澳 門 華 人 銀 行

The Macau Chinese Bank

2015 年報

澳 門 華 人 銀 行

The Macau Chinese Bank

ANNUAL REPORT 2015

CORPORATE INFORMATION

SHAREHOLDERS
Nam Yue (Group) Company Limited (Set up in Macau)
Winwise Holdings Limited (Set up in Hong Kong)
Yang Jun

BOARD OF SHAREHOLDERS
Cao Dahua (Appointed on August 10, 2015)
Lee Luen Wai, John
Yang Jun (Appointed on August 10, 2015)
Secretary: Yau Wai Chu (Appointed on August 10, 2015)

SUPERVISORY BOARD
Chairman: Wang Yanping (Appointed on August 10, 2015)
Members: Chan Nim Leung, Leon
Chui Sai Cheong

BOARD OF DIRECTORS
Chairman: Cao Dahua (Appointed on August 10, 2015)
Lee Luen Wai, John (Resigned on August 10, 2015)
Executive Director: Yau Wai Chu (Appointed on August 10, 2015)
Directors: Chan Tat Kong
Ng Tai Chiu, David
Yang Jun (Appointed on August 10, 2015)
Cheng Sai Chong (Resigned on August 10, 2015)

EXECUTIVE COMMITTEE
Members: Cao Dahua (Appointed on August 10, 2015)
Lee Luen Wai, John (Resigned on August 10, 2015)
Cheng Sai Chong (Resigned on August 10, 2015)
Yau Wai Chu (Appointed on August 10, 2015)
Chan Tat Kong
Ng Tai Chiu, David (Appointed on August 10, 2015)
Yang Jun (Appointed on August 10, 2015)

AUDITORS
Ernst & Young

公司資料

主要股東
南粵(集團)有限公司(於澳門成立)
Winwise Holdings Ltd. (於香港成立)
楊　俊

股東大會
曹達華(於 2015 年 8 月 10 日委任)
李聯偉
楊　俊(於 2015 年 8 月 10 日委任)
秘　　書: 邱慧珠(於 2015 年 8 月 10 日委任)

監事會
主　　席: 王燕屏(於 2015 年 8 月 10 日委任)
成　　員: 陳念良
崔世昌
梁乃洲(於 2015 年 8 月 10 日辭任)

董事會
主　　席: 曹達華(於 2015 年 8 月 10 日委任)
李聯偉(於 2015 年 8 月 10 日辭任)
執行董事: 邱慧珠(於 2015 年 8 月 10 日委任)
董　　事: 陳達港
吳大釗
楊　俊(於 2015 年 8 月 10 日委任)
鄭世滄(於 2015 年 8 月 10 日辭任)

執行委員會
委　　員: 曹達華(於 2015 年 8 月 10 日委任)
李聯偉(於 2015 年 8 月 10 日辭任)
鄭世滄(於 2015 年 8 月 10 日辭任)
邱慧珠(於 2015 年 8 月 10 日委任)
陳達港
吳大釗(於 2015 年 8 月 10 日委任)
楊　俊(於 2015 年 8 月 10 日委任)

核數師
安永會計師事務所

Contents

Background Highlights of The Macau Chinese Bank Limited

The Macau Chinese Bank Limited, formerly known as Finibanco (Macau), S.A.R.L., is a licensed bank incorporated in Macau on 29th May 1995 and is regulated by the Monetary Authority of Macau. On 27th May, 2002, Hong Kong Chinese Limited (a listed company in Hong Kong with stock code of 655), the subsidiary of The Lippo Group Limited (a listed company in Hong Kong with stock code of 226) successfully acquired the majority shares of Finibanco (Macau), S.A.R.L. and became its controlling shareholder. Accordingly, the name of Finibanco (Macau), S.A.R.L. was changed to "The Macau Chinese Bank Limited" on 8th January, 2003. In July of 2015, Nam Yue (Group) Company Limited and Mr. Yang Jun reached an agreement with Hong Kong Chinese Limited for the acquisition of 40% and 9% shares of The Macau Chinese Bank Limited respectively and became its shareholders.

The Board of Directors and the Senior Management of the "Bank" compose of members with extensive experience and expertise in the financial and banking sectors. Mr. Cao Dahua, Chairman of the Board of Directors, is also the Chairman of Nam Yue (Group) Company Limited and has extensive experience in enterprise management and capital operation and investment. Miss Yau Wai Chu, Mr. Ng Tai Chiu, Mr. Chan Tat Kong, and Mr. Yang Jun, Director of the "Bank", are professional expertise with cross-the-board experience specializing in the banking and financial sectors.

The Supervisory Board of the "Bank" composes of three independent advisers; Miss Wang Yan Ping as the Chairman and Mr. Chui Sai Cheong and Mr. Chan Nim Leung, Leon being the members.

The principal activity of Hong Kong Chinese Limited is investment holding. Its subsidiaries, associates and jointly controlled entities are principally engaged in investment holding, property investment, property development, hotel operation, project management, fund management, underwriting, corporate finance, securities brokerage, securities investment, treasury investment, money lending, banking and other related financial services.

The principal business activities of Nam Yue (Group) Company Limited includes the joint-ventures between Guangdong Province and Macau on project developments within the two regions, investment management, green and organic foods production and trading, human resources employment and management services, and provides cross-border financial services, etc.   Nam Yue (Group) Company Limited has more than thirty subsidiaries within the regions.   Among them, Nam Yue Foodstuffs & Aquatics Company Limited and Nam Fong Holdings Limited which were founded and rooted in Macau have rendered their great efforts in contributing and promoting Macau's economic prosperity and social stability for more than thirty years. In recent years, Nam Yue (Group) Company Limited sticks to its business strategy of "Servicing and promoting Guangdong and Macau regional joint-venture projects" and carries on its business principle of "Rooted in Macau, Service Macau" in various development projects including the participation of constructing and promoting Macau as the World's best place for tour and vacation and the most effective platform for business promotion between China and Portugal regions; actively participates in the multi-development of Macau's economy. And as a result, the overall ability and capability of Nam Yue (Group) Company Limited in developing and promoting business has continuously been strengthened and expanded.

For individual shareholder, Mr. Yang Jun has been a professional expertise in the financial industry.

Summary of Business Report

In the year 2015, notwithstanding that the road to recovery from the current weak global economy is still some way to go, and despite the fact that the slowing growth of China's economy, and Macau's continued decline in the gaming revenues and increase in competition in the banking industry are of concerns, The Macau Chinese Bank Limited (the "Bank"), led by the senior management team with the full support from all staff members and operating under the advice, guidance and direction from Shareholders and Board of Directors, recorded a satisfactory result in meeting the set business targets and goals for the year.

