



永亨銀行
BANCO WENG HANG, S.A.

2014

Interim Report

Banco Weng Hang, S.A.
永亨銀行股份有限公司

30 June 2014

Bank Information

Shareholders

WING HANG BANK, LIMITED
Incorporated in Hong Kong

Board of Directors

Chairman

Dr FUNG Yuk Bun Patrick JP

Directors

Mr Frank John WANG
Mr FUNG Yuk Sing Michael
Mr HO Chi Wai Louis
Mr LEE Tak Lim
Mr YUEN Sui Chi Stanley
Mr WONG Chun Kau Stephen
Mr CHAN Han Wo

Supervisory Council

Ms LO Wai Ching Maggie
Mr TSE Hau Yin Aloysius
Mr LEUNG Chiu Wah

General Meeting Committee

Mr LEE Tak Lim
Mr FUNG Yuk Sing Michael
Mr YUEN Sui Chi Stanley
Mr Frank John WANG

Unaudited income statement for the six months ended 30 June 2014 (Expressed in thousands of Macau Patacas)

	<i>Note</i>	<i>Six months ended 30 June</i>	
		<i>2014</i>	<i>2013</i>
		<u>MOP'000</u>	<u>MOP'000</u>
Interest income	4(a)	416,429	318,643
Interest expense	4(b)	(149,607)	(105,416)
Net interest income		<u>266,822</u>	<u>213,227</u>
Net fees and commission income	4(c)	71,382	65,939
Net gain from financial instruments held for trading		451	4,944
Other income	4(d)	28,884	18,357
Operating income		<u>367,539</u>	<u>302,467</u>
Operating expenses	4(e)	(151,120)	(133,590)
Operating profit before impairment losses and allowances released on loans and advances		<u>216,419</u>	<u>168,877</u>
Impairment losses and allowances released on loans and advances	4(f)	-	-
Operating profit		<u>216,419</u>	<u>168,877</u>
Net gains on disposal of tangible fixed assets		<u>37</u>	<u>54,188</u>
Profit before taxation		<u>216,456</u>	<u>223,065</u>
Taxation	5	(28,889)	(27,196)
Profit after taxation		<u><u>187,567</u></u>	<u><u>195,869</u></u>

Unaudited income statement for the six months ended 30 June 2014 (continued)

(Expressed in thousands of Macau Patacas)

	<i>Note</i>	<i>Six months ended 30 June</i>	
		<i>2014</i>	<i>2013</i>
Effects of additional impairment allowance for loans under Autoridade Monetaria de Macau (“AMCM”) rules			
Profit after taxation		187,567	195,869
Increase in impairment allowances under AMCM rules net of tax	17(b)(v)	(7,433)	(3,181)
Profit after taxation under AMCM rules		180,134	192,688

The notes on pages 9 to 49 form part of this unaudited interim financial report.

Unaudited statement of comprehensive income for the six months ended 30 June 2014

(Expressed in thousands of Macau Patacas)

	<i>Note</i>	<i>Six months ended 30 June</i>	
		<i>2014</i>	<i>2013</i>
Profit after taxation		187,567	195,869
Other comprehensive income			
Item that will not be reclassified to profit or loss:			
Bank premises:			
– Surplus on revaluation of bank premises	14	155,798	66,359
– Deferred tax		(18,696)	(7,963)
Item that may be reclassified subsequently to profit or loss:			
Available-for-sale financial assets:			
– Fair value changes taken to/(from) equity		47,856	(22,637)
– Deferred tax		(5,742)	2,717
Other comprehensive income for the period, net of tax		179,216	38,476
Total comprehensive income for the period		366,783	234,345

The notes on pages 9 to 49 form part of this unaudited interim financial report.

Unaudited balance sheet at 30 June 2014

(Expressed in thousands of Macau Patacas)

	<i>Note</i>	<i>30 June 2014 MOP'000</i>	<i>31 December 2013 MOP'000</i>
ASSETS			
Cash and balances with banks, central banks and other financial institutions	6	1,571,225	1,248,301
Placements with banks, central banks and other financial institutions	7	2,432,985	2,533,782
Trade bills	8	22,473	153,395
Trading assets	9	6,902	7,946
Advances to customers and other accounts	10	20,368,382	19,656,091
Amounts due from ultimate holding company and fellow subsidiaries	21(b)(ii)	4,608,682	3,481,079
Available-for-sale financial assets	12	3,239,884	3,797,228
Held-to-maturity investments	13	51,500	51,500
Tangible fixed assets	14	693,288	541,718
Total assets		32,995,321	31,471,040

