The Macau Chinese Bank Ltd.

Disclosure of Financial Information

For the year ended 31 December 2015

Index for Disclosure of Financial Information

(i) Balance Sheet

BANCO CHINÊS DE MACAU, S.A.

澳門華人銀行股份有限公司

(Publicação ao abrigo do Artigo 75 do RJSF aprovado pelo Decreto-Lei no.32/93/M, de 5 de Julho)

(根據 七月五日第三二/九三/M號法令核準之金融體系法律制度第七十五條之公告)

BALANÇO ANUAL EM 31 DE DEZEMBRO DE 2015 資產負債表於二零一五年十二月三十一日			MOP 澳門幣
ACTIVO 資產	ACTIVO BRUTO 資產總額	PROVISÕES AMORTIZAÇÕES E MENOS - VALIAS 備用金,折舊和減值	ACTIVO LÍQUIDO 資產淨額
CAIXA 現金	34,298,775.39		34,298,775.39
DEPÓSITOS NA AMCM AMCM 存款	50,154,575.50		50,154,575.50
VALORES A COBRAR 應收賬項			
DEPÓSITOS À ORDEM NOUTRAS INSTITUIÇÕES DE CRÉDITO NO TERRITÓRIO 在本地之其他信用機構活期存款	75,007,377.26		75,007,377.26
DEPÓSITOS À ORDEM NO EXTERIOR 在外地之其他信用機構活期存款	74,871,771.88		74,871,771.88
OURO E PRATA 金,銀			
OUTROS VALORES 其他流動資產	18,536.00		18,536.00
CRÉDITO CONCEDIDO 放款	458,788,993.21	33,653,977.29	425,135,015.92
APLICAÇÕES EM INSTITUIÇÕES DE CRÉDITO NO TERRITÓRIO 在本澳信用機構拆放	60,000,000.00		60,000,000.00
DEPÓSITOS COM PRÉ-AVISO E A PRAZO NO EXTERIOR 在外地信用機構之通知及定期存款	22,058,120.00		22,058,120.00
ACÇÕES, OBRIGAÇÕES E QUOTAS 股票,債券及股權	75,521,961.45		75,521,961.45
APLICAÇÕES DE RECURSOS CONSIGNADOS 承銷資金投資			
DEVEDORES 債務人	16,303,140.07		16,303,140.07
OUTRAS APLICAÇÕES 其他投資			
PARTICIPAÇÕES FINANCEIRAS 財務投資			
IMÓVEIS 不動產	169,999,861.72	1,002,901.47	168,996,960.25
EQUIPAMENTO 設備	25,746,629.74	21,979,933.29	3,766,696.45
CUSTOS PLURIENAIS 遞延費用			
DESPESAS DE INSTALAÇÃO 開辦費用			
IMOBILIZAÇÕES EM CURSO 未完成不動產			
OUTROS VALORES IMOBILIZADOS 其他固定資產			
CONTAS INTERNAS E DE REGULARIZAÇÃO 內部及調整賬	5,748,805.69		5,748,805.69
TOTAIS 總額	1,068,518,547.91	56,636,812.05	1,011,881,735.86

The Macau Chinese Bank Ltd.
Prepared as per
AMCM's guidelines dated 16/11/2012(Circular no.026/B/2012-DSB/AMCM)

(i) Balance Sheet(continued)

BANCO CHINÊS DE MACAU, S.A.