During the year 2015, through the participation of strong business and strategic partners, the Bank has improved its medium and long-term business development plan which paves the way for a future business expansion. Moreover, through a restructuring of the traditional banking services and products and developing new business models, the Bank's business volume and net profit have achieved a steady growth. Accordingly, the Bank's business development potential has also been strengthened. Besides, through the enhancement of the internal control and the Bank's risk management system, the Bank continues to grow in a sound and healthy manner. Furthermore, with more on-the-job trainings provided to the staff and recruitment of banking professionals, the Bank has prepared pool of experienced banking people to support the implementation of the medium and long-term business development plan.

On behalf of the Bank's Board of Directors, I like to express our sincere thanks to AMCM for their advice and guidance, our customers and the community for their continuous trust and support, and all staff members of the Bank for their hard work over the past year. Without any of these, the Bank would not have achieved a satisfactory result for 2015.

Looking forward into the year of 2016, the Bank will persistently and prudently pursue its goal in business development and focus on business expansion, and brand building, to provide variety of services and products, and increase market share and coverage. Through continued business development, prudent asset management, investment in advanced IT technology, and upgrade of electronic banking services, the Bank will continue to expand into the local market and deliver excellent services to its customers. At the same time it will actively look for opportunity to develop and provide financial and banking services to the customers across the border, to create a professional specialty to the core value of the Bank in order to strengthen its capability and ability in the keen competitive environment. The aim is to provide better and diversified customer services, create more value for shareholders, and contribute its efforts in promoting Macau as a special regional financial center.

Yau Wai Chu, Yolanda

Executive Director

31 March 2016, Macau

Brief Biographical Details of Directors

Mr. Cao Dahua, has been the Chairman of the Bank since 10^{th} August, 2015. He is a Professor of Business (Industry and Commerce) Management, and also the Chairman of Nam Yue (Group) Company Limited with extensive experience in enterprises management and capital operation and investment, responsible in the overall planning and approving of business direction and strategy of the company.

Miss Yau Wai Chu, the Executive Director and President of the Bank with more than 25 years working experience respectively in various commercial banks in Macau as the head the business development department and the member of the senior management. She possess of solid and cross-the-board banking experience specializing in overall operations and management.

Mr. Chan Tat Kong, the Executive Director and Vice President of the Bank, holds a Banking Diploma of the Institute of Bankers of London. He has extensive banking experience in Bills, Treasury operations, and investment of financial instruments in his former posts. He was with The Hong Kong Chinese Bank Limited, Hong Kong before joining the Macau Chinese Bank Limited.

Mr. Ng Tai Chiu, Director of the Bank, is a fellow member of each of the Hong Kong Institute of Certified Public Accountants, the Association of Chartered Certified Accountants and the Institute of Chartered Secretaries and Administrators. Mr. Ng holds is a qualified accountant holds a master's degree in Business (Electronic Commerce) from Curtin University of Technology in Australia, a master's degree in International Banking and Financial Studies from the Heriot-Watt University in the United Kingdom and the doctor's degree in Business Administration from the University of Hull in the United Kingdom. He has over 30years' experience in the accounting and corporate finance field in Hong Kong.

Mr. Yang Jun, Director of the Bank, holds a qualification of Senior International Finance Manager, a professional expertise of financing sector.

Report of the Supervisory Board

In 2015, owing to its continuous effort in monitoring and following up with the overall operations and business activities of the Bank and the frequent contact with the Board of Directors, the Supervisory Board was able to achieve better information and cooperation from the Board to perform its supervisory function over the Bank in an effective and efficient manner.

After having reviewed and analyzed the Bank's financial statements of 2015, the Supervisory Board is of the opinion that the statements reflect clearly and truly the assets and liabilities, the economic and financial situation of the Bank.

In view of this, the Supervisory Board agrees that the financial accounts and reports for the year of 2015 submitted by the Board should be presented to the shareholders' general assembly for approval.

Supervisory Board
Wang Yanping
31 March 2016,Macau

Independent auditors' report
To the shareholders of The Macau Chinese Bank Limited
(Incorporated in Macao with limited liability)

We have audited the financial statements of The Macau Chinese Bank Limited (the "Bank") set out on pages 3 to 41, which comprise the statement of financial position as at 31 December 2015, and the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Financial Reporting Standards promulgated by the Macao Special Administrative Region ("Macao Financial Reporting Standards") and, where applicable, International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Auditing Standards and Technical Auditing Standards of the Macao Special Administrative Region and International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 auditors consider internal control relevant to the entity's preparation of financial statements that give a true and fair view 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 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 basis for our audit opinion.

Independent auditors' report (continued)
To the shareholders of The Macau Chinese Bank Limited
(Incorporated in Macao with limited liability)

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Bank as at 31 December 2015, and of its financial performance and cash flows for the year then ended in accordance with Macao Financial Reporting Standards and, where applicable, International Financial Reporting Standards.

Bao, King To
Registered Auditor
Ernst & Young

Macao
31 March 2016

STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2015

	Notes	2015 MOP	2014 MOP
Interest income	5	27,327,017	25,159,655
Interest expense		(6,127,956)	(5,030,090)
Net interest income		21,199,061	20,129,565
Fee and commission income		6,635,382	5,159,949
Fee and commission expenses		(486,270)	(198,173)
Net fee and commission income		6,149,112	4,961,776
Other operating income, net	6	7,209,915	3,718,555
Total operating income		34,558,088	28,809,896
Impairment allowances provided for impaired assets, net	11	(34,459,976)	(314,345)
Net operating income		98,112	28,495,551
Operating expenses	7	(27,913,187)	(25,674,622)
Operating profit/(loss)		(27,815,075)	2,820,929
Change in fair value of investment property	14	36,700,000	46,000,000
PROFIT BEFORE TAX		8,884,925	48,820,929
Income tax expense	8	(4,404,000)	(5,520,000)
PROFIT FOR THE YEAR		4,480,925	43,300,929

STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2015

	2015 MOP	2014 MOP
PROFIT FOR THE YEAR	4,480,925	43,300,929
OTHER COMPREHENSIVE INCOME		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Available-for-sale investments:		
Changes in fair value	(2,519,017)	190,608
Reclassification adjustment for gain/(loss) included in the statement of profit or loss		
- gain on disposal	41,019	3,954
Income tax effect	289,838	(23,442)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX	(2,188,160)	171,120
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	2,292,765	43,472,049