Unaudited balance sheet at 30 June 2014 (continued)
(Expressed in thousands of Macau Patacas)

	<i>Note</i>	<i>30 June 2014 MOP'000</i>	<i>31 December 2013 MOP'000</i>
EQUITY AND LIABILITIES			
Deposits and balances of banks, central banks and other financial institutions		142,998	2,166
Current, fixed, savings and other deposits of customers		28,731,897	26,854,154
Trading liabilities	15	12,160	13,655
Current tax payable		74,543	48,284
Deferred tax liabilities		96,855	71,403
Other liabilities	16	508,575	441,002
Amounts due to ultimate holding company and fellow subsidiaries	21(b)(ii)	489,318	1,468,184
Total liabilities		30,056,346	28,898,848
Share capital	17(a)	120,000	120,000
Reserves		2,818,975	2,452,192
Total equity		2,938,975	2,572,192
TOTAL EQUITY AND LIABILITIES		32,995,321	31,471,040

Approved and authorised for issue by the board of directors on

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) Frank John Wang
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))
) Lee Tak Lim
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The notes on pages 9 to 49 form part of this unaudited interim financial report.

Unaudited statement of changes in equity
for the six months ended 30 June 2014
(Expressed in thousands of Macau Patacas)

		<i>Six months ended 30 June 2014</i>						
<i>Note</i>	<i>Share capital</i> MOP'000	<i>General reserve</i> MOP'000	<i>Legal reserve</i> MOP'000	<i>Bank premises revaluation reserve</i> MOP'000	<i>Investment revaluation reserve</i> MOP'000	<i>Regulatory reserve</i> MOP'000	<i>Unappropriated profits</i> MOP'000	<i>Total equity</i> MOP'000
At 1 January 2014	120,000	184,200	120,000	302,542	47,098	166,695	1,631,657	2,572,192
Appropriation to regulatory reserve net of tax	-	-	-	-	-	7,433	(7,433)	-
Transfer from reserve	-	-	-	(3,583)	-	-	3,583	-
Total comprehensive income for the period	-	-	-	137,102	42,114	-	187,567	366,783
At 30 June 2014	<u>120,000</u>	<u>184,200</u>	<u>120,000</u>	<u>436,061</u>	<u>89,212</u>	<u>174,128</u>	<u>1,815,374</u>	<u>2,938,975</u>
		<i>Six months ended 30 June 2013</i>						
<i>Note</i>	<i>Share capital</i> MOP'000	<i>General reserve</i> MOP'000	<i>Legal reserve</i> MOP'000	<i>Bank premises revaluation reserve</i> MOP'000	<i>Investment revaluation reserve</i> MOP'000	<i>Regulatory reserve</i> MOP'000	<i>Unappropriated profits</i> MOP'000	<i>Total equity</i> MOP'000
At 1 January 2013	120,000	184,200	120,000	164,014	52,978	145,205	1,335,851	2,122,248
Appropriation to regulatory reserve net of tax	-	-	-	-	-	3,181	(3,181)	-
Transfer from reserve upon disposal of bank premises	-	-	-	(6,710)	-	-	6,710	-
Total comprehensive income for the period	-	-	-	58,396	(19,920)	-	195,869	234,345
At 30 June 2013	<u>120,000</u>	<u>184,200</u>	<u>120,000</u>	<u>215,700</u>	<u>33,058</u>	<u>148,386</u>	<u>1,535,249</u>	<u>2,356,593</u>

Unaudited statement of changes in equity
for the six months ended 30 June 2014 (continued)
(Expressed in thousands of Macau Patacas)

	<i>Six months ended 31 December 2013</i>							
	<i>Share capital</i> MOP'000	<i>General reserve</i> MOP'000	<i>Legal reserve</i> MOP'000	<i>Bank premises revaluation reserve</i> MOP'000	<i>Investment revaluation reserve</i> MOP'000	<i>Regulatory reserve</i> MOP'000	<i>Unappropriated profits</i> MOP'000	<i>Total equity</i> MOP'000
At 1 July 2013	120,000	184,200	120,000	215,700	33,058	148,386	1,535,249	2,356,593
Dividends paid	-	-	-	-	-	-	(48,000)	(48,000)
Appropriation to regulatory reserve net of tax	-	-	-	-	-	18,309	(18,309)	-
Transfer from reserve	-	-	-	(2,290)	-	-	2,290	-
Total comprehensive income for the period	-	-	-	89,132	14,040	-	160,427	263,599
At 31 December 2013	<u>120,000</u>	<u>184,200</u>	<u>120,000</u>	<u>302,542</u>	<u>47,098</u>	<u>166,695</u>	<u>1,631,657</u>	<u>2,572,192</u>

The notes on pages 9 to 49 form part of this unaudited interim financial report.

