



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

31 December 2015



## 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 2015, 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 2015, 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.

Ieong Lai Kun, Registered Auditor

KPMG

Certified Public Accountants

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Bank of China Building  
Avenida Doutor Mario Soares  
Macau,

**Income statement**  
**for the year ended 31 December 2015**  
(Expressed in thousands of Macau Patacas)

	<i>Note</i>	<i>2015</i> MOP'000	<i>2014</i> MOP'000
Interest income	3(a)	46,279	50,516
Interest expenses	3(b)	<u>(9,627)</u>	<u>(11,083)</u>
<b>Net interest income</b>		36,652	39,433
Fee and commission income	3(c)	22,584	23,784
Exchange gain		<u>5,471</u>	<u>7,735</u>
<b>Operating income</b>		64,707	70,952
Operating expenses	3(d)	<u>(15,771)</u>	<u>(14,893)</u>
<b>Operating profit before impairment</b>		48,936	56,059
Impairment release/(charges) on loans and advances	3(e)	<u>23,975</u>	<u>(124)</u>
<b>Profit before taxation</b>		72,911	55,935
Income tax	4(a)	<u>(8,696)</u>	<u>(6,709)</u>
<b>Profit for the year</b>		<u>64,215</u>	<u>49,226</u>
<b>Effects of additional provisions for loans and advances to customers under AMCM rules</b>			
Profit after taxation		64,215	49,226
Reduction/(addition) in provisions under AMCM rules	11(b)	<u>6,745</u>	<u>(4,830)</u>
<b>Result for the year under AMCM rules</b>		<u>70,960</u>	<u>44,396</u>

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

## Balance sheet at 31 December 2015

(Expressed in thousands of Macau Patacas)

	Note	2015 MOP'000	2014 MOP'000
<b>Assets</b>			
Cash, balances and placements with banks and other financial institutions	5	353,431	726,501
Trade bills	6(a)	3,355	8,245
Loans and advances to customers	6(a)	1,103,658	1,764,842
Available-for-sale securities	8	69,754	69,789
Amounts due from head office, other branches and group companies	10(a)	1,223,111	1,007,221
Other assets		630,067	723,985
		<u>3,383,376</u>	<u>4,300,583</u>
<b>Liabilities</b>			
Deposits from customers	9	1,049,747	1,229,421
Amounts due to head office, other branches and group companies	10(b)	1,584,997	2,270,880
Bank loans and overdrafts		12	-
Current taxation	4(a)	9,692	6,088
Deferred tax liabilities	4(c)	1,915	2,834
Other liabilities		651,889	726,033
		<u>3,298,252</u>	<u>4,235,256</u>
<b>Reserves</b>	11	<u>85,124</u>	<u>65,327</u>
		<u>3,383,376</u>	<u>4,300,583</u>

Approved and authorised for issue by management on

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

## Statement of changes in reserves for the year ended 31 December 2015

(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 2014</b>		50	44,676	15,961	60,687
Profit for the year		-	49,226	-	49,226
Available-for-sale securities					
- Changes in fair value during the year		14	-	-	14
Amount remitted to head office		-	(44,600)	-	(44,600)
Transfer from retained profits	11(b)	-	(4,830)	4,830	-
<b>At 31 December 2014 and 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</b>		46	71,032	14,046	85,124

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

## Cash flow statement for the year ended 31 December 2015

(Expressed in thousands of Macau Patacas)

