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

31 December 2017

KPMG

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 31, which comprise the Branch's balance sheet as at 31 December 2017, 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(b), 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.

KPMG

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 2017, 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
24th Floor, B&C
Bank of China Building
Avenida Doutor Mario Soares
Macau

Income statement
for the year ended 31 December 2017
(Expressed in thousands of Macau Patacas)

	Note	*2017* MOP'000	*2016* MOP'000
Interest income	3(a)	56,060	34,325
Interest expenses	3(b)	(18,957)	(10,592)
Net interest income		37,103	23,733
Fee and commission income	3(c)	17,988	20,942
Exchange gain		1,566	4,260
Operating income		56,657	48,935
Operating expenses	3(d)	(15,584)	(15,150)
Operating profit before impairment		41,073	33,785
Impairment (charges)/release on loans and advances	3(e)	(551)	862
Profit before taxation		40,522	34,647
Income tax	4(a)	(4,819)	(4,111)
Profit for the year		35,703	30,536
Effects of additional provisions for loans and advances to customers under AMCM rules			
Profit after taxation		35,703	30,536
(Addition) in provisions under AMCM rules	11(b)	(8,163)	(3,554)
Result for the year under AMCM rules		27,540	26,982

The notes on pages 8 to 31 form part of these financial statements.

Balance sheet at 31 December 2017

(Expressed in thousands of Macau Patacas)

	Note	*2017* MOP'000	*2016* MOP'000
Assets			
Cash, balances and placements with banks and other financial institutions	5	363,676	285,871
Trade bills	6(a)	9,113	17,800
Loans and advances to customers	6(a)	2,361,138	1,565,464
Available-for-sale securities	8	129,358	29,704
Amounts due from head office, other branches and group companies	10(a)	994,627	1,110,133
Other assets	15	681,313	523,458
		4,539,225	3,532,430
Liabilities			
Deposits from customers	9	1,309,037	1,145,669
Amounts due to head office, other branches and group companies	10(b)	2,484,935	1,827,266
Current taxation	4(a)	3,776	3,692
Deferred tax liabilities	4(c)	3,513	2,400
Other liabilities	16	684,121	507,816
		4,485,382	3,486,843
Reserves	11	53,843	45,587
		4,539,225	3,532,430

Approved and authorised for issue by management on

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The notes on pages 8 to 31 form part of these financial statements.

Statement of changes in reserves for the year ended 31 December 2017

(Expressed in thousands of Macau Patacas)

	Note	*Available-for-sale reserve* MOP'000	*Retained profits* MOP'000	*Regulatory reserve* MOP'000	*Total* MOP'000
At 1 January 2016		46	71,032	14,046	85,124
Profit for the year		-	30,536	-	30,536
Available-for-sale securities – 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	-
At 31 December 2016 and 1 January 2017		(27)	28,014	17,600	45,587
Profit for the year		-	35,703	-	35,703
Available-for-sale securities – Changes in fair value during the year		53	-	-	53
Amount remitted to head office		-	(27,500)	-	(27,500)
Transfer from retained profits	11(b)	-	(8,163)	8,163	-
At 31 December 2017		26	28,054	25,763	53,843

The notes on pages 8 to 31 form part of these financial statements.

Cash flow statement
for the year ended 31 December 2017
(Expressed in thousands of Macau Patacas)

	Note	*2017* MOP'000	*2016* MOP'000
Operating activities			
Profit from ordinary activities before taxation		40,522	34,647
Adjustments for non-cash items:			
Interest income from AMCM monetary bills		(947)	(353)
Impairment charge/(release) on loans and advances		551	(862)
Loans and advances written off		-	(23,023)
Operating profit before changes in working capital		40,126	10,409
(Increase)/decrease in operating assets:			
Balances with banks with original maturity beyond three months		63,902	(62,860)
Trade bills		8,687	(14,445)
Loans and advances to customers		(796,225)	(437,921)
Available-for-sale securities with maturity beyond three months		(98,654)	40,330
Amounts due from head office, other branches and group companies		(2,183)	(6)
Other assets		(157,855)	106,609
Increase/(decrease) in operating liabilities:			
Deposits from customers		163,368	95,922
Amounts due to head office, other branches and group companies		657,669	242,269
Other liabilities		176,305	(144,073)
Cash generated from/(used in) operations		55,140	(163,766)
Macau complementary tax paid		(3,622)	(9,626)
Net cash generated from/(used in) operating activities		51,518	(173,392)

Cash flow statement
for the year ended 31 December 2017 (continued)
(Expressed in thousands of Macau Patacas)

	Note	*2017* MOP'000	*2016* MOP'000
Financing activity			
Amount remitted to head office		(27,500)	(70,000)
Net cash used in financing activity		(27,500)	(70,000)
Net increase/(decrease) in cash and cash equivalents		24,018	(243,392)
Cash and cash equivalents at 1 January		1,324,069	1,567,461
Cash and cash equivalents at 31 December	12	1,348,087	1,324,069
Cash flows from operating activities include:			
Interest received		53,954	33,189
Interest paid		(18,358)	(10,106)

The notes on pages 8 to 31 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.