**Unaudited cash flow statement
for the six months ended 30 June 2014**
(Expressed in thousands of Macau Patacas)

	<i>Note</i>	<i>Six months ended 30 June</i>	
		<i>2014</i>	<i>2013</i>
		<i>MOP'000</i>	<i>MOP'000</i>
Cash flows generated from/(used in) operating activities	20(a)	939,495	(923,493)
		-----	-----
Investing activities			
Purchase of tangible fixed assets		(7,895)	(4,934)
Purchase of available-for-sale financial assets		(758,327)	(3,824,392)
Proceeds from disposal of tangible fixed assets		72	31,194
Proceeds from redemption of available-for-sale financial assets		1,218,870	3,240,171
Dividends received		2,359	1,995
		-----	-----
Net cash generated from/(used in) investing activities		455,079	(555,966)
		-----	-----
Net increase/(decrease) in cash and cash equivalents		1,394,574	(1,479,459)
Cash and cash equivalents at 1 January		4,877,854	5,559,506
		-----	-----
Cash and cash equivalents at 30 June	20(b)	6,272,428	4,080,047
		-----	-----
Cash flows from operating activities include:			
Interest received		403,484	329,706
Interest paid		140,162	105,103
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The notes on pages 9 to 49 form part of this unaudited interim financial report.

Notes to the unaudited interim financial report (Expressed in thousands of Macau Patacas unless otherwise stated)

1 Reporting entity

Banco Weng Hang, S.A. (“the Bank”) was incorporated in Macau on 2 September 1963. The Bank is engaged in commercial banking and related financial services. The Bank has its registered office and principal place of business at 241 Avenida de Almeida Ribeiro, Macau.

2 Basis of preparation

The interim financial report of the Bank has been prepared in accordance with the International Accounting Standard (“IAS”) 34, *Interim financial reporting*, issued by the International Accounting Standards Board (“IASB”). It was authorised for issue on 15 September 2014.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2013 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2014 annual financial statements. Details of these changes in accounting policies are set out in note 3.

The preparation of an interim financial report in conformity with IAS 34 requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Bank since the 2013 annual financial statements. The interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with International Financial Reporting Standards (“IFRSs”).

The interim financial report is unaudited. It has been reviewed by the Bank’s independent auditor, KPMG, in accordance with International Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the International Auditing and Assurance Standards Board. KPMG’s independent review report to the Board of Directors is included on pages 68 and 69. The comparative amounts of the income statement, statement of comprehensive income, statement of changes in equity and cash flow statements for the six month period ended 30 June 2013 and the related notes in the interim financial report have not been reviewed or audited.

2 Basis of preparation (continued)

The financial information relating to the financial year ended 31 December 2013 that is included in the interim financial report as being previously reported information does not constitute the Bank's statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2013 are available from the Bank's registered office. The Bank's independent auditor has expressed an unqualified opinion on those financial statements in its report dated 21 March 2014.

3 Changes in accounting policies

The IASB has issued the following amendments to IFRSs and one interpretation that are first effective for the current accounting period of the Bank.

- Amendments to IFRS 10, IFRS 12 and IAS 27, *Investment entities*
- Amendments to IAS 32, *Offsetting financial assets and financial liabilities*
- Amendments to IAS 36, *Recoverable amount disclosures for non-financial assets*
- Amendments to IAS 39, *Novation of derivatives and continuation of hedge accounting*
- IFRIC 21, *Levies*

The Bank has not applied any new standard or interpretation that is not yet effective for the current accounting period.

(a) Amendments to IFRS 10, IFRS 12 and IAS 27, *Investment entities*

The amendments provide consolidation relief to those parents which qualify to be an investment entity as defined in the amended IFRS 10. Investment entities are required to measure their subsidiaries at fair value through profit or loss. These amendments do not have an impact on the Bank's interim financial report.