	<i>Note</i>	<i>2015</i> MOP'000	<i>2014</i> MOP'000
<b>Operating activities</b>			
Profit from ordinary activities before taxation		72,911	55,935
Adjustments for non-cash items:			
Amortisation of discount on AMCM monetary bills		(466)	(456)
Impairment (release)/charges on loans and advances		(17,425)	124
Loans and advances written off		(27,679)	-
Unwind of discount on loan impairment charge		-	(22)
		<hr/>	<hr/>
<b>Operating profit before changes in working capital</b>		27,341	55,581
<b>(Increase)/decrease in operating assets:</b>			
Balances with banks with original maturity beyond three months		323,335	(171,529)
Trade bills		4,890	11,829
Loans and advances to customers		706,288	(514,402)
Available-for-sale securities with maturity beyond three months		483	463
Amounts due from head office, other branches and group companies		25,940	(116,871)
Other assets		93,918	(188,860)
<b>Increase/(decrease) in operating liabilities:</b>			
Deposits from customers		(179,674)	(1,041,744)
Amounts due to head office, other branches and group companies		(685,883)	1,301,684
Other liabilities		(74,144)	169,419
		<hr/>	<hr/>
<b>Cash generated from/(used in) operations</b>		242,494	(494,430)
Macau complementary tax paid		(6,012)	(6,078)
		<hr/>	<hr/>
<b>Net cash generated from/(used in) operating activities</b>		236,482	(500,508)
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Cash flow statement  
 for the year ended 31 December 2015 (continued)  
 (Expressed in thousands of Macau Patacas)

	<i>Note</i>	2015 MOP'000	2014 MOP'000
<b>Financing activity</b>			
Amount remitted to head office		<u>(44,400)</u>	<u>(44,600)</u>
<b>Net cash used in financing activity</b>		<u>(44,400)</u>	<u>(44,600)</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>		192,082	(545,108)
<b>Cash and cash equivalents at 1 January</b>		<u>1,375,379</u>	<u>1,920,487</u>
<b>Cash and cash equivalents at 31 December</b>	12	<u>1,567,461</u>	<u>1,375,379</u>
<b>Cash flows from operating activities include:</b>			
Interest received		41,567	42,383
Interest paid		<u>(6,503)</u>	<u>(7,839)</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.

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

### **(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.

### **(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)

### (1) 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**

	<i>2015</i>	<i>2014</i>
	MOP'000	MOP'000
Interest income from deposits with banks	6	49
Interest income from AMCM monetary bills	466	456
Interest income from loans and advances	41,848	46,599
Interest income from placements with a group company and other branches	3,959	3,412
	46,279	50,516
	46,279	50,516

No interest income on unwinding of discount (note 7) on loan impairment charges is recognised in 2015 (2014: MOP21,792).

**(b) Interest expense**

	<i>2015</i>	<i>2014</i>
	MOP'000	MOP'000
Interest expense on deposits from customers	1,161	899
Interest expense on deposits from a group company and other branches	8,466	10,184
	9,627	11,083
	9,627	11,083

**(c) Fee and commission income**

	<i>2015</i>	<i>2014</i>
	MOP'000	MOP'000
Fee and commission income (arising from financial assets that are not at fair value through profit or loss)	22,584	23,784
	22,584	23,784
	22,584	23,784



### 3 Profit before taxation (continued)

#### (d) Operating expenses

	2015 MOP'000	2014 MOP'000
Management fee	3,383	3,925
Premises expenses	1,061	1,077
Equipment expenses	25	100
Auditor's remuneration	365	365
Others	10,937	9,426
	<u>15,771</u>	<u>14,893</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, subsidiary, and other branches of MOP9,879,595 (2014: MOP8,416,210).

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

	2015 MOP'000	2014 MOP'000
Individual impairment (release)/charges (note 7)	(17,804)	562
Portfolio impairment charges/(releases) (note 7)	379	(438)
Recoveries of advances written off in previous years	(6,550)	-
	<u>(23,975)</u>	<u>124</u>

**4 Income tax**

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

	2015 MOP'000	2014 MOP'000
<b>Current tax</b>		
Provision for the year	9,692	6,088
Over-provision relating to prior years	<u>(77)</u>	<u>(37)</u>
	9,615	6,051
<b>Deferred tax</b>		
Reversal and origination of temporary differences	<u>(919)</u>	<u>658</u>
	<u>8,696</u>	<u>6,709</u>

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

	2015 MOP'000	2014 MOP'000
Profit before taxation	<u>72,911</u>	<u>55,935</u>
Notional tax on profit before taxation, calculated at Macau Complementary Tax rate of 12%	8,749	6,712
Tax effect of non-deductible expenses	24	34
Over-provision relating to prior years	<u>(77)</u>	<u>(37)</u>
Actual tax expense	<u>8,696</u>	<u>6,709</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:

	2015 MOP'000	2014 MOP'000
<b>Deferred tax arising from:</b>		
<b>Regulatory reserve under AMCM Rules</b>		
At 1 January	2,834	2,176
(Released)/charged to income statement	<u>(919)</u>	<u>658</u>
At 31 December	<u><u>1,915</u></u>	<u><u>2,834</u></u>

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

	2015 MOP'000	2014 MOP'000
Cash in hand	-	93,898
Balances with banks and other financial institutions (note)	268,519	358,925
Placements with banks	<u>84,912</u>	<u>273,678</u>
	<u><u>353,431</u></u>	<u><u>726,501</u></u>

Note: Includes minimum deposits with AMCM of MOP37,510,655 (2014: MOP25,812,337).

**6 Advances to customers**

**(a) Advances to customers**

	<i>2015</i>	<i>2014</i>
	MOP'000	MOP'000
Gross loans and advances to customers	1,128,282	1,834,570
Trade bills	3,355	8,245
	1,131,637	1,842,815
Less: Impairment provision		
- individually assessed (note 7)	(23,023)	(68,506)
- collectively assessed (note 7)	(1,601)	(1,222)
	1,107,013	1,773,087

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

	<i>2015</i>	<i>2014</i>
	MOP'000	MOP'000
Gross impaired advances to customers	23,023	111,474
Impairment provision - individually assessed	(23,023)	(68,506)
	-	42,968
 Gross impaired advances to customers as a % of gross advances to customers	 2.03%	 6.05%

No collateral was held against impaired loans and advances to customers in 2015 (2014: MOP42,986,834).

## 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.

	2015 MOP'000	2014 MOP'000
Gross advances for use in Macau		
Industrial, commercial and financial		
– Textile productions	65,198	211,116
– Paper, printing and publishing	582,398	753,551
– Machinery and other electrical and electronic goods	159,993	246,170
– Other manufacturing industries	23,291	74,003
– Wholesale and retail trade	224,737	392,180
– Others	52,997	114,816
	<hr/>	<hr/>
Gross advances for use in Macau	1,108,614	1,791,836
Gross advances for use outside Macau	23,023	50,979
	<hr/>	<hr/>
Total gross advances to customers and trade bills	<u>1,131,637</u>	<u>1,842,815</u>

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

	<u>2015</u>		
	<i>Individually assessed</i> MOP'000	<i>Collectively assessed</i> MOP'000	<i>Total</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)
	<hr/>	<hr/>	<hr/>
At 31 December 2015 (note 6(a))	<u>23,023</u>	<u>1,601</u>	<u>24,624</u>

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

	<i>2014</i>		<i>Total</i> MOP'000
	<i>Individually assessed</i> MOP'000	<i>Collectively assessed</i> MOP'000	
At 1 January 2014	67,966	1,660	69,626
Net charge/(release) to the income statement (note 3(e))	562	(438)	124
Unwind of discount on loan impairment (note 3(a))	(22)	-	(22)
At 31 December 2014 (note 6(a))	<u>68,506</u>	<u>1,222</u>	<u>69,728</u>

**8 Available-for-sale securities**

	<i>2015</i> MOP'000	<i>2014</i> MOP'000
<b>Unlisted:</b>		
AMCM monetary bills	<u>69,754</u>	<u>69,789</u>

**9 Deposits from customers**

	<i>2015</i> MOP'000	<i>2014</i> MOP'000
Demand deposits and current accounts	334,289	413,873
Savings deposits	672,314	771,361
Time, call and notice deposits	43,144	44,187
	<u>1,049,747</u>	<u>1,229,421</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

	<i>2015</i>	<i>2014</i>
	MOP'000	MOP'000
Balances and placements with banks	1,222,704	980,873
Other assets	407	26,348
	<u>1,223,111</u>	<u>1,007,221</u>