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.

2 Significant accounting policies (continued)

(f) Impairment of assets (continued)

(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.

(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.

2 Significant accounting policies (continued)

(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.

(l) 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).

2 Significant accounting policies (continued)

(l) Related parties (continued)

(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

	2017 MOP'000	*2016* MOP'000
Interest income from deposits with banks	3	8
Interest income from AMCM monetary bills	947	353
Interest income from loans and advances	46,151	29,150
Interest income from placements with a group company and other branches	8,959	4,814
	56,060	34,325

No interest income on unwinding of discount (note 7) on loan impairment charges is recognised in 2017 (2016: MOPNil).

(b) Interest expense

	2017 MOP'000	*2016* MOP'000
Interest expense on placement from banks	1	-
Interest expense on deposits from customers	1,203	843
Interest expense on deposits from a group company and other branches	17,753	9,749
	18,957	10,592

3 Profit before taxation (continued)

(c) Fee and commission income

	2017 MOP'000	*2016* MOP'000
Fee and commission income (arising from financial assets that are not at fair value through profit or loss)	17,988	20,942

(d) Operating expenses

	2017 MOP'000	*2016* MOP'000
Management fee	3,338	3,008
Premises expenses	1,299	1,531
Equipment expenses	33	109
Auditor's remuneration	288	369
Others	10,626	10,133
	15,584	15,150

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 MOP9,273,758 (2016: MOP9,122,146).

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

	2017 MOP'000	*2016* MOP'000
Portfolio impairment charges/(releases) (note 7)	551	(541)
Recoveries of advances written off in previous years	-	(321)
	551	(862)

4 Income tax

(a) Taxation in the income statement

	2017 MOP'000	*2016* MOP'000
Current tax		
Provision for the year	3,776	3,692
Over-provision relating to prior years	(70)	(66)
	3,706	3,626
Deferred tax		
Origination of temporary differences	1,113	485
	4,819	4,111

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

	2017 MOP'000	*2016* MOP'000
Profit before taxation	40,522	34,647
Notional tax on profit before taxation, calculated at Macau Complementary Tax rate of 12%	4,863	4,157
Tax effect of non-deductible expenses	26	20
Over-provision relating to prior years	(70)	(66)
Actual tax expense	4,819	4,111

(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:

	2017 MOP'000	*2016* MOP'000
Deferred tax arising from:		
Regulatory reserve under AMCM Rules		
At 1 January	2,400	1,915
Charged to income statement	1,113	485
At 31 December	3,513	2,400

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

	2017 MOP'000	*2016* MOP'000
Balances with banks and other financial institutions (note)	363,213	285,871
Placements with banks	463	-
	363,676	285,871

Note: Includes minimum deposits with AMCM of MOP35,897,392 (2016: MOP38,684,417).

6 Advances to customers

(a) Advances to customers

	2017 MOP'000	*2016* MOP'000
Gross loans and advances to customers	2,362,749	1,566,524
Trade bills	9,113	17,800
	2,371,862	1,584,324
Less: Impairment provision		
– individually assessed (note 7)	-	-
– collectively assessed (note 7)	(1,611)	(1,060)
	2,370,251	1,583,264

(b) Impaired loans and advances to customers

There were no impaired loans and advances to customers in 2017 and 2016.

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.

	2017 MOP'000	*2016* MOP'000
Gross advances for use in Macau		
Industrial, commercial and financial		
– Textile productions	97,374	136,653
– Leather articles	5,280	9,143
– Paper, printing and publishing	1,191,502	806,789
– Machinery and other electrical and electronic goods	715,863	371,814
– Other manufacturing industries	699	18,988
– Wholesale and retail trade	361,144	240,937
– Others	-	-
Total gross advances to customers and trade bills	2,371,862	1,584,324

No advances to customers and trade bills were granted for use outside of Macau in 2016 and 2017.