STATEMENT OF FINANCIAL POSITION

31 December 2015

	Notes	2015 MOP	2014 MOP
ASSETS			
Cash and balances with banks		184,177,924	233,850,236
Deposits with Monetary Authority	9	110,154,576	87,127,241
Placements with other bank	10	22,058,120	-
Loans and advances to customers	11	423,475,657	330,589,231
Receivables and other assets		22,070,482	13,436,342
Available-for-sale investments	12	75,521,962	91,500,283
Property and equipment	13	11,063,656	11,613,841
Investment property	14	161,700,000	125,000,000
Total assets		1,010,222,377	893,117,174
LIABILITIES			
Deposits from customers	16	584,449,226	475,392,653
Payables and other liabilities		5,687,305	4,045,602
Deferred tax liabilities	15	17,994,664	13,880,502
Total liabilities		608,131,195	493,318,757
EQUITY			
Share capital	17	260,000,000	260,000,000
Legal reserve	18	23,966,670	15,306,480
Investment revaluation reserve		395,236	2,583,396
Asset revaluation reserve		37,189,518	37,189,518
Retained profits		80,539,758	84,719,023
Total equity		402,091,182	399,798,417
Total liabilities and equity		1,010,222,377	893,117,174

STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2015

	Note	Share capital MOP	Legal reserve MOP	Investment revaluation reserve MOP	Asset revaluation reserve MOP	Retained profits MOP	Total equity MOP
At 1 January 2014		260,000,000	13,375,020	2,412,276	37,189,518	43,349,554	356,326,368
Profit for the year		-	-	-	-	43,300,929	43,300,929
Other comprehensive income for the year:							
Available-for-sales investments:							
Change in fair value		-	-	190,608	-	-	190,608
Disposal		-	-	3,954	-	-	3,954
Income tax effect		-	-	(23,442)	-	-	(23,442)
Total comprehensive income for the year		-	-	171,120	-	43,300,929	43,472,049
Transfer to legal reserve	18	-	1,931,460	-	-	(1,931,460)	-
At 31 December 2014 and 1 January 2015		260,000,000	15,306,480	2,583,396	37,189,518	84,719,023	399,798,417
Profit for the year		-	-	-	-	4,480,925	4,480,925
Other comprehensive income for the year:							
Available-for-sales investments:							
Change in fair value		-	-	(2,519,017)	-	-	(2,519,017)
Disposal		-	-	41,019	-	-	41,019
Income tax effect		-	-	289,838	-	-	289,838
Total comprehensive income for the year		-	-	(2,188,160)	-	4,480,925	2,292,765
Transfer to legal reserve	18	-	8,660,190	-	-	(8,660,190)	-
31 December 2015		260,000,000	23,966,670	395,236	37,189,518	80,539,758	402,091,182

In order to comply with the requirements of Autoridade Monetária de Macau ("AMCM") to maintain impairment allowances in excess of the Bank's collective impairment allowances required under International Financial Reporting Standards, retained profits of MOP3,003,985 (2014: MOP3,003,985) are earmarked as a regulatory reserve, which is not distributable under the AMCM's requirements.

STATEMENT OF CASH FLOWS

Year ended 31 December 2015

	Notes	2015 MOP	2014 MOP
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		8,884,925	48,820,929
Adjustments for:			
Depreciation	7	2,019,249	2,116,629
Amortisation of discount on debt securities		154,212	407,694
Unrealised foreign exchange differences relating to available-for-sale investments		957,591	776,549
Impairment allowances provided for impaired assets, net	11	34,459,976	314,345
Changes in fair value of investment property	14	(36,700,000)	(46,000,000)
Loss on disposal of an available-for-sale investment		192,217	-
		9,968,170	6,436,146
Increase in loans and advances to customers		(127,346,402)	(1,843,618)
Increase in receivables and other assets		(8,634,140)	(1,062,362)
Increase in deposits from customers		109,056,573	137,719,464
Increase/(decrease) in payables and other liabilities		1,641,703	(5,207,886)
Net cash flows from/(used in) operating activities		(15,314,096)	136,041,744
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of available-for-sale investments		(16,832,813)	(13,000,094)
Purchases of items of property and equipment	13	(1,469,064)	(439,598)
Proceeds from disposal of available-for-sale investments		29,029,116	3,855,878
Net cash flows from/(used in) investing activities		10,727,239	(9,583,814)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(4,586,857)	126,457,930
Cash and cash equivalents at beginning of year		320,977,477	194,519,547
CASH AND CASH EQUIVALENTS AT END OF YEAR		316,390,620	320,977,477
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and balances with banks		184,177,924	233,850,236
Deposits with Monetary Authority		110,154,576	87,127,241
Placements with other bank with original maturity within three months		22,058,120	-
		316,390,620	320,977,477

1. CORPORATE INFORMATION

The Macau Chinese Bank Limited (the "Bank") is a limited liability company incorporated in Macao. The registered office of the Bank is located at Avenida da Praia Grande, No. 101, Macao.

During the year, the Bank was involved in the provision of banking, financial and other related services in Macao under the regulations of the Autoridade Monetária de Macau (the "AMCM" or the "Monetary Authority").

Prior to 31 July 2015, the Bank was a subsidiary of Winwise Holdings Limited, a company incorporated in Hong Kong. On 31 July 2015, Nam Yue (Group) Company Limited and Mr. Yang Jun acquired 40% and 9% equity interest in the Bank, respectively. In the opinion of the directors, the Bank was jointly owned by Winwise Holdings Limited, Nam Yue (Group) Company Limited and Mr. Yang Jun.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Financial Reporting Standards promulgated by the Macao Special Administrative Region (the "Macao Financial Reporting Standards"), and where Macao Financial Reporting Standards have no provisions governing the accounting treatment for a particular balance or transaction, International Financial Reporting Standards ("IFRSs") will be adopted. IFRSs comprise standards and interpretations approved by the International Accounting Standards Board (the "IASB"), and International Accounting Standards ("IASs") and Standing Interpretations Committee interpretations approved by the International Accounting Standards Committee that remain in effect, and are accounting principles acceptable under Section 3 of Chapter 1 of Macao Commercial Code.

These financial statements have been prepared on a historical cost basis, except for investment property and available-for-sale investments, which have been measured at fair value. These financial statements are presented in Macao patacas ("MOP").

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Bank has adopted the following revised standards for the first time for the current year's financial statements.

Amendments to IAS 19 *Defined Benefit Plans: Employee Contributions*
Annual Improvements to IFRSs 2010-2012 Cycle
Annual Improvements to IFRSs 2011-2013 Cycle

The adoption of the above revised standards has had no significant financial effect on these financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Bank has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in these financial statements:

IFRS 9	*Financial Instruments*[2]
Amendments to IFRS 10 and IAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[1]
Amendments to IFRS 10, IFRS12 and IAS 28 (2011)	*Investment Entities: Applying the Consolidation Exception*[1]
Amendments to IFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*[1]
IFRS 14	*Regulatory Deferral Accounts*[3]
IFRS 15	*Revenue from Contracts with Customers*[2]
Amendments to IAS 1	*Disclosure Initiative*[1]
Amendments to IAS 16 and IAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*[1]
Amendments to IAS 16 and IAS 41	*Agriculture: Bearer Plants*[1]
Amendments to IAS 27 (2011)	*Equity Method in Separate Financial Statements*[1]
Annual Improvements 2012-2014 Cycle	Amendments to a number of IFRSs[1]

[1] Effective for annual periods beginning on or after 1 January 2016
[2] Effective for annual periods beginning on or after 1 January 2018
[3] Effective for an entity that first adopts IFRSs for its annual financial statements beginning on or after 1 January 2016 and therefore is not applicable to the Bank

Further information about those IFRSs that are expected to be applicable to the Bank is as follows:

In July 2014, the IASB issued the final version of IFRS 9, bringing together all phases of the financial instruments project to replace IAS 39 and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Bank expects to adopt IFRS 9 from 1 January 2018. The Bank is currently assessing the impact of the standard upon adoption and expects that the adoption of IFRS 9 will have an impact on the classification and measurement of the Bank's financial assets.

IFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under IFRSs. In September 2015, the IASB issued an amendment to IFRS 15 regarding a one-year deferral of the mandatory effective date of IFRS 15 to 1 January 2018. The Bank expects to adopt IFRS 15 on 1 January 2018 and is currently assessing the impact of IFRS 15 upon adoption.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

Amendments to IAS 1 include narrow-focus improvements in respect of the presentation and disclosure in financial statements. The amendments clarify:
(i) the materiality requirements in IAS 1;
(ii) that specific line items in the statement of profit or loss and the statement of financial position may be disaggregated;
(iii) that entities have flexibility as to the order in which they present the notes to financial statements; and
(iv) that the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement of profit or loss. The Bank expects to adopt the amendments from 1 January 2016. The amendments are not expected to have any significant impact on the Bank's financial statements.

Amendments to IAS 16 and IAS 38 clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through the use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are to be applied prospectively. The amendments are not expected to have any impact on the financial position or performance of the Bank upon adoption on 1 January 2016 as the Bank has not used a revenue-based method for the calculation of depreciation of its non-current assets.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fair value measurement
The Bank measures its investment property and debt securities investments at fair value at the end of each reporting period. 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 at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Bank. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Bank uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use unobservable inputs.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement (continued)
All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 - based on quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2 - based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
Level 3 - based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Bank determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets
Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than financial assets and investment property), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation), had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises, (only if there are revalued assets in the financial statements) unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties
A party is considered to be related to the Bank if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Bank;

(ii) has significant influence over the Bank; or

(iii) is a member of the key management personnel of the Bank or of a parent of the Bank;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Bank are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Bank 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 Bank or an entity related to the Bank;

(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); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Bank or to the parent of the Bank.

Property and equipment and depreciation
Property and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property and equipment are required to be replaced at intervals, the Bank recognises such parts as individual assets with specific useful lives and depreciation.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and equipment and depreciation (continued)
Depreciation is calculated on the straight-line method to write off the cost of each item of property and equipment to its residual value over its estimated useful life as follows:

Land and building	100 years
Furniture, fixtures and equipment	3 to 10 years
Computer equipment	3 to 8 years
Motor vehicles	10 years

Where parts of an item of property and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Investment property
Investment property is interests in land and buildings (including the leasehold interest under an operating lease for a property which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such property is measured initially at cost, including transaction costs. Subsequent to initial recognition, investment property is stated at fair value, which reflects market conditions at the end of the reporting period.

Gains or losses arising from changes in the fair value of an investment property is included in the statement of profit or loss in the year in which it arises.

Any gain or loss on the retirement or disposal of an investment property is recognised in the statement of profit or loss in the year of the retirement or disposal.

If a property occupied by the Bank as an owner-occupied property becomes an investment property, the Bank accounts for such property in accordance with the policy stated under "Property and equipment and depreciation" up to the date of change in use, and any difference at that date between the carrying amount and the fair value of the property is accounted for as an asset revaluation reserve. On disposal of the asset, the relevant portion of the asset revaluation reserve realised in respect of previous valuations is transferred to the retained profits as a movement in reserves.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Bank is the lessor, assets leased by the Bank under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the statement of profit or loss on the straight-line basis over the lease terms. Where the Bank is the lessee, rentals payable under the operating leases are charged to the statement of profit or loss on the straight-line basis over the lease terms.

Prepaid land lease payments under operating lease are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease payments are included in the cost of the land and buildings as finance lease in property and equipment.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as loans and receivables and available-for-sale investments, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus transaction costs that are attributable to the acquisition of the financial assets.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Bank commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Loans and receivables

Loans and advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation and the loss arising from impairment is recognised in profit or loss.

Available-for-sale investments

Available-for-sale investments are non-derivative financial assets in listed and unlisted equity investments and debt securities. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in market conditions.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)
Available-for-sale investments (continued)
After initial recognition, available-for-sale investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the investment revaluation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in profit or loss, or until the investment is determined to be impaired, when the cumulative gain or loss is reclassified from the investment revaluation reserve to profit or loss. Interest and dividends earned whilst holding the available-for-sale financial investments are reported as interest income and dividend income, respectively and are recognised in profit or loss in accordance with the policies set out for "Revenue recognition" below.

The Bank evaluates whether the ability and intention to sell its available-for-sale investments in the near term are still appropriate. When, in rare circumstances, the Bank is unable to trade these financial assets due to inactive markets, the Bank may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective interst rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to profit or loss.

Derecognition of financial assets
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Bank's statement of financial position) when:
- the rights to receive cash flows from the asset have expired;
- the Bank has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Bank has transferred substantially all the risks and rewards of the asset, or (b) the Bank has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Bank has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and reward of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Bank continues to recognise the transferred asset to the extent of the Bank's continuing involvement. In that case, the Bank also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Bank has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Bank could be required to repay.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets
The Bank assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Bank first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Bank determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified 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 yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in profit or loss. Interest income continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Bank.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to profit or loss.

Available-for-sale financial investments

For available-for-sale investments, the Bank assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale investments is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is removed from other comprehensive income and recognised in profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)
Available-for-sale financial investments (continued)
In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in profit or loss - is removed from other comprehensive income and recognised in profit or loss. Impairment losses on equity instruments classified as available for sale are not reversed through profit or loss. Increases in their fair value after impairment are recognised directly in other comprehensive income.

The determination of what is “significant” or “prolonged” requires judgement. In making this judgement, the Bank evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

In the case of debt instruments classified as available for sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in profit or loss. Future interest income continues to be accrued based on the reduced carrying amount of the asset using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. Impairment losses on debt instruments are reversed through profit or loss if the subsequent increase in fair value of the instruments can be objectively related to an event occurring after the impairment loss was recognised in profit or loss.

Financial liabilities
Initial recognition and measurement
Financial liabilities are classified, at initial recognition, as loans and borrowings.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Bank's financial liabilities include deposits from customers and payables and other liabilities.

Subsequent measurement of loans and borrowings
After initial recognition, loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired.