澳門華人銀行股份有限公司

BALANÇO ANUAL EM 31 DE DEZEMBRO DE 2015

資產負債表於二零一五年十二月三十一日

		MOP 澳門幣
PASSIVO 負債	SUB-TOTAIS 小結	TOTAL 總額
DEPÓSITOS À ORDEM	179,308,202.42	
活期存款		
DEPÓSITOS C/PRÉ-AVISO		
通知存款		
DEPÓSITOS A PRAZO	405,139,631.17	
定期存款		
DEPÓSITOS DE SECTOR PÚBLICO	1,392.04	584,449,225.63
公共機構存款		
RECURSOS DE INSTITUIÇÕES DE CRÉDITO NO TERRITÓRIO		
本地信用機構資金		
RECURSOS DE OUTRAS ENTIDADES LOCAIS		
其他本地機構資金		
EMPRESTIMOS EM MOEDAS EXTERNAS		
外幣借款		
EMPRÉSTIMOS POR OBRIGAÇÕES		
債券借款		
CREDORES POR RECURSOS CONSIGNADOS		
承銷資金債權人		
CHEQUES E ORDENS A PAGAR	365,061.47	
應付支票及票據		
CREDORES	20,132,133.05	
債權人		
EXIGIBILIDADES DIVERSAS	504,481.00	21,001,675.52
各項負債		
CONTAS INTERNAS E DE REGULARIZAÇÃO		2,680,294.03
內部及調整賬		
PROVISÕES PARA RISCOS DIVERSOS		1,659,359.00
各項風險備用金		
CAPITAL	260,000,000.00	
股本		
RESERVA LEGAL	23,966,670.00	
法定儲備		
RESERVA ESTATUTÁRIA		
自定儲備		
RESERVA DE REAVALIACAO	37,584,753.64	
重估儲備		
OUTRAS RESERVAS	3,003,985.00	
其他儲備		324,555,408.64
RESULTADOS TRANSITADOS DE EXERCÍCIOS ANTERIORES	73,054,847.87	
歷年營業結果		
RESULTADO DO EXERCÍCIOS	4,480,925.17	77,535,773.04
本年營業結果		
TOTAIS 總額		1,011,881,735.86

Nota: A rubrica 《Outras Reservas》está Incluído um valor de MOP3,003,985 de provisões genéricas adicionais constituidas em comprimento das regras do Aviso No. 18/93-AMCM

備註: - "其他儲備" 項目內包含一筆按照金融管理局第18/93-AMCM號公告規定而增撥之各項風險備用金，金額為澳門幣 3,003,985元。

(ii) Profit & Loss Account

BANCO CHINÊS DE MACAU, S.A.
澳門華人銀行股份有限公司
DEMONSTRAÇÃO DE RESULTADOS DO EXERCÍCIO DE 2015
二零一五年營業結果演算
CONTA DE EXPLORAÇÃO
營業賬目

			MOP 澳門幣
DÉBITO 借方	MONTANTE 金額	CRÉDITO 貸方	MONTANTE 金額
CUSTOS DE OPERAÇÕES PASSIVAS	6,127,956.64	PROVEITOS DE OPERAÇÕES ACTIVAS	21,251,476.79
負債業務成本		資產業務收益	
CUSTOS COM PESSOAL		PROVEITOS DE SERVIÇOS BANCÁRIOS	5,076,394.75
人事費用		銀行服務收益	
REMUNERAÇÕES DOS ORGÃOS	245,000.00	PROVEITOS DE OUTRAS OPERAÇÕES	1,625,634.02
DE GESTÃO E FISCALIZAÇÃO		BANCÁRIAS	
董事及監察會開支		其他銀行業務收益	
REMUNERAÇÕES DE EMPREGADOS	15,347,382.74	RENDIMENTOS DE TÍTULOS DE	
職員開支		CRÉDITO E DE PARTICIPAÇÕES	
ENCARGOS SOCIAIS		FINANCEIRAS	6,075,540.43
固定職員福利		證券及財務投資收益	
OUTROS CUSTOS COM O PESSOAL		OUTROS PROVEITOS BANCÁRIOS	79,156.16
其他人事費用		其他銀行收益	
FORNECIMENTOS DE TERCEIROS	1,486,546.54	PROVEITOS INORGÂNICOS	7,064,112.75
第三者作出之供應		非正常業務收益	
SERVIÇOS DE TERCEIROS	8,724,077.38	PREJUIZOS DE EXPLORÇÃO	26,856,730.83
第三者提供之勞務		營業損失	
OUTROS CUSTOS BANCÁRIOS	101,810.22	DOTAÇÕES REDUÇÃO PARA PROVISÕES	
其他銀行費用		CONFORME RJSF	
IMPOSTOS	420,000.00	根據金融體系法律制度減撥的備用金	
稅項			
CUSTOS INORGÂNICOS	55,391.48		
非正常業務費用			
DOTAÇÕES PARA AMORTIZAÇÕES	2,019,248.54		
折舊撥款			
DOTAÇÕES PARA PROVISÕES	33,501,632.19		
備用金之撥款			
LUCRO DA EXPLORAÇÃO	-		
營業利潤			
TOTAL 總額	68,029,045.73	TOTAL 總額	68,029,045.73

(ii) Profit & Loss Account (continued)