7 Movement in impairment provision on loans and advances to customers

	2017		
	Individually assessed MOP'000	*Collectively assessed* MOP'000	*Total* MOP'000
At 1 January 2017	-	1,060	1,060
Net charge to the income statement (note 3(e))	-	551	551
At 31 December 2017 (note 6(a))	-	1,611	1,611

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

	2016		
	Individually assessed MOP'000	*Collectively assessed* MOP'000	*Total* 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)
At 31 December 2016 (note 6(a))	-	1,060	1,060

8 Available-for-sale securities

	2017 MOP'000	*2016* MOP'000
Unlisted:		
AMCM monetary bills	129,358	29,704

9 Deposits from customers

	2017 MOP'000	*2016* MOP'000
Demand deposits and current accounts	396,464	266,408
Savings deposits	868,264	849,631
Time, call and notice deposits	43,653	28,974
Other deposits	656	656
	1,309,037	1,145,669

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

	2017 MOP'000	*2016* MOP'000
Balances and placements with banks	992,031	1,109,720
Other assets	2,596	413
	994,627	1,110,133
Analysed into counterparty		
Head office	10,044	1,553
Other branches	413,546	116,083
Group companies	571,037	992,497
	994,627	1,110,133

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

	2017 MOP'000	*2016* MOP'000
Balances from banks	34,924	42,721
Deposits from banks	2,440,595	1,774,142
Other liabilities	9,416	10,403
	2,484,935	1,827,266
Analysed into counterparty		
Head office	9,185	7,951
Other branches	1,865	2,821
Group companies	2,473,885	1,816,494
	2,484,935	1,827,266

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:

	2017	*2016*
	MOP'000	MOP'000
Addition in provision under AMCM rules	9,276	4,039
Tax effect of the addition in provision	(1,113)	(485)
	8,163	3,554

12 Cash and cash equivalents

Composition of cash and cash equivalents in the cash flow statement

	2017 MOP'000	*2016* MOP'000
Cash, balances and placements with banks and other financial institutions with original maturity less than three months	363,676	285,871
Amounts due from head office, other branches and group companies		
– Balances and placements with banks	984,411	1,038,198
Cash and cash equivalents in the statement of financial position and cash flow statement	1,348,087	1,324,069

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:

	2017 MOP'000	*2016* MOP'000
Trade-related contingencies	369,672	441,739
Other commitments	3,076,859	3,725,636
	3,446,531	4,167,375

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:

	2017 MOP'000	*2016* MOP'000
Exchange rate contracts		
Forwards	927,992	488,443

(ii) Fair values of derivatives

	2017		*2016*	
	Fair value assets (note (ii)(a)) MOP'000	*Fair value liabilities* (note (ii)(b)) MOP'000	*Fair value assets* (note (ii)(a)) MOP'000	*Fair value liabilities* (note (ii)(b)) MOP'000
Exchange rate contracts	2,190	2,195	1,659	1,500

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

	2017 MOP'000	*2016* MOP'000
Exchange rate contracts	2,524	2,824

Credit risk weighted amounts for 2017 and 2016 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:

	2017 MOP'000	*2016* MOP'000
Properties		
– Within one year	289	940
– After one year but within five years	-	219
	289	1,159

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).

(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.

14 Financial risk management (continued)

(b) Market risk management (continued)

(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.

	2017 MOP'000	*2016* MOP'000
Total net (short)/long position in foreign currencies	(30,230)	29,480

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

	2017 MOP'000	*2016* MOP'000
HK dollar exposure		
Spot assets	2,110,557	1,258,658
Spot liabilities	(2,103,368)	(1,219,224)
Forward purchases	107,919	102,198
Forward sales	(91,136)	(101,882)
Net long non-structural position	23,972	39,750
US dollar exposure		
Spot assets	986,274	1,737,387
Spot liabilities	(1,071,524)	(1,747,130)
Forward purchases	180,117	102,617
Forward sales	(175,932)	(102,517)
Net short non-structural position	(81,065)	(9,643)
Euro exposure		
Spot assets	185,661	5,582
Spot liabilities	(98,410)	(6,197)
Forward purchases	169,015	38,788
Forward sales	(169,015)	(38,788)
Net long/(short) non-structural position	87,251	(615)

14 Financial risk management (continued)

(b) Market risk management (continued)

(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 Treasury 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.