For the purpose of the statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Bank operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)
Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition
Revenue is recognised when it is probable that the economic benefits will flow to the Bank and when the revenue can be measured reliably, on the following bases:

(a) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts through the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial assets;

(b) fees and commission income, when the relevant services have been rendered; and

(c) rental income, on a time proportion basis over the lease terms.

Retirement benefits scheme
The Bank operates a defined contribution retirement benefit scheme for its employees. Contributions are made based on a percentage of the participating employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the scheme.

Foreign currencies
These financial statements are presented in MOP, which is the Bank's functional currency. Foreign currency transactions recorded by the Bank are initially recorded using the functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Bank's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Bank's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Operating lease commitments - Bank as lessor

The Bank has entered into commercial property leases on its investment property portfolio. The Bank has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of the property which is leased out on operating leases.

Classification between an investment property and an owner-occupied property

The Bank determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Bank considers whether a property generates cash flows largely independently of the other assets held by the Bank. Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately or leased out separately under a finance lease, the Bank accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

Estimation uncertainty

The key assumption concerning the future and other key sources of estimation uncertainty at the end of reporting period, that has a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Estimation of fair value of an investment property

In the absence of current prices in an active market for similar properties, the Bank considers information from a variety of sources, including:

(a) current prices in an active market for properties of a different nature, condition or location, adjusted to reflect those differences;
(b) recent prices of similar properties on less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and
(c) discounted cash flow projections based on reliable estimates of future cash flows, supported by the terms of any existing lease and other contracts and (when possible) by external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)
Estimation of fair value of an investment property (continued)

The carrying amount of the investment property at 31 December 2015 was MOP$161,700,000 (2014: MOP$125,000,000). Further details, including the key assumptions used for fair value measurement are given in note 14 to the financial statements.

Impairment allowances on loans and advances to customers

The Bank reviews its loan portfolios to assess impairment on a regular basis. In determining whether an impairment loss should be recorded in profit or loss, the Bank makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the Bank. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

5. INTEREST INCOME

	2015 MOP	2014 MOP
Loans and advances to customers	21,076,056	18,662,299
Interest income on available-for-sale investments	6,075,540	6,390,453
Placements with other bank	175,421	106,903
	27,327,017	25,159,655

6. OTHER OPERATING INCOME, NET

	2015 MOP	2014 MOP
Rental income on an investment property	6,218,663	4,181,850
Exchange (losses)/gains, net	991,252	(463,295)
	7,209,915	3,718,555

7. OPERATING EXPENSES

	Note	2015 MOP	2014 MOP
Salaries and other staff costs		15,356,032	13,630,656
Pension scheme contributions		236,350	165,090
Depreciation	13	2,019,249	2,116,629
Minimum lease payments under operating leases		2,657,400	1,977,600
General and administrative expenses		4,300,635	4,262,564
Other operating expenses, net		3,343,521	3,522,083
		27,913,187	25,674,622

8. INCOME TAX

The tax charge for the year represents provisions for Macao complementary tax. Macao complementary tax has been provided at progressive rates up to 12% (2014: 12%) on the estimated taxable profits.

	2015 MOP	2014 MOP
Current tax	-	-
Deferred tax (note 15)	4,404,000	5,520,000
Total tax expense for the year	4,404,000	5,520,000

A reconciliation of the tax expense applicable to profit before tax using the statutory rate to the tax expense at the effective tax rate is as follows:

	2015 MOP	2015 %	2014 MOP	2014 %
Profit before tax	8,884,925		48,820,929	
Tax at the applicable tax rates	1,066,191	12.00	5,858,511	12.00
Income not subject to tax	(704,187)	(7.92)	(501,822)	(1.03)
Expenses not deductible for tax	57,047	0.64	99,854	0.20
Tax losses not recognised	3,953,891	44.50	55,361	0.11
Others	31,058	0.35	8,096	0.02
Tax expense at the effective rate	4,404,000	49.57	5,520,000	11.30

9. DEPOSITS WITH MONETARY AUTHORITY

The deposits with Monetary Authority at the reporting date are the minimum required clearing amount balances with AMCM with negligible interest.

10. PLACEMENTS WITH OTHER BANK

Placements with other bank have effective interest rate ranging from 0.21% to 0.34% per annum as at 31 December 2015. The Bank did not have placements with other banks as at 31 December 2014.

11. LOANS AND ADVANCES TO CUSTOMERS

The loans and advances to customers have effective interest rates ranging from 2.20% to 12.54% (2014: 2.75% to 13.68%) per annum. An analysis of the gross amount of loans and advances to customers based on the usage of the loans and advances to customers is as follows:

	2015 MOP	2014 MOP
Industrial, commercial and financial purposes	189,112,236	148,329,185
Individuals	269,676,757	183,113,406
	458,788,993	331,442,591
Less: Individual impairment allowances	(33,653,977)	(152,345)
Collective impairment allowances	(1,659,359)	(701,015)
Total loans and advances to customers	423,475,657	330,589,231

The movement of impairment allowances during the year is as follows:

	Individually assessed MOP	Collectively assessed MOP	Total MOP
At 1 January 2015	152,345	701,015	853,360
Charged to profit or loss	33,501,632	958,344	34,459,976
At 31 December 2015	33,653,977	1,659,359	35,313,336
Deducted from:			
- Loans and advances to corporates	31,745,049	684,285	32,429,334
- Loans and advances to individuals	1,908,928	975,074	2,884,002
	33,653,977	1,659,359	35,313,336

11. LOANS AND ADVANCES TO CUSTOMERS (continued)

	Individually assessed MOP	Collectively assessed MOP	Total MOP
At 1 January 2014	-	539,015	539,015
Charged to profit or loss	152,345	162,000	314,345
At 31 December 2014	152,345	701,015	853,360
Deducted from:			
- Loans and advances to corporates	-	313,913	313,913
- Loans and advances to individuals	152,345	387,102	539,447
	152,345	701,015	853,360

12. AVAILABLE-FOR-SALE INVESTMENTS

	2015 MOP	2014 MOP
Debt securities investments, at fair value	73,138,144	88,795,377
Equity securities investments, at fair value	2,383,818	2,704,906
	75,521,962	91,500,283

Available-for-sale investments comprised listed and unlisted debt securities and an unlisted equity security, the fair value hierarchy disclosure has been included in note 24 to the financial statements.

During the year, the gross loss in respect of the Bank's available-for-sale investments recognised in other comprehensive income amounted to MOP2,519,017 (2014: gross gain of MOP190,608), of which gain on disposal of MOP41,019 (2014: MOP3,954) was reclassified from other comprehensive income to the statement of profit or loss for the year.

The debt securities had effective interest rates ranging from 5.9% to 13.5% (2014: 5.2% to 13.5%) per annum.