#### **Analysed into counterparty**

Head office	3,274	2,510
Other branches	32,343	369,106
Group companies	1,187,494	635,605
	<u>1,223,111</u>	<u>1,007,221</u>

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

	<i>2015</i>	<i>2014</i>
	MOP'000	MOP'000
Balances from banks	130,847	101,806
Deposits from banks	1,445,880	2,157,509
Other liabilities	8,270	11,565
	<u>1,584,997</u>	<u>2,270,880</u>

#### **Analysed into counterparty**

Head office	5,692	13,153
Other branches	85,317	193
Group companies	1,493,988	2,257,534
	<u>1,584,997</u>	<u>2,270,880</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:

	<i>2015</i>	<i>2014</i>
	MOP'000	MOP'000
(Reduction)/addition in provision under AMCM rules	(7,664)	5,488
Tax effect of the addition in provision	919	(658)
	(6,745)	4,830



## 12 Cash and cash equivalents

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

	2015 MOP'000	2014 MOP'000
Cash, balances and placements with banks and other financial institutions with original maturity less than three months	353,431	554,972
Amounts due from head office, other branches and group companies		
– Balances and placements with banks	1,214,042	820,407
Cash and cash equivalents in the statement of financial position	1,567,473	1,375,379
Bank overdraft	(12)	-
Cash and cash equivalents in the cash flow statement	1,567,461	1,375,379

## 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:

	2015 MOP'000	2014 MOP'000
Trade-related contingencies	536,100	624,745
Other commitments	4,231,521	4,327,904
	4,767,621	4,952,649

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:

	2015 MOP'000	2014 MOP'000
<b>Exchange rate contracts</b>		
Forwards	<u>1,190,533</u>	<u>898,063</u>

#### (ii) Fair values of derivatives

	2015		2014	
	<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>807</u>	<u>603</u>	<u>3,968</u>	<u>3,807</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

	2015 MOP'000	2014 MOP'000
Exchange rate contracts	<u>3,800</u>	<u>9,020</u>

Credit risk weighted amounts for 2015 and 2014 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:

	2015 MOP'000	2014 MOP'000
Properties		
– Within one year	666	834
– After one year but within five years	<u>-</u>	<u>171</u>
	<u>666</u>	<u>1,005</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 the Branch 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.

## 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 credit grades are not intended to replicate external credit grades (where these are available), and ratings assigned by external rating agencies are not used in determining the internal credit grade. Nonetheless, as the factors used to grade a borrower may be similar, a borrower rated poorly by an external rating agency is typically assigned a worse internal credit grades.

To assist risk officers in monitoring the portfolio, various internal risk management reports are available on a regular basis, providing individual counterparty, counterparty group and portfolio exposure information, credit grade migration information, the status of accounts showing signs of weakness or financial deterioration and updates on credit markets.

#### *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.

	<i>2015</i>	<i>2014</i>
	MOP'000	MOP'000
Total net long position in foreign currencies	<u>38,200</u>	<u>30,182</u>

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

	<i>2015</i>	<i>2014</i>
	MOP'000	MOP'000
<b>HK dollar exposure</b>		
Spot assets	1,194,323	1,413,801
Spot liabilities	(1,190,958)	(1,387,105)
Forward purchases	257,717	153,980
Forward sales	<u>(251,112)</u>	<u>(151,707)</u>
Net long non-structural position	<u>9,970</u>	<u>28,969</u>

## 14 Financial risk management (continued)

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

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

	2015	2014
	MOP'000	MOP'000
<b>US dollar exposure</b>		
Spot assets	1,575,913	2,076,356
Spot liabilities	(1,551,227)	(2,081,420)
Forward purchases	255,551	152,024
Forward sales	(252,403)	(148,170)
	<u>27,834</u>	<u>(1,210)</u>
Net long/(short) non-structural position	<u>27,834</u>	<u>(1,210)</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 risk management

Liquidity risk is the risk that the Branch either does not have sufficient financial resources available to meet all its obligations and commitments as they fall due, or can only access these financial resources at excessive cost.

The Branch’s policy is to maintain adequate liquidity at all times and hence to be in a position to meet obligations as they fall due.