BANCO CHINÊS DE MACAU, S.A.			
澳門華人銀行股份有限公司			
CONTA DE LUCROS E PERDAS			
損益計算表			
			MOP
			澳門幣
DÉBITO	MONTANTE	CRÉDITO	MONTANTE
借方	金額	貸方	金額
PREJUÍZO DE EXPLORAÇÃO	26,856,730.83	LUCRO DE EXPLORAÇÃO	
營業損失		營業利潤	
PREJUÍZO DE EXPLORAÇÃO ANTERIORES		LUCROS RELATIVOS A EXERCÍCIOS ANTERIORES	
歷年之損失		歷年之利潤	
PERDAS EXCEPCIONAIS		LUCROS EXCEPCIONAIS	32,296,000.00
特別損失		特別利潤	
DOTAÇÕES PARA IMPOSTOS SOBRE LUCROS DO EXERCÍCIO	-	PROVISÕES UTILIZADAS	
		備用金之使用	
營業利潤之稅項撥款		DOTAÇÕES REDUÇÃO PARA PROVISÕES CONFORME RJSF	
DOTAÇÕES ADICIONAIS PARA PROVISÕES CONFORME RJSF	958,344.00	根據金融體系法律制度減撥的備用金	
根據金融體系法律制度增撥的備用金			
RESULTADO DO EXERCÍCIO	4,480,925.17		
營業結果			
TOTAL	32,296,000.00	TOTAL	32,296,000.00
總額		總額	

(iii)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 (iii)Summary of Business Report (continued)

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 centre.

Yau Wai Chu, Yolanda
Executive Director
31 March 2016, Macau

(iv)Report from the Supervisory Board

Report from the Supervisory Board

During the year of 2015, the Supervisory Board followed closely with the Bank's activities. By maintaining a close and frequent contact with the Board of Directors, the Supervisory Board obtained the best cooperation and information from the board to enable it to perform its duties and responsibilities effectively and efficiently.

After reviewing and analyzing the documents submitted to it, the Supervisory Board is of the opinion that such documents clearly and truly reflect the assets and the economic and financial situation of the Bank.

Therefore, the Supervisory Board considers that the financial accounts and report for the year 2015 submitted by Board of Directors should be presented to the shareholders' general assembly for approval.

Chairman of Supervisory Board

Wang Yanping

31 March 2016

(v)Summary of the External Auditors' report

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.

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

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.

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

(vi)List of Institutions with more than 5% interests

NIL

(vii)List of shareholders with qualifying holdings

Main shareholders:

Agência Comercial e Industrial Nam Yue, Limitada (Incorporated in Macau)

Winwise Holdings Ltd. (Incorporated in Hong Kong)

Yang Jun

(Viii) Names of the members of the company boards

CORPORATE INFORMATION

GENERAL ASSEMBLY

Cao Dahua (Appointed on 10th August 2015)

Lee Luen Wai, John

Yang Jun (Appointed on 10th August 2015)

Yau Wai Chu (Secretary - Appointed on 10th August 2015)

SUPERVISORY BOARD

Chairman:

Wang Yanping (Appointed on 10th August 2015)

Member:

Chan Nim Leung, Leon

Chui Sai Cheong

Leung Nai Chau, Jesse (Resigned on 10th August 2015)

DIRECTORS BOARD

Chairman:

Cao Dahua (Appointed on 10th August 2015)

Lee Luen Wai, John (Resigned on 10th August 2015)

Executive Director:

Yau Wai Chu (Appointed on 10th August 2015)

Director:

Chan Tat Kong

Ng Tai Chiu, David

Yang Jun (Appointed on 10th August 2015))

Cheng Sai Chong (Resigned on 10th August 2015)

(Viii) Names of the members of the company boards (continued)

CORPORATE INFORMATION (continued)

EXECUTIVE COMMITTEE

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

31st March 2016 in Macau

Corporate governance

The Macau Chinese Bank, Ltd. adopts a high standard of Corporate Governance practices in compliance with regulatory requirements. Under the Corporation Governance practices, each of the General Meeting, the Board of Directors, the Supervisory Board and the Senior Management has clearly defined responsibilities and accountability, coordination as well as an effective check and balance system.

Responsibilities of the Shareholders' General Meeting
The Shareholders' General Meeting is responsible for giving direction on strategic business and major investment planning of the Bank; reviewing and approving of the annual financial budget, annual financial report; electing and replacing members of Board of Directors and Supervisory Board including Independent members.

Responsibilities of the Supervisory Board
As the governing body of the Bank, the Supervisory Board shall report to the Shareholders' General Meeting. The main responsibility of the Supervisors Board is to oversee the performance of duties by the Board of Directors and the Senior Management; supervise and review the Bank's financial activities and reports.