13. PROPERTY AND EQUIPMENT

31 December 2015

	Land and building MOP	Furniture, fixtures and equipment MOP	Computer equipment MOP	Motor vehicles MOP	Total MOP
At 1 January 2015:					
Cost	8,299,861	12,788,373	11,097,801	391,390	32,577,425
Accumulated depreciation	(919,902)	(10,176,013)	(9,490,786)	(376,883)	(20,963,584)
Net carrying amount	7,379,959	2,612,360	1,607,015	14,507	11,613,841
At 1 January 2015, net of accumulated depreciation	7,379,959	2,612,360	1,607,015	14,507	11,613,841
Additions	-	358,587	1,110,477	-	1,469,064
Depreciation provided during the year	(82,999)	(627,564)	(1,306,730)	(1,956)	(2,019,249)
At 31 December 2015, net of accumulated depreciation	7,296,960	2,343,383	1,410,762	12,551	11,063,656
At 31 December 2015:					
Cost	8,299,861	13,146,960	12,208,278	391,390	34,046,489
Accumulated depreciation	(1,002,901)	(10,803,577)	(10,797,516)	(378,839)	(22,982,833)
Net carrying amount	7,296,960	2,343,383	1,410,762	12,551	11,063,656

13. PROPERTY AND EQUIPMENT (continued)

31 December 2014

	Land and building MOP	Furniture, fixtures and equipment MOP	Computer equipment MOP	Motor vehicles MOP	Total MOP
At 1 January 2014:					
Cost	8,299,861	12,629,577	10,816,999	391,390	32,137,827
Accumulated depreciation	(834,596)	(9,498,946)	(8,138,486)	(374,927)	(18,846,955)
Net carrying amount	7,465,265	3,130,631	2,678,513	16,463	13,290,872
At 1 January 2014, net of accumulated depreciation	7,465,265	3,130,631	2,678,513	16,463	13,290,872
Additions	-	158,796	280,802	-	439,598
Depreciation provided during the year	(85,306)	(677,067)	(1,352,300)	(1,956)	(2,116,629)
At 31 December 2014, net of accumulated depreciation	7,379,959	2,612,360	1,607,015	14,507	11,613,841
At 31 December 2014:					
Cost	8,299,861	12,788,373	11,097,801	391,390	32,577,425
Accumulated depreciation	(919,902)	(10,176,013)	(9,490,786)	(376,883)	(20,963,584)
Net carrying amount	7,379,959	2,612,360	1,607,015	14,507	11,613,841

As the land lease payments cannot be allocated reliably between the land and building elements, the entire land lease payments are included in the cost of the land and building as a finance lease in property and equipment.

14. INVESTMENT PROPERTY

	2015 MOP	2014 MOP
Medium term investment property situated in Macao:		
Carrying amount at 1 January	125,000,000	79,000,000
Net gain from a fair value adjustment	36,700,000	46,000,000
Carrying amount at 31 December	161,700,000	125,000,000

The Bank's investment property is a commercial property in Macao, which is held under medium term lease.

14. INVESTMENT PROPERTY (continued)

The Bank's investment property was revalued at year end based on valuation performed by Jones Lang LaSalle Limited (2014: RHL Appraisal Limited), independent professionally qualified valuers, at MOP161,700,000 (2014: MOP125,000,000). Each year, the directors of the Bank decide to appoint which external valuer to be responsible for the external valuations of the Bank's property. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. Management has discussions with the valuer on the valuation assumptions and valuation results when the valuation is performed at each annual reporting date.

The investment property is leased to a third party under operating leases, further summary details of which are included in note 19(a) to the financial statements.

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Bank's investment property:

	Fair value measurement as at 31 December 2015 using			
	Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Recurring fair value measurement for:	MOP	MOP	MOP	MOP
Commercial property	161,700,000	-	-	161,700,000

	Fair value measurement as at 31 December 2014 using			
	Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Recurring fair value measurement for:	MOP	MOP	MOP	MOP
Commercial property	125,000,000	-	-	125,000,000

During the year, there were no transfers of fair value measurements between Level 1 and Level 2, and no transfers into and out of Level 3 (2014: Nil).

14. INVESTMENT PROPERTY (continued)

Fair value hierarchy (continued)

Reconciliation of fair value measurements categorised within Level 3 of the fair value hierarchy:

	Commercial property MOP
Carrying amount at 1 January 2014	79,000,000
Net gain from a fair value adjustment recognised in profit or loss	46,000,000
Carrying amount at 31 December 2014 and 1 January 2015	125,000,000
Net gain from a fair value adjustment recognised in profit or loss	36,700,000
Carrying amount at 31 December 2015	161,700,000

Description of valuation techniques used and key inputs to valuation on investment property:

Property	Valuation technique	Significant inputs	Range
	2015		
Commercial property	Market comparable approach	Prevailing price per square foot	MOP5,500 - MOP6,900
	2014		
	Income approach	Estimated rental value per square foot per month	HK$12 - HK$18.5
		Yield rate	4.5% - 5.0%

Under the market comparable method (or market comparable approach), a property's fair value is estimated based on comparable transactions. The market comparable approach is based upon the principle of substitution under which a potential buyer will not pay more for the property than it will cost to buy a comparable substitute property. The key input was the market price per square foot, with a significant increase/decrease in the market price would result in a significant increase/decrease in the fair value of the investment property.

In prior year, the fair value had been determined by using income approach, which the fair value was estimated on the basis of capitalisation of the net income and had allowed for outgoings and, in appropriate case, made provisions for reversionary income potential.

15. DEFERRED TAX

Deferred tax liabilities

	Accelerated tax depreciation MOP	Revaluation on an investment property MOP	Revaluation on available-for-sale investments MOP	Total MOP
At 1 January 2014	512,862	7,495,297	328,901	8,337,060
Deferred tax charged to profit or loss during the year (note 8)	-	5,520,000	-	5,520,000
Deferred tax debited to equity during the year	-	-	23,442	23,442
Net deferred tax liabilities at 31 December 2014 and 1 January 2015	512,862	13,015,297	352,343	13,880,502
Deferred tax charged to profit or loss during the year (note 8)	-	4,404,000	-	4,404,000
Deferred tax credited to equity during the year	-	-	(289,838)	(289,838)
Net deferred tax liabilities at 31 December 2015	512,862	17,419,297	62,505	17,994,664

The Bank has tax losses arising in Macau of MOP34,792,936 (2014: MOP3,695,068). Deferred tax assets have not been recognised in respect of these losses as it is not considered probable that sufficient taxable profits will be available in the coming 3 years against which the tax losses can be utilised.

16. DEPOSITS FROM CUSTOMERS

	2015 MOP	2014 MOP
Current accounts	111,817,848	137,982,077
Savings deposits	67,491,747	65,313,025
Time deposits	405,139,631	272,097,551
	584,449,226	475,392,653

Deposits from customers have effective interest rates ranging from 0.01% to 2.80% (2014: 0.01% to 3.00%) per annum.