(b) Amendments to IAS 32, *Offsetting financial assets and financial liabilities*

The amendments to IAS 32 clarify the offsetting criteria in IAS 32. The amendments do not have an impact on the Bank's interim financial report as they are consistent with the policies already adopted by the Bank.

(c) Amendments to IAS 36, *Recoverable amount disclosures for non-financial assets*

The amendments to IAS 36 modify the disclosure requirements for impaired non-financial assets. Among them, the amendments expand the disclosures required for an impaired asset or CGU whose recoverable amount is based on fair value less costs of disposal. The amendments do not have an impact on the Bank's interim financial report.

3 Changes in accounting policies (continued)

(d) Amendments to IAS 39, Novation of derivatives and continuation of hedge accounting

The amendments to IAS 39 provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. The amendments do not have an impact on the Bank's interim financial report as the Bank has not novated any of its derivatives.

(e) IFRIC 21, Levies

The Interpretation provides guidance on when a liability to pay a levy imposed by a government should be recognised. The amendments do not have an impact on the Bank's interim financial report as the guidance is consistent with the Bank's existing accounting policies.

4 Operating profit

		<i>Six months ended 30 June</i>	
		<i>2014</i>	<i>2013</i>
		MOP'000	MOP'000
(a)	<i>Interest income</i>		
	Interest income arising from:		
	– financial assets not measured at fair value through profit or loss	416,429	318,643
	of which:		
	– interest income from listed investments	14,940	14,208
	– interest income from unlisted investments	17,950	10,095
	– interest income from impaired financial assets	92	29
(b)	<i>Interest expense</i>		
	Interest expense arising from:		
	– financial liabilities not measured at fair value through profit or loss	148,038	103,667
	– trading liabilities	1,569	1,749
		149,607	105,416
	of which:		
	– interest expense on current, fixed, savings and other deposits of customers	144,896	103,005
	– interest expense on deposits and balances of banks, central banks and other financial institutions	3,142	662

4 Operating profit (continued)

	<i>Six months ended 30 June</i>	
	<i>2014</i>	<i>2013</i>
	MOP'000	MOP'000
(c) <i>Net fees and commission income</i>		
Fees and commission income:		
– Deposit related business	5,153	5,342
– Loan related business	10,003	8,498
– Trade finance business	4,549	4,662
– Credit cards	22,422	19,536
– Stock-broking fees	15,079	14,712
– Wealth management fees	2,541	2,208
– Other agency commissions	10,531	9,687
– Others	1,104	1,607
Less: Fees and commission expense	-	(313)
	<u>71,382</u>	<u>65,939</u>

The above fees and commission were generated from financial instruments that are not held for trading nor designated at fair value through profit and loss.

(d) *Other income*

Dividend income	2,359	1,995
Gains arising from dealing in foreign currencies	8,580	10,678
Others	17,945	5,684
	<u>28,884</u>	<u>18,357</u>

(e) *Operating expenses*

Salaries and other staff costs	75,370	68,283
Retirement benefit costs	5,151	4,957
	<u>80,521</u>	<u>73,240</u>
Premises and equipment expense, excluding depreciation	7,910	7,594
Depreciation (note 14)	12,088	8,634
Operating lease charges	1,665	1,699
Auditors' remuneration	257	391
Others	48,679	42,032
	<u>151,120</u>	<u>133,590</u>

4 Operating profit (continued)

	<i>Six months ended 30 June</i>	
	<i>2014</i>	<i>2013</i>
	MOP'000	MOP'000
<i>(f) Impairment losses and allowances released on loans and advances</i>		
Individually assessed		
– Released	1,752	656
Collectively assessed		
– Charged	(1,752)	(656)
	<hr/>	<hr/>
Net released of impairment losses and allowances for loans and advances (note 11)	<hr/> <hr/> -	<hr/> <hr/> -

5 Taxation

	<i>Six months ended 30 June</i>	
	<i>2014</i>	<i>2013</i>
	MOP'000	MOP'000
Current tax - Provision for Macau Complementary Tax		
Provision for the period	25,400	26,341
Current tax - The People's Republic of China ("PRC") withholding tax		
Provision for the period	2,476	421
Deferred taxation		
Origination and reversal of temporary differences (note 17(b)(v))	1,013	434
	<hr/>	<hr/>
	<hr/> <hr/> 28,889	<hr/> <hr/> 27,196

5 Taxation (continued)

The provision for Macau Complementary Tax is calculated at 12% (2013: 12%) of the Bank's estimated assessable profits for the six months ended 30 June 2014.