## 14 Financial risk management (continued)

### (c) Liquidity 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.

	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)

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

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

	2014							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	427,011	123,282	150,396	-	-	-	25,812	726,501
Trade bills	-	7,987	258	-	-	-	-	8,245
Loans and advances to customers	2,497	1,148,658	241,255	35,875	309,000	-	27,557	1,764,842
Available-for-sale securities	-	-	-	69,789	-	-	-	69,789
Amounts due from head office, other branches and group companies	256,869	452,943	289,716	7,668	-	-	25	1,007,221
Other assets	275	121,134	400,417	198,179	-	-	3,980	723,985
<b>Total assets</b>	<u>686,652</u>	<u>1,854,004</u>	<u>1,082,042</u>	<u>311,511</u>	<u>309,000</u>	<u>-</u>	<u>57,374</u>	<u>4,300,583</u>
<b>Liabilities</b>								
Deposits from customers	1,185,234	34,487	2,080	7,620	-	-	-	1,229,421
Amounts due to head office, other branches and group companies	107,430	1,387,709	734,853	37,081	-	-	3,807	2,270,880
Other liabilities	2,080	119,082	402,558	210,672	553	-	10	734,955
<b>Total liabilities</b>	<u>1,294,744</u>	<u>1,541,278</u>	<u>1,139,491</u>	<u>255,373</u>	<u>553</u>	<u>-</u>	<u>3,817</u>	<u>4,235,256</u>
<b>Net liquidity gap</b>	<u>(608,092)</u>	<u>312,726</u>	<u>(57,449)</u>	<u>56,138</u>	<u>308,447</u>	<u>-</u>	<u>53,557</u>	<u>65,327</u>



## 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 2015 and 2014 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 Macau Branch of Standard Chartered Bank (the “Branch”) for the year ended 31 December 2015.

*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.

*2015 Results*

Profit before taxation increased by 30.35 per cent from MOP55.935 million to MOP72.911 million. Net interest income decreased by 7.05 per cent to MOP36.652 million. Other revenue including fee and commission income decreased by 5.05 per cent over 2014. Total operating income decreased by 8.8 per cent to MOP64.707 million.

Operating expenses increased by 5.9 per cent in 2015 to MOP15.771 million. Impairment release on loans and advances was MOP23.975 million in 2015 when comparing to impairment charge on loans and advances was MOP0.124 million in 2014. Profit after taxation was MOP64.215 million, an increase of MOP14.989 million over MOP49.226 million recorded in 2014.

Result under AMCM rules was MOP70.960 million, an increase of MOP26.564 million over MOP44.396 million recorded in 2014.

## 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.

	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>
	2014					
	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	1,791,836	338	60,495	17,697	1,222	23,454
Others	50,979	-	50,979	50,809	-	171
	<u>1,842,815</u>	<u>338</u>	<u>111,474</u>	<u>68,506</u>	<u>1,222</u>	<u>23,625</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>2015</u>		
	<i>Bank</i> MOP'000	<i>Corporate</i> <i>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>
	<u>2014</u>		
	<i>Bank</i> MOP'000	<i>Corporate</i> <i>entities</i> MOP'000	<i>Total</i> MOP'000
Hong Kong SAR of China	3,405	-	3,405
Macau SAR of China	-	4,948,676	4,948,676
Singapore	568	-	568
	<u>3,973</u>	<u>4,948,676</u>	<u>4,952,649</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>2015</u>		
	<i>Bank</i>	<i>Corporate</i>	<i>Total</i>
	MOP'000	MOP'000	MOP'000
United Kingdom	86	-	86
Macau SAR of China	-	721	721
	<u>86</u>	<u>721</u>	<u>807</u>
	<u>2014</u>		
	<i>Bank</i>	<i>Corporate</i>	<i>Total</i>
	MOP'000	MOP'000	MOP'000
United Kingdom	20	-	20
Macau SAR of China	-	3,948	3,948
	<u>20</u>	<u>3,948</u>	<u>3,968</u>

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

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

	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)