The Bank's liquidity and funding risk framework requires the Bank to ensure that it operates within predefined liquidity limits and remain in compliance with the liquidity policies and practices, as well as local regulatory requirements. The oversight under the liquidity and funding framework resides with the Asset and Liability Committee ("ALCO").

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.

	2017							
	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	*Total* MOP'000
Assets								
Cash, balances and placement with banks and other financial institutions	327,316	463	-	-	-	-	35,897	363,676
Trade bills	-	9,113	-	-	-	-	-	9,113
Loans and advances to customers	6,499	1,462,451	628,317	244,023	21,459	-	(1,611)	2,361,138
Available-for-sale securities	-	-	-	129,358	-	-	-	129,358
Amounts due from head office, other branches and group companies	344,545	431,097	211,365	7,620	-	-	-	994,627
Other assets	5,328	242,653	359,584	73,739	-	-	9	681,313
Total assets	683,688	2,145,777	1,199,266	454,740	21,459	-	34,295	4,539,225
Liabilities								
Deposits from customers	1,264,728	-	36,033	8,276	-	-	-	1,309,037
Amounts due to head office, other branches and group companies	42,292	1,437,229	764,094	202,695	38,625	-	-	2,484,935
Other liabilities	7,134	239,637	363,583	77,543	-	-	3,513	691,410
Total liabilities	1,314,154	1,676,866	1,163,710	288,514	38,625	-	3,513	4,485,382
Net liquidity gap	(630,466)	468,911	35,556	166,226	(17,166)	-	30,782	53,843

14 Financial risk management (continued)

(c) Liquidity and funding risk management (continued)

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

	2016							
	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	*Total* MOP'000
Assets								
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
Total assets	471,731	1,711,558	766,080	545,419	-	-	37,642	3,532,430
Liabilities								
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
Total liabilities	1,171,099	1,197,560	680,303	435,481	-	-	2,400	3,486,843
Net liquidity gap	(699,368)	513,998	85,777	109,938	-	-	35,242	45,587

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 2017 and 2016 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 Other assets

	2017 MOP'000	*2016* MOP'000
Acceptance	672,748	500,657
Sundry debtors and receivables	5,154	16,868
Accrued interest receivables	3,228	2,152
Refundable deposits	174	172
Suspense clearing items and others	9	2,041
Forward exchange rate contracts	-	1,568
	681,313	523,458

16 Other liabilities

	2017 MOP'000	*2016* MOP'000
Acceptance	672,748	500,657
Sundry creditors and payables	7,106	2,412
Forward exchange rate contracts	1,982	40
Cashier's order payables	1,239	1,470
Suspense clearing items and others	972	3,134
Accrued interest payables	74	103
	684,121	507,816

17 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 32 to 44 are supplementary to and should be read in conjunction with the financial statements set out on pages 3 to 31. 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 2017.

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 activity are the provision of commercial banking and related financial services.

2017 Results

Profit before taxation increased by 16.96 per cent from MOP 34.647 million to MOP 40.522 million. Net interest income increased by 56.34 per cent to MOP 37.103 million. Other revenue including fee and commission income decreased by 14.11 per cent over 2016. Total operating income increased by 15.78 per cent to MOP 56.657 million.

Operating expenses increased by 2.86 per cent in 2017 to MOP 15.584 million. Impairment charges on loans and advances was MOP 0.551 million in 2017 when comparing to impairment release on loans and advances was MOP 0.862 million in 2016. Profit after taxation was MOP 35.703 million, an increase of MOP 5.167 million over MOP 30.536 million recorded in 2016.

Result under AMCM rules was MOP 27.540 million, an increase of MOP 0.558 million over MOP 26.982 million recorded in 2016.

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.

	2017					
	Loan and advances to customers	*of which*		*Individually-assessed impairment provision*	*Collectively-assessed impairment provision*	*Additional provision under AMCM rules*
		Overdue loans	*Impaired loans*			
	MOP'000	MOP'000	MOP'000	MOP'000	MOP'000	MOP'000
Macau SAR of China	2,371,862	-	-	-	1,611	29,277
	2,371,862	-	-	-	1,611	29,277

	2016					
	Loan and advances to customers	*of which*		*Individually-assessed impairment provision*	*Collectively-assessed impairment provision*	*Additional provision under AMCM rules*
		Overdue loans	*Impaired loans*			
	MOP'000	MOP'000	MOP'000	MOP'000	MOP'000	MOP'000
Macau SAR of China	1,584,324	1,424	-	-	1,060	20,000
	1,584,324	1,424	-	-	1,060	20,000