Responsibilities of the Board of Directors
Being the highest authority of the Bank, the Board of Directors shall report to the Shareholders' General Meeting on the overall performance of the Bank; give direction on business plans and strategies of the Bank; review and approve the annual financial budgets and annual financial report; define principle and police guidelines on risk management and internal control, and supervise the implementation to ensure adherence. In this respect, The Board of Directors delegates its authority to formulate the Executive Committee which composes of five board members including the Chairman to oversee and to ensure the overall operations of the Bank are in compliance with the policies and guidelines and the Bank is run in a sound and efficient manner in according to the directions, objectives and goals of the shareholder.

Responsibilities of the Executive Committee
With the delegated authority by the Board, the Executive Committee is accountable and reported to the Board. The main responsibility of the Executive Committee is to oversee the overall operations of the Bank, supervise the implementation of business and investment plans as approved by the Board, and formulate clear policies and procedures guidelines in according to the regulatory requirements.

Cash flow statement

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

Off-balance sheet exposures other than derivatives transactions

EM 31 DE DEZEMBRO DE 2015	
	MOP
	澳門幣
CONTAS EXTRAPATRIMONIAIS	MONTANTE
備查賬	金額
VALORES RECEBIDOS EM DEPÓSITO	
代客保管賬	
VALORES RECEBIDOS PARA COBRANÇA	
代收賬	
VALORES RECEBIDOS EM CAUÇÃO	1,149,772,571.96
抵押賬	
GARANTIAS E AVALES PRESTADOS	35,650,946.62
保證及擔保付款	
CRÉDITOS ABERTOS	3,263,885.43
信用狀	
ACEITES EM CIRCULAÇÃO	
承對匯票	
VALORES DADOS EM CAUÇÃO	
代付保證金	
COMPRAS A PRAZO	
期貨買入	
VENDAS A PRAZO	
期貨賣出	
OUTRAS CONTAS EXTRAPATRIMONIAIS	807,396.07
其他備查賬	

Derivatives transactions

-No such transactions-

Accounting Policies

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.

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement (continued)

categorization (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.

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and equipment and depreciation (continued)

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.

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment property(continued)

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.

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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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial assets (continued)

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.

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

Financial assets carried at amortised cost (continued)

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.

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,

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities (continued)

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.

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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

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.

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).

Related party transaction

(i)Qualitative disclosure –

- Definition of Related Parties

(1) Related parties include any person or any close family member (including spouse, children, parents, step-children, step parents, sons/daughters/parents-in-law) of that person who:

a) has control or joint control over MCB;

b) has significant influence over MCB;

c) holds a qualifying holding in MCB;

d) is a member of the board of directors or supervisory board of MCB;

e) is an employee of MCB and/or a member of the key management personnel, who have authority and responsibility for planning, directing, and controlling the activities of MCB .

(2) Related parties also include any entity if any of the following conditions applies:

a) That entity and MCB are members of the same group (e.g. parent, subsidiary and fellow subsidiary);

b) Holds a qualifying holding in MCB;

c) Is an associate or joint venture of MCB;

d) MCB is an associate or joint venture of that entity;

e) That entity and MCB are both joint ventures of the same third party;

f) That entity is a joint venture of a third entity and MCB is an associate of that third entity;

g) MCB is a joint venture of a third entity and that entity is an associate of that third entity;

h) That entity is controlled or jointly controlled by a person identified in (1);

i) A person identified in (1) a has significant influence over that entity or is a member of the key management personnel of that entity(or of a parent of that entity);

j) A person identified in (1) d is a member of the key management personnel of that entity (or of a parent of that entity) According to Article 66 of Financial System Act Decree-Law no.32/93/M

Related party transaction (continued)

(ii)Quantitative disclosures

-transactions and outstanding balances

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.

Quantitative disclosures(continued)

RELATED PARTY TRANSACTIONS (continued)

(a) Notes: (continued)

(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.

(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	2014
	MOP	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.

Capital

(i)Qualitative disclosure

According to monthly Statistics of the Bank, the Board of Directors monitor the ratio to comply with the FSAM's requirement, i.e. not less than 8%.