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

	2014					
	<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	42,798	-	-	140	2,687	-
Paper, printing and publishing	-	-	-	500	9,591	-
Machinery and other electrical and electronic goods	-	-	-	163	3,133	-
Other manufacturing industries	-	338	-	49	942	-
Wholesale and retail trade	17,697	-	17,697	260	4,991	-
Others	50,979	-	50,809	110	2,281	-
	<u>111,474</u>	<u>338</u>	<u>68,506</u>	<u>1,222</u>	<u>23,625</u>	<u>-</u>



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

(d) *Overdue loans and advances to customers*

	<i>2015</i>	
	<i>Amount</i> MOP'000	<i>% of total loans</i>
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>
Individually-assessed impairment provision	<u>23,023</u>	
Collateral value	<u>-</u>	
	<i>2014</i>	
	<i>Amount</i> MOP'000	<i>% of total loans</i>
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	68,676	3.73
	<u>68,676</u>	<u>3.73</u>
Individually-assessed impairment provision	<u>68,506</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. We aim 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 our franchise.

Operational risks can arise from all business lines and 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. These standards are challenged and revived regularly to ensure their ongoing effectiveness.

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

#### *Operational risk subtypes*

Processing failure	Potential for loss due to failure of an established process or to a process design weakness
External rules and regulations	Potential for actual or opportunity loss due to failure to comply with laws or regulations, or as a result of changes in laws or regulations or in their interpretation or application
Liability	Potential for loss or sanction due to a legal claim against any part of the Group or individuals within the Group
Legal enforceability	Potential for loss due to failure to protect legally the Group's interests or from difficulty in enforcing the Group's rights
Information Security	Potential for loss due to unauthorised access, use, disclosure, disruption, modification or destruction of information

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

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

#### *Operational risk subtypes (continued)*

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 Operational Risk Framework (ORF) and operational risk policies are aligned to the Risk Management Framework (RMF) and establish clear rules and standards for the effective management of operational risk across all levels of the organisation. Operational risk policies are reviewed and revised regularly to ensure their ongoing effectiveness and alignment to the Bank's operational risk profile and appetite.

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 2015</i> MOP'000	<i>January to December 2014</i> MOP'000
Arithmetic mean of the minimum weekly amount of cash in hand that is required to be held during the year (note (i))	<u>34,520</u>	<u>52,250</u>
Arithmetic mean of the average weekly amount of cash in hand during the year (note (i))	<u>172,036</u>	<u>374,718</u>
Arithmetic mean of the specified liquid assets at the end of each month during the year (note (i))	<u>1,196,749</u>	<u>1,610,817</u>
	<i>January to December 2015</i>	<i>January to December 2014</i>
Average ratio of specified liquid asset to total basic liabilities at the end of each month during the year (note (i))	<u>92.36%</u>	<u>94.79%</u>
Arithmetic mean of its one-month liquidity ratio in the last week of each month during the year (note (ii))	<u>87.94%</u>	<u>80.72%</u>
Arithmetic mean of its three-month liquidity ratio in the last week of each month during the year (note (ii))	<u>94.95%</u>	<u>95.99%</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

	2015	2014
Consolidated capital adequacy ratio	<u>19.5%</u>	<u>16.7%</u>

The consolidated capital adequacy ratio was computed in accordance with the Basel III framework as implemented in the UK on 1 January 2014.

(ii) Other consolidated financial information of the Group

	2015 US\$ million	2014 US\$ million
Total assets	640,483	725,914
Total liabilities	591,971	679,176
Total capital and reserves	48,512	46,738
Total loans and advances to banks and customers	328,172	368,585
Total customer deposits and deposits from banks	397,375	459,744
Pre-tax profit	<u>(1,523)</u>	<u>4,235</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 2015, 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 2015 are set out below.

*Non-executive Chairman*

Sir John Wilfred Peace

*Executive Directors*

Mr William Thomas Winters (Group Chief Executive); Mr Andrew Nigel Halford (Group Chief Finance Officer); Mr Alun Michael Guest Rees (Deputy Group Chief Executive)

*Independent Non-Executive Directors*

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