patacas)

### **(g) Information of Standard Chartered PLC Group (“the Group”) (continued)**

#### **(iii) Shareholders with qualifying holdings**

As far as the directors are aware as at 31 December 2016, Temasek Holdings (Private) Limited (Temasek) is the only shareholder that had an interest of more than 10 per cent in Standard Chartered PLC’s issued ordinary share capital carrying a right to vote at any general meeting.

#### **(iv) Members of the Board of Standard Chartered PLC**

The members of the board of Directors (“Board”) of Standard Chartered PLC as at 31 December 2016 are set out below.

##### *Non-executive Chairman*

Mr José María Viñals Iñiguez

##### *Executive Directors*

Mr William Thomas Winters, CBE (Group Chief Executive) and Mr Andrew Nigel Halford (Group Chief Financial Officer)

##### *Independent Non-Executive Directors*

Mr Om Prakash Bhatt; Dr Kurt Michael Campbell; Dr Louis Chi-Yan Cheung; Mr David Philbrick Conner; Dr Byron Elmer Grote; Dr Han Seung-soo, KBE; Mrs Christine Mary Hodgson; Ms Gay Huey Evans, OBE; Mr Naguib Kheraj (Deputy Chairman and Senior Independent Director) and Ms Jasmine Mary Whitbread