The provision for PRC Withholding Tax is calculated at 7% (2013: 7%) of the assessable interest income for the six months ended 30 June 2014.

6 Cash and balances with banks, central banks and other financial institutions

	<i>30 June 2014</i>	<i>31 December 2013</i>
	MOP'000	MOP'000
Cash balances	372,816	394,884
Balances with central banks	547,725	489,310
Balances with banks	650,684	364,107
	<u>1,571,225</u>	<u>1,248,301</u>

7 Placements with banks, central banks and other financial institutions

	<i>30 June 2014</i>	<i>31 December 2013</i>
	MOP'000	MOP'000
Placements with banks	<u>2,432,985</u>	<u>2,533,782</u>

8 Trade bills

	<i>30 June 2014</i>	<i>31 December 2013</i>
	MOP'000	MOP'000
Trade bills	<u>22,473</u>	<u>153,395</u>

During the six months, no allowance for impairment losses has been made in respect of the above trade bills (31 December 2013: Nil).

9 Trading assets

Trading assets represent positive fair values of derivative financial instruments and include balances with the ultimate holding company amounting to MOP3,730,000 (31 December 2013: MOP4,299,000).

10 Advances to customers and other accounts

(a) *Loans and advances to customers and other accounts less impairment allowances*

	<i>30 June 2014 MOP'000</i>	<i>31 December 2013 MOP'000</i>
Gross advances to customers	20,178,309	19,501,200
Individual impairment allowances for impaired loans and advances (note 11)	(3,164)	(1,633)
Collective impairment allowances for loans and advances (note 11)	(6,539)	(8,291)
	<u>20,168,606</u>	<u>19,491,276</u>
Customer liability under acceptances	71,212	48,704
Accrued interest	81,886	68,941
Other accounts	46,678	47,170
	<u><u>20,368,382</u></u>	<u><u>19,656,091</u></u>

10 Advances to customers and other accounts (continued)

(b) Advances to customers analysed by industry sectors

The information concerning advances to customers by industry sectors is prepared by classifying the advances according to the usage of the advances and is stated gross of any impairment allowances.

	<i>30 June 2014</i>		<i>31 December 2013</i>	
	<i>Gross advances to customers MOP'000</i>	<i>Impaired advances to customers MOP'000</i>	<i>Gross advances to customers MOP'000</i>	<i>Impaired advances to customers MOP'000</i>
Advances for use in Macau				
<i>Industrial, commercial and financial</i>				
Property development	666,047	20,678	664,139	20,678
Property investment	2,243,881	-	2,204,421	-
Financial concerns	9,825	-	11,211	-
Wholesale and retail trade	1,555,954	-	1,348,649	-
Manufacturing	233,925	-	493,315	-
Transport and transport equipment	34,386	-	23,424	-
Share financing	36,318	-	43,307	-
Others	1,127,184	-	1,324,496	-
<i>Individuals</i>				
Advances for the purchase of residential properties	10,469,304	1,485	10,279,886	1,793
Credit card advances	190,044	847	208,291	593
Others	3,252,381	3,492	2,528,907	2,222
	19,819,249	26,502	19,130,046	25,286
Trade finance	357,315	-	365,585	-
Advances for use outside Macau	1,745	-	5,569	-
	<u>20,178,309</u>	<u>26,502</u>	<u>19,501,200</u>	<u>25,286</u>

10 Advances to customers and other accounts (continued)

(c) Impaired advances to customers

The gross impaired advances to customers, market value of collateral held with respect of such advances and individual impairment allowances are as follows:

	<i>30 June 2014 MOP'000</i>	<i>31 December 2013 MOP'000</i>
Gross impaired advances to customers	<u>26,502</u>	<u>25,286</u>
Gross impaired advances to customers as a percentage of total advances to customers	<u>0.13%</u>	<u>0.13%</u>
Market value of collateral held with respect to impaired advances to customers	<u>22,164</u>	<u>22,472</u>
Individual impairment allowances	<u>3,164</u>	<u>1,633</u>

Impaired advances to customers are individually assessed loans with objective evidence of impairment on an individual basis. Individually assessed impairment allowances were made after taking into account the net present value of future recoverable amounts in respect of such loans and advances, and the collateral held mainly comprised properties.