17. SHARE CAPITAL

	2015 MOP	2014 MOP
Authorised:		
5,000,000 (2014: 5,000,000) shares of MOP100 each	500,000,000	500,000,000
Issued and fully paid:		
2,600,000 (2014: 2,600,000) shares of MOP100 each	260,000,000	260,000,000

18. LEGAL RESERVE

	2015 MOP	2014 MOP
At 1 January	15,306,480	13,375,020
Transfer from retained profits	8,660,190	1,931,460
At 31 December	23,966,670	15,306,480

Under the terms of Macao banking legislation, the Bank is required to transfer to a legal reserve an amount equal to a minimum of 20% of its annual profit after tax until the amount of the reserve is equal to 50% of their respective issued and fully paid up share capital. Thereafter, transfers must continue at a minimum annual rate of 10% of its annual profit after tax until the reserve is equal to the Bank's issued and fully paid up share capital. This reserve is only distributable in accordance with certain limited circumstances prescribed by statute.

19. OPERATING LEASE COMMITMENTS

(a) As lessor

During the year ended 31 December 2015, the Bank leases its investment property (note 14 to the financial statements) to an independent third party under operating lease arrangements, with remaining lease terms of one to two years (2014: less than one year).

At the end of reporting period, the Bank had total future minimum lease receivables under non-cancellable operating leases with its tenant falling due as follows:

	2015 MOP	2014 MOP
Within one year	6,356,412	264,901
In the second to fifth years, inclusive	851,305	-
	7,207,717	264,901

(b) As lessee

The Bank leases a portion of its office property under operating lease arrangement with remaining lease term of one to two years (2014: less than one year). At the end of reporting period, the Bank had total future minimum lease payments under non-cancellable operating lease falling due as follows:

	2015 MOP	2014 MOP
Within one year	2,719,200	164,800
In the second to fifth years, inclusive	226,600	-
	2,945,800	164,800

20. CONTINGENT LIABILITIES

	2015 MOP	2014 MOP
Guarantees and other endorsements	35,650,947	33,803,878
Liabilities under letters of credit on behalf of customers	3,263,885	3,637,263
	38,914,832	37,441,141

21. CAPITAL COMMITMENT

At the end of the reporting period, the Bank has no significant capital commitment (2014: nil).

22. RELATED PARTY TRANSACTIONS

(a) During the year ended 31 December 2015 and at the end of reporting period, the Bank had the following material transactions and balances with related parties:

	Notes	2015 MOP	2014 MOP
Received/receivable from or (paid)/(payable) to a fellow subsidiary:			
Commission income	(i)	690,434	247,056
Fee income	(ii)	328,137	697,423
Profit sharing of securities dealing services	(iii)	-	(149,340)
Fee expense	(iii)	(353,184)	(198,174)
System installation fee paid	(iv)	(806,066)	(1,380,867)
Receivables and other assets	(v)	-	6,140,922
Received/receivable from or (paid)/(payable) to related companies:			
Commission income	(i)	251,155	-
Fee income	(ii)	517,312	-
Fee expense	(iii)	(133,085)	-
System installation fee paid	(iv)	(616,225)	-
Receivables and other assets	(v)	8,163,276	-
Loans and advances	(vi)	4,683,420	-
Deposits from customers:			
Directors of the Bank		2,157,791	2,289,365
Members of key management of the Bank		3,667,516	3,003,621

Notes:

(i) Commission income was charged based on the actual costs incurred for the provision of securities dealing services by the Bank.

(ii) Fee income in respect of administration work handling.

(iii) Profit sharing represented commissions received from securities dealing services calculated based on an agreed 50:50 basis. Effective from 1 April 2014, there was a new service agreement entered with a fellow subsidiary to substitute the profit sharing on 50:50 basis to at 0.045% flat commission expense on the gross amount of each securities trading transaction. The fellow subsidiary has become a related company of the Bank during the year.

22. RELATED PARTY TRANSACTIONS (continued)

(a) (continued)

Notes:

(iv) System installation and maintenance fees in respect of administration work handling.

(v) Balance mainly represented deposits for securities trading placed with a fellow subsidiary/related company.

(vi) Balance represented a loan to a related company, which was unsecured and bore interest at 5.25% per annum.

(b) Compensation of key management personnel of the Bank

	2015 MOP	2014 MOP
Short term employee benefits	2,857,254	2,292,327

In the opinion of the directors, these balances and transactions were undertaken on terms similar to those offered to unrelated customers in the ordinary course of business.

23. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

2015

Financial assets

	Loans and receivables MOP	Available-for-sale securities MOP	Total MOP
Cash and balances with banks	184,177,924	-	184,177,924
Deposits with Monetary Authority	110,154,576	-	110,154,576
Placements with other bank	22,058,120	-	22,058,120
Loans and advances to customers	423,475,657	-	423,475,657
Financial assets included in receivables and other assets	20,599,704	-	20,599,704
Available-for-sale investments	-	75,521,962	75,521,962
	760,465,981	75,521,962	835,987,943

23. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

2015 (continued)

Financial liabilities

	Financial liabilities at amortised cost MOP
Deposits from customers	584,449,226
Financial liabilities included in payables and other liabilities	5,687,305
	590,136,531

2014

Financial assets

	Loans and receivables MOP	Available-for-sale securities MOP	Total MOP
Cash and balances with banks	233,850,235	-	233,850,235
Deposits with Monetary Authority	87,127,241	-	87,127,241
Loans and advances to customers	330,589,231	-	330,589,231
Financial assets included in receivables and other assets	11,997,445	-	11,997,445
Available-for-sale investments	-	91,500,283	91,500,283
	663,564,152	91,500,283	755,064,435

Financial liabilities

	Financial liabilities at amortised cost MOP
Deposits from customers	475,392,653
Financial liabilities included in payables and other liabilities	4,045,602
	479,438,255

24. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of the Bank's financial assets, including cash and balances with banks, deposits with Monetary Authority, placements with other bank, loans and advances to customers and financial assets included in receivables and other assets and financial liabilities including deposits from customers and payables and other liabilities appropriate to their carrying amounts largely due to the short-term maturities of these instruments.

The fair values of the financial assets and financial liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The following table illustrates the fair value measurement hierarchy of the Bank's financial instruments:

Assets measured at fair value:

As at 31 December 2015:

		Fair value measurement using		
	Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
	MOP	MOP	MOP	MOP
Recurring fair value measurement for:				
Available-for sale financial investments (note 12)	75,521,962	66,474,608	9,047,354	-

As at 31 December 2014:

		Fair value measurement using		
	Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
	MOP	MOP	MOP	MOP
Recurring fair value measurement for:				
Available-for sale financial investments (note 12)	91,500,283	81,587,172	9,913,111	-

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into and out of Level 3 of for both financial assets and financial liabilities (2014: Nil).