(ii) Quantitative disclosure

(a) Issued Capital

	2015	2014
	MOP	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 shares (2014: 2,600,000) of MOP100 each	260,000,000	260,000,000

(b)Components of own funds

	2015
EQUITY	'000MOP
Issued capital	260,000
Legal reserve	23,967
General Provision	4,663
Retained profits	73,055
Current year net profit	4,481
Total equity	366,166

Capital (continued)

(c) Capital Adequacy Ratio = 49.23% (Requirement - not less than 15%)

(d) Operational Risk Adjusted Solvency Ratio:

Own Funds	Weighted Operational Risk Exposures	Weighted Credit Risk Exposures	Weighted Market Risk Exposures	Operation Risk Adjusted Solvency Ratio (%)
(A)	(B)	(C)	(D)	(A)/[(B)+(C)+(D)]
366,166	57,379	581,748	104,620	49.23%

Solvency ratio for the top consolidated group and its significant bank subsidiaries

-Not applicable-

Credit risk

(i) Qualitative disclosure

Credit risk management

The mission of the Bank's credit management is to uphold asset quality for the Bank. The purpose of credit policy is thus to ensure that credit risk embedded at various levels and different aspects is identified and managed in compliance with regulatory requirements and the credit policy.

The Bank also sets credit principles to guide the lending officers, when considering a credit facility, be risk-conscious, understand nature of risks, obtain reasonable risk-adjusted returns, adhere strictly to policy, know your customer, sources of repayment of the borrowers and to avoid over-reliance on collateral.

The credit policy of the Bank exists to limit the concentration risk to certain industries and customers and connected parties lending. Besides, the policy also prohibits lending to undesirable facilities which the Bank has had a charge-off, restructuring, debt collection or legal action etc., and facilities for illegal purposes or violating AMCM regulations.

In accordance with the guidelines of AMCM with respect to the classification of loan portfolio, non-performing accounts shall be classified by taking into account the period after the respective maturity, in the following manner:
(a) Group I - up to 3 months;
(b) Group II - over 3 months and less than or equal to 12 months;
(c) Group III - over 12 months and less than or equal to 18 months;
(d) Group IV - over 18 months

A minimum specific provision shall be set up for all non-performing accounts based on their respective balances net of the realisable value of any existing and duly formalised tangible collateral at each quarter ended in the following manner:
Group Accumulated provision
II 40%
III 80%
IV 100%

Credit risk (continued)

(ii) Quantitative disclosure

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

Credit risk (continued)

(ii) Quantitative disclosure (continued)

	Industry Distribution	Geographic Distribution (in '000 MOP)	
		Residents	Non-Residents
1.	Foodstuffs and beverages	7,736	-
2.	Clothing	9,643	-
3.	Other manufacturing industries	-	-
4.	Private Construction	-	-
5.	Public Construction	82,950	-
6.	Wholesale and retails trade	18,059	-
7.	Restaurants, Hotels and Similar	876	-
8.	Other industries	64,823	6,570
9.	Personal housing loans	37,667	747
10.	Personal credit for other purposes	229,258	460
	Total	451,012	7,777

- Past due assets - Group I (i.e. up to 3 months) according to Notice no.18/93-AMCM

Type	Overdue time	Amount(in '000 MOP)
Loans & Trade Financing	<3M	4,897.12

Market risk

Market Risk management objectives and policies

Market risk is the risk of loss, in respect of the Bank's on and off-balance sheet activities, arising from adverse movements in market rates including interest rates, foreign exchange rates, commodity prices and stock prices. Market risk arises from both the Bank's trading and non-trading business activities.

The Bank is primarily exposed to structural interest rate risk arising from commercial banking and position risk arising from treasury transactions. Interest rate risk and foreign exchange risk are defined and specified under separate paragraph of this report. On the other hand, the Bank considers the market risk arising from stock price fluctuations in respect of its investment portfolios as immaterial.

Interest rate gap position report and foreign exchange net position report are the major market risk management tools used by the Bank.

Interest rate risk

(i) Qualitative disclosure

The Bank's interest rate risk mainly arises from the mismatches of the interest rates and tenors of the interest-generating assets and interest bearing liabilities on date of re-pricing. The Bank's interest-generating assets and interest-bearing liabilities are mainly denominated in HKD, USD and MOP. The deposit and lending rates are decided and approved by the Asset and Liability Committee regularly. Since majority of the Bank's lending activities are in MOP, the determination of the lending rate is using HKD Prime rate (as MOP is almost pegged to HKD) as the basic pricing tool while the deposit rate is priced according to the market conditions and the liquidity position of the Bank.