There are no impaired advances to bank nor individual impairment allowances made on advances to bank as at 30 June 2014 and 31 December 2013.

(d) Repossessed assets

At 30 June 2014 and 31 December 2013, the Bank did not hold any repossessed assets.

11 Impairment allowances on loans and advances to customers

	<i>Six months ended 30 June 2014</i>		
	<i>Individual</i> MOP'000	<i>Collective</i> MOP'000	<i>Total</i> MOP'000
At 1 January	1,633	8,291	9,924
Additions	2,373	-	2,373
Releases	(621)	(1,752)	(2,373)
Net charge/(credit) to income statement (note 4(f))	1,752	(1,752)	-
Recoveries of advances written off in prior years	573	-	573
Amounts written off	(794)	-	(794)
At 30 June (note 10(a))	<u>3,164</u>	<u>6,539</u>	<u>9,703</u>
	<i>Year ended 31 December 2013</i>		
	<i>Individual</i> MOP'000	<i>Collective</i> MOP'000	<i>Total</i> MOP'000
At 1 January	2,354	10,059	12,413
Additions	3,851	-	3,851
Releases	(2,468)	(1,768)	(4,236)
Net charge/(credit) to income statement (note 4(f))	1,383	(1,768)	(385)
Recoveries of advances written off in prior years	671	-	671
Amounts written off	(2,775)	-	(2,775)
At 31 December (note 10(a))	<u>1,633</u>	<u>8,291</u>	<u>9,924</u>

12 Available-for-sale financial assets

	<i>30 June 2014</i>	<i>31 December 2013</i>
	MOP'000	MOP'000
Debt securities		
Issued by sovereigns - unlisted (Treasury bills)	1,785,778	2,588,490
Issued by corporates - listed	616,279	559,668
Issued by corporates - unlisted	152,167	143,335
Issued by public sector entities - listed	-	44,262
Issued by financial institutions - listed	105,382	64,866
Issued by financial institutions - unlisted	456,702	317,678
	3,116,308	3,718,299
	3,116,308	3,718,299
Equity securities		
Issued by corporates - unlisted	93,317	46,451
Issued by corporates - listed	30,259	32,478
	123,576	78,929
	123,576	78,929
	3,239,884	3,797,228

13 Held-to-maturity investment

	<i>30 June 2014</i>	<i>31 December 2013</i>
	MOP'000	MOP'000
Debt securities		
Issued by financial institutions - unlisted	51,500	51,500
	51,500	51,500

14 Tangible fixed assets

	<i>Six months ended 30 June 2014</i>		
	<i>Bank premises MOP'000</i>	<i>Furniture, fixtures, equipment and motor vehicles MOP'000</i>	<i>Total MOP'000</i>
At cost or valuation:			
At 1 January 2014	531,841	156,947	688,788
Additions	43	7,852	7,895
Disposals	-	(1,071)	(1,071)
Surplus on revaluation	155,798	-	155,798
Elimination of accumulated depreciation on revalued bank premises	(4,297)	-	(4,297)
At 30 June 2014	683,385	163,728	847,113
Accumulated depreciation:			
At 1 January 2014	31,433	115,637	147,070
Charge for the year	5,420	6,668	12,088
Written back on disposals	-	(1,036)	(1,036)
Elimination of accumulated depreciation on revalued bank premises	(4,297)	-	(4,297)
At 30 June 2014	32,556	121,269	153,825
Net book value:			
At 30 June 2014	650,829	42,459	693,288

14 Tangible fixed assets (continued)

	<i>Year ended 31 December 2013</i>		
	<i>Bank premises MOP'000</i>	<i>Furniture, fixtures, equipment and motor vehicles MOP'000</i>	<i>Total MOP'000</i>
At cost or valuation:			
At 1 January 2013	417,806	147,357	565,163
Additions	729	16,904	17,633
Disposals	(49,091)	(7,314)	(56,405)
Surplus on revaluation	167,645	-	167,645
Elimination of accumulated depreciation on revalued bank premises	(5,248)	-	(5,248)
At 31 December 2013	531,841	156,947	688,788
Accumulated depreciation:			
At 1 January 2013	29,186	111,813	140,999
Charge for the year	7,495	11,078	18,573
Written back on disposals	-	(7,254)	(7,254)
Elimination of accumulated depreciation on revalued bank premises	(5,248)	-	(5,248)
At 31 December 2013	31,433	115,637	147,070
Net book value:			
At 31 December 2013	500,408	41,310	541,718

- (a) The fair value of the bank premises held for non-administrative use which are stated at cost was MOP1,645,013,000 as revalued by an independent firm of surveyors, Savills Valuation and Professional Services Limited at 30 June 2014. The fair values are within level 3 of the fair value hierarchy. The valuation techniques and inputs used in Level 3 fair value measurements are the same as those used for bank premises held for administrative use, which are set out in note 14(b)(ii).