Fair values of equity and debt securities are based on quoted prices or dealer price quotations.

25. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Bank is principally exposed to interest rate risk, liquidity risk, foreign currency risk and credit risk, and uses financial instruments in connection with its risk management activities.

The Bank has risk management policies and guidelines, which set out its overall business strategies and its general risk management philosophy. Such policies are reviewed periodically to ensure that the Bank's policies and guidelines are appropriate and adhered to.

Interest rate risk

The Bank takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase as a result of such changes. The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Bank's profit before tax (through the impact on interest-bearing monetary assets and liabilities) and the Bank's equity.

	Increase/ (decrease) in basis points	Increase/ (decrease) in profit before tax MOP'000	Increase/ (decrease) in equity MOP'000
2015			
MOP	50	(296)	(207)
MOP	(50)	296	207
2014			
MOP	50	2,210	1,547
MOP	(50)	(2,210)	(1,547)

25. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk

The Bank takes on exposure to control mismatching of the maturities of its financial assets and liabilities.

An analysis of the liquidity of the Bank's financial assets and liabilities is as follows:

At 31 December 2015

	On demand MOP$'000	3 months or less MOP$'000	1 year or less but over 3 months MOP$'000	5 years or less but over 1 year MOP$'000	Over 5 years MOP$'000	Undated MOP$'000	Total MOP$'000
Financial assets							
Cash and balances with banks	184,178	-	-	-	-	-	184,178
Deposits with Monetary Authority	50,155	60,000	-	-	-	-	110,155
Placements with other bank	-	22,058	-	-	-	-	22,058
Loans and advances to customers	174,287	49,844	20,728	85,424	93,193	-	423,476
Financial assets included in receivables and other assets	8,163	3,535	8,902	-	-	-	20,600
Available-for-sale investments	-	-	10,968	47,312	5,322	11,920	75,522
	416,783	135,437	40,598	132,736	98,515	11,920	835,989
Financial liabilities							
Deposits from customers	179,514	286,225	118,710	-	-	-	584,449
Payables and other liabilities	-	365	5,322	-	-	-	5,687
	179,514	286,590	124,032	-	-	-	590,136
Net liquidity gap	237,269	(151,153)	(83,434)	132,736	98,515	11,920	245,853

25. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

At 31 December 2014

	On demand MOP$'000	3 months or less MOP$'000	1 year or less but over 3 months MOP$'000	5 years or less but over 1 year MOP$'000	Over 5 years MOP$'000	Undated MOP$'000	Total MOP$'000
Financial assets							
Cash and balances with banks	233,850	-	-	-	-	-	233,850
Deposits with Monetary Authority	27,127	60,000	-	-	-	-	87,127
Loans and advances to customers	150,473	66,448	30,939	51,895	30,834	-	330,589
Financial assets included in receivables and other assets	5,162	2,088	4,748	-	-	-	11,998
Available-for-sale investments	-	-	21,147	43,814	14,360	12,179	91,500
	416,612	128,536	56,834	95,709	45,194	12,179	755,064
Financial liabilities							
Deposits from customers	203,347	217,087	54,959	-	-	-	475,393
Payables and other liabilities	-	188	3,858	-	-	-	4,046
	203,347	217,275	58,817	-	-	-	479,439
Net liquidity gap	213,265	(88,739)	(1,983)	95,709	45,194	12,179	275,625

Foreign currency risk

The Bank has transactional currency exposure in respect of the Bank's assets and liabilities denominated in MOP, Hong Kong Dollars ("HKD"), United States Dollar ("USD") and Renminbi ("RMB"). Since both HKD and the Bank's functional currency, MOP, are pegged to USD, the Bank's exposure to foreign currency risk in respect of USD is considered to be minimal.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in RMB exchange rates, with all other variables held constant, of the Bank's profit before tax (due to changes in the fair value of monetary assets).

25. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Foreign currency risk (continued)

	Increase/(decrease) in profit before tax	
	2015 MOP'000	2014 MOP'000
Renminbi against Macao Pataca		
- Strengthened by 3% (2014: 3%)	481	1,101
-Weakened by 3% (2014: 3%)	(481)	(1,101)

Credit risk

The Bank's maximum exposure to credit risk in the event the counterparties fail to perform their obligations as at 31 December 2015, in relation to each class of recognised financial assets, is the carrying amount of those assets as indicated in the statement of financial position and the total amount of contingent liabilities, which included guarantees and other endorsements and liabilities under letters of credit on behalf of customers, as disclosed in note 20.

The Bank established written credit policy which covers authority of granting facility limits, credit review, maintenance of collaterals and provisioning. All facilities are approved by credit committee. Credit review is performed regularly and at least annually. All credit reviews are performed by marketing officer, reviewed by executive secretary and approved by credit committee in accordance with their respective limits. All pledged properties are valued by independent qualified valuers. As at the end of the reporting date, the market value of the pledged properties approximates to MOP1,995 million (2014: MOP1,328 million).

The aged analysis of loans and advances to customers, net of individual impairment allowances, is as follows:

	2015 MOP	2014 MOP
Neither past due nor impaired	395,610,553	327,495,156
Past due		
Less than 1 month	7,959,459	968,412
1 to 3 months	19,905,645	2,125,663
	423,475,657	330,589,231

The Bank manages its concentrations of credit risk with customers. The maximum credit exposure to any customer before taking account of collateral as of 31 December 2015 was 11.09% (2014: 9.32%) of the Bank's loan and advances to customer, net of individual impairment allowances.

25. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)
The Bank's placements with other banks are placed with financial institutions with high credit quality and no recent history of default. In the opinion of management, the credit risk of the Bank's available-for-sale investments is low as the securities are issued by financial institutions with high credit rating with no recent history of default.

Capital management
The primary objective of the Bank's capital management is to maintain a strong capital base to support its business and to meet the regulatory capital requirement.

The Bank manages its capital structure and makes adjustments to it, in light of changes in economic conditions. Under the terms of Macao banking legislation, the Bank is required to transfer to a legal reserve an amount equal to a minimum of 20% of its annual profit after tax until the amount of the reserve is equal to 50% of their respective issued and fully paid up share capital. Thereafter, transfers must continue at a minimum annual rate of 10% of its annual profit after tax until the reserve is equal to the Bank's issued and fully paid up share capital. This reserve is only distributable in accordance with certain limited circumstances prescribed by statute. No changes were made in the objectives, policies or processes during the years 31 December 2015 and 31 December 2014.

The Bank monitors solvency ratio under the requirement of the AMCM and to keep the ratio at not less than 8% throughout the year.

26. APPROVAL AND AUTHORISATION FOR ISSUE OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 31 March 2016.