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

	2017		
	Bank	*Corporate entities*	*Total*
	MOP'000	MOP'000	MOP'000
Hong Kong SAR of China	3,405	-	3,405
Macau SAR of China	-	3,443,065	3,443,065
Singapore	62	-	62
	3,467	3,443,065	3,446,532

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

Unaudited supplementary financial information (continued)

(Expressed in thousands of Macau Patacas)

(b) Segmental information (continued)

(iii) Geographical analysis of exposure on financial derivatives

	2017		
	Bank	*Corporate entities*	*Total*
	MOP'000	MOP'000	MOP'000
Singapore	1,985	-	1,985
Hong Kong SAR of China	205	-	205
	2,190	-	2,190

	2016		
	Bank	*Corporate entities*	*Total*
	MOP'000	MOP'000	MOP'000
United Kingdom	91	-	91
Macau SAR of China	-	1,568	1,568
	91	1,568	1,659

Unaudited supplementary financial information (continued)

(Expressed in thousands of Macau Patacas)

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

	2017					
	Impaired loans MOP'000	*Overdue loans* MOP'000	*Individually-assessed impairment provision* MOP'000	*Collectively-assessed impairment provision* MOP'000	*Additional provision under AMCM rules* MOP'000	*Write off* MOP'000
Textile productions	-	-	-	66	1,202	-
Leather articles	-	-	-	3	65	-
Paper, printing and publishing	-	-	-	810	14,707	-
Machinery and other electrical and electronic goods	-	-	-	486	8,836	-
Other manufacturing industries	-	-	-	1	9	-
Wholesale and retail trade	-	-	-	245	4,458	-
Others	-	-	-	-	-	-
	-	-	-	1,611	29,277	-

Unaudited supplementary financial information (continued)

(Expressed in thousands of Macau Patacas)

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

	2016					
	Impaired loans MOP'000	*Overdue loans* MOP'000	*Individually-assessed impairment provision* MOP'000	*Collectively-assessed impairment provision* MOP'000	*Additional provision under AMCM rules* MOP'000	*Write off* 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)

(d) Overdue loans and advances to customers

	2017	
	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	-	-
	-	-
Individually-assessed impairment provision	-	
Collateral value	-	

	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	-	-
	-	-
Individually-assessed impairment provision	-	
Collateral value	-	

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 the boundary of 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

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. This risk sub-type excludes data privacy regulatory risk.
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 fraud or dishonesty	Potential for loss due to action by staff which is intended to defraud, or to circumvent the law or company policy
External fraud	Potential for loss due to criminal acts by external parties such as fraud or theft of financial assets
Model	Potential for loss or adverse impact due to incorrectly designed or misused models. Potential for regulatory breach due to a significant discrepancy between the output of client risk scoring, and financial crime transaction monitoring models and actual experience.

Unaudited supplementary financial information (continued)

(Expressed in thousands of Macau Patacas)

(e) Operational risk management (continued)

The Hong Kong Country Operational Risk Committee, oversees the management of operational risks across the Branch, supported by business, functional, and country-level committees/forums. All operational risk committees/forums 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.

(f) Liquidity risk

	January to December 2017 MOP'000	*January to December 2016* MOP'000
Arithmetic mean of the minimum weekly amount of cash in hand that is required to be held during the year (note (i))	35,460	32,263
Arithmetic mean of the average weekly amount of cash in hand during the year (note (i))	243,694	190,763
Arithmetic mean of the specified liquid assets at the end of each month during the year (note (i))	1,130,823	1,092,143

	January to December 2017	*January to December 2016*
Average ratio of specified liquid asset to total basic liabilities at the end of each month during the year (note (i))	94.4%	103.83%
Arithmetic mean of its one-month liquidity ratio in the last week of each month during the year (note (ii))	93.03%	94.42%
Arithmetic mean of its three-month liquidity ratio in the last week of each month during the year (note (ii))	96.12%	99.29%

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

	2017	*2016*
Consolidated capital adequacy ratio	21.0%	21.3%

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

(ii) Other consolidated financial information of the Group

	2017 US$ million	*2016* US$ million
Total assets	663,501	646,692
Total liabilities	611,694	598,034
Total capital and reserves	51,807	48,658
Total loans and advances to banks and customers	366,878	330,565
Total customer deposits and deposits from banks	447,210	415,914
Pre-tax (loss)/profit	2,415	409

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 2017, 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 2017 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 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); Dr Ngozi Okonjo-Iweala and Ms Jasmine Mary Whitbread.