14 Tangible fixed assets (continued)

(b) Fair value measurement of properties

(i) Fair value hierarchy

The following table presents the fair value of the Bank's properties measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in IFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation techniques as follows:

- Level 1: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.
- Level 3: Fair value measured using significant unobservable inputs.

	<i>30 June 2014</i>			
	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
	MOP'000	MOP'000	MOP'000	MOP'000
Recurring fair value measurements				
Bank premises	-	-	546,188	546,188
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

	<i>31 December 2013</i>			
	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
	MOP'000	MOP'000	MOP'000	MOP'000
Recurring fair value measurements				
Bank premises	-	-	394,655	394,655
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

During the period ended 30 June 2014, there were no transfers between Level 1 and Level 2, nor transfers into or out of Level 3. The Bank's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

14 Tangible fixed assets (continued)

(b) Fair value measurement of properties (continued)

(i) Fair value hierarchy (continued)

All of the Bank's bank premises held for administrative use were revalued by an independent firm of surveyors, Savills Valuation and Professional Services Limited as at 30 June 2014, who have among their staff, Fellows of the Hong Kong Institute of Surveyors, with recent experience in the location and category of property being valued.

(ii) Information about Level 3 fair value measurements

	<i>Valuation techniques</i>	<i>Unobservable inputs</i>	<i>Ranges</i>
Bank premises held for administrative use	Direct comparison approach	Premium (discount) on quality of the properties	-30% to 30%

The fair value of bank premises is determined using direct comparison approach by recent sales price of comparable properties on a price per square foot basis, adjusted for a premium or discount specific to the quality of the Bank's properties compared to the recent sales. The valuations take into account the characteristic of the properties which included the location, size, view, floor level, year of completion and other factors collectively. Higher premium for higher quality properties will result in a higher fair value measurement.

The movements during the period in the balance of these Level 3 fair value measurements are as follows:

	<i>Six months ended 30 June 2014 MOP'000</i>	<i>Year ended 31 December 2013 MOP'000</i>
Cost or valuation		
At 1 January	394,655	280,654
Additions	32	695
Disposals	-	(49,091)
Depreciation charge for the period/year	(4,297)	(5,248)
Surplus on revaluation	155,798	167,645
At 30 June/31 December	546,188	394,655

Surplus on revaluation of bank premises are recognised in other comprehensive income in "Bank premises revaluation reserve".

14 Tangible fixed assets (continued)

(b) Fair value measurement of properties (continued)

- (iii) The net revaluation surplus on bank premises held for administrative use for the six months ended of 30 June 2014 of MOP137,102,000 (31 December 2013: MOP147,528,000) (being revaluation surplus of MOP155,798,000 (31 December 2013: MOP167,645,000) net of deferred tax of MOP18,696,000 (31 December 2013: MOP20,117,000) have been recognised in other comprehensive income and accumulated in the bank premises revaluation reserve.
- (iv) The carrying amount of the bank premises held for administrative use would have been MOP49,183,000 (31 December 2013: MOP49,864,000) at 30 June 2014 had they been stated at cost less accumulated depreciation.

(c) The analysis of net book value of bank premises is as follows:

	<i>30 June 2014</i>	<i>31 December 2013</i>
	MOP'000	MOP'000
Freehold held in Macau	267,461	204,709
Leasehold held in Macau		
– Short-term leases (less than 10 years unexpired)	383,368	295,699
	650,829	500,408
	650,829	500,408

15 Trading liabilities

Trading liabilities represent the negative fair values of derivative financial instruments and include balances with the ultimate holding company amounting to MOP8,430,000 (31 December 2013: MOP9,356,000).