The Bank manages its interest rate risk by:

(1) regularly monitoring the macroeconomic factors that may have impact on the HKD Prime interest rates;
(2) optimizing the differences in timing between contractual re-pricing (maturities) of interest-generating assets and interest-bearing liabilities; and
(3) regularly managing the interest rate gap of the interest-generating assets and interest-bearingliabilities at a comfortable level

(ii) quantitative disclosure –economic value on rate shocks

Interest rate change 200 basic points to the following items:

2015	Own fund	Profit	Equity
1st Quarter	3.79%	1,138.60%	5.26%
2nd Quarter	3.93%	825.33%	5.46%
3rd Quarter	3.58%	319.10%	4.98%
4th Quarter	4.66%	380.94%	6.57%

Operational risk

Operational risk management objectives and policies

The objective of Operational risk management is to eliminate as much as possible the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events which range from power failures to floods or earthquakes to terrorist attacks etc.

Bank's operations are supported mainly by different automated systems and processes. All employees of the Bank have to go through various internal and on-the-job trainings before they are officially assigned to handle the systems and processes in the daily operations as poorly trained employees may inadvertently expose the Bank to operational risk. To eliminate human errors and to avoid internal and external fraud, the Bank has been emphasizing on segregation of duties and dual controls system by setting two different levels of authority on approving of one single transaction.

Through the delegation of the board of directors, the Executive Committee is formulated to oversee the overall operations and risk managements of the Bank, it has established clear guidelines and policy manuals on compliance of regulatory requirements and regulations, internal control, processes, products and risk taking.

Foreign exchange risk

(i) Risk management objectives and policies

The management of foreign exchange risk is vested on the Asset and Liability Committee (ALCO) by monitoring regularly the foreign currency positions taken up by the Bank arising from foreign exchange dealings, commercial banking operations according to different holding limits as set by the Board. These foreign currency positions expose the Bank to a risk of potential losses whenever there are changes in the exchange rates. To minimize these losses, the treasurer submits on a regular basis a net position report showing the overbought and/or oversold positions of all foreign currencies to ALCO and the senior management for review and for necessary offset decision.

The Bank has no significant foreign exchange risk as the majority of the Bank's assets and liabilities are denominated in Macau patacas, Hong Kong dollars and United States dollars which are pegged to each other.

Our Bank's foreign exchange overbought/oversold positions are listed out separately in this report.

(ii)Total net long and net short positions in foreign currencies

Analysis for the net long/(short) position of currencies other than MOP:

	2015 MOP'000 Equivalent
HKD	146,974
CNY	16,337
USD	90,594
Others	720

-Forward purchases or sales position

-NIL-

Liquidity Risk

(i) Qualitative disclosure

Liquidity risk is the risk that a bank may not be able to meet obligations as they fall due without incurring unacceptable losses. Liquidity problems may, in extreme circumstances, lead to the collapse of the bank. The objective of the Bank in liquidity risk management is to maintain the liquidity at a prudent level.

With the delegated authority from the Board, the Executive Committee establishes and sets up the Asset and Liability Committee (ALCO) composes of board members and senior officers. The main function of the ALCO is to oversee for the Board in the management of the liquidity risk process of the Bank. The ALCO has established the following policies and guidelines to identify, measure and monitor of the liquidity risk:

a. Daily and long term liquidity risk strategy under normal and stress conditions
b. System and tools for measuring liquidity which include interest rates pricing, composition of assets and liabilities, liquidity ratios, maturity mismatches reports and tighter internal limit on holding of assets and liabilities
c. Contingency funding plan for dealing with liquidity disruptions
d. Conduct stress tests on a regular basis to test if the Bank is able to manage the liquidity risk.
e. Disclosure of information on a regular basis to enable market participants to make an informed judgment about the soundness of the Bank's liquidity risk management framework and liquidity position

Liquidity Risk(continued)

(ii)Quantitative disclosure

(1) Average weekly liquidity	For the year Ended 31 Dec 2015 (in '000 MOP)
Minimum requirement of cash in hand	7,962
Average weekly amount of cash in hand	11,375

The average weekly liquidity is calculated as per deposits according to AMCM's requirement (e.g. 3% on demand, 2% on less than 3 months and 1% on beyond 3 months)

(2) Average solvency assets	For the year Ended 31 Dec 2015 (in '000 MOP)
Specified liquid assets	622,939
Basic liabilities	538,826
Ratio of solvency assets to basic liabilities	116%

(3) Average liquidity ratio	For the year Ended 31 Dec 2015
One-month liquidity ratio	168%
Three-month liquidity ratio	122%

Other information

OPERATING LEASE COMMITMENTS

(a) As lessor

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