16 Other liabilities

	<i>30 June 2014</i>	<i>31 December 2013</i>
	MOP'000	MOP'000
Interest payable	75,657	66,212
Acceptances outstanding	71,212	48,704
Provisions for liabilities and accrued charges	32,220	40,904
Cashier order	118,597	110,873
Others	210,889	174,309
	508,575	441,002
	508,575	441,002

17 Share capital and reserves

(a) Share capital

	<i>30 June</i>	<i>31 December</i>
	<i>2014</i>	<i>2013</i>
	MOP'000	MOP'000
Authorised, issued and fully paid:		
1,200,000 ordinary shares of MOP100 each	<u>120,000</u>	<u>120,000</u>

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meeting of the Bank. All ordinary shares rank equally with regard to the Bank's residual assets.

(b) Reserves

(i) General reserve

The general reserve was set up from the transfer of unappropriated profits and is available for distribution.

(ii) Legal reserve

Legal reserve was set up in accordance with Article 60 of Decree Law No 32/93/M and Article 432 of the Macau Commercial Code.

(iii) Investment revaluation reserve

Investment revaluation reserve comprises the cumulative net change in the fair value of available-for-sale financial assets until the assets are derecognised. It does not represent realised profits and is not available for distribution.

(iv) Bank premises revaluation reserve

Bank premises revaluation reserve comprises the cumulative net change in the fair value of bank premises under the revaluation model until the assets are derecognised. It does not represent realised profits and is not available for distribution.

17 Share capital and reserves (continued)

(b) Reserves (continued)

(v) Regulatory reserve

In accordance with Aviso n.º18/93-AMCM, financial institutions are required to maintain a minimum level of specific provision for a bad and doubtful loan at a percentage depending on the overdue period of the loan, and a general provision at a minimum of 1% (“the minimum level”) of the total balance of performing loans and certain credit-related off balance sheet exposure. In case where such impairment allowances are lower than the minimum level as required by AMCM, the Bank will transfer an amount, which is equal to the difference between the allowance and the minimum level, after adjustment for taxation impact, from its unappropriated profits to the regulatory reserve. The amount of regulatory reserve transfer for the period is as follows:

	<i>30 June</i> <i>2014</i> MOP'000	<i>30 June</i> <i>2013</i> MOP'000
Increase in impairment allowances under AMCM rules	8,446	3,615
Tax effect on the additional impairment allowances (note 5)	(1,013)	(434)
	7,433	3,181

The total balance of performing loans and certain credit-related off balance sheet exposure in 2014 is higher than that of 2013, therefore, the total impairment allowances required under AMCM rules is increased.

18 Off-balance sheet exposures

(a) Contingent liabilities and commitments to extend credit

Contingent liabilities and commitments arises from forward asset purchases, amounts owing on partly paid-up shares and securities, forward deposits placed, asset sales or other transactions with recourse, as well as credit-related instruments which include, letters of credit, guarantees and commitments to extend credit. The risk involved in these credit instruments is essentially the same as the credit risk involved in extending loan facilities to customers. The contractual amounts represent the amounts at risk should the contract be fully drawn upon and the client defaults. Since a significant portion of guarantees and commitments is expected to expire without being drawn upon, the total of the contract amounts is not representative of future cash flows.

18 Off-balance sheet exposures (continued)

(a) *Contingent liabilities and commitments to extend credit (continued)*

The risk weights used in the computation of credit risk weighted amounts ranged from 0% to 100% in accordance with the Banking (Capital) Rules of the Hong Kong Banking Ordinance.

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

	<i>30 June</i> <i>2014</i> MOP'000	<i>31 December</i> <i>2013</i> MOP'000
Direct credit substitutes	182,844	176,251
Trade-related contingencies	45,470	58,129
Other commitments		
– With an original maturity of not more than 1 year	812,408	146,036
– With an original maturity over 1 year	731,412	775,080
– Which are unconditionally cancellable	<u>2,357,493</u>	<u>1,543,986</u>
Total	<u>4,129,627</u>	<u>2,699,482</u>
Credit risk weighted amount	<u>562,561</u>	<u>560,605</u>

(b) *Capital commitments*

Capital commitments for acquisition of tangible fixed assets outstanding at 30 June 2014 not provided for in the financial report were as follows:

	<i>30 June</i> <i>2014</i> MOP'000	<i>31 December</i> <i>2013</i> MOP'000
Expenditure authorised and contracted for	<u>2,842</u>	<u>2,476</u>
Expenditure authorised but not contracted for	<u>-</u>	<u>-</u>

19 Derivatives financial instruments

Derivatives refer to financial contracts whose value depends on the value of one or more underlying assets or indices.

The majority of the derivatives transactions were initiated in response to customer demand and the remaining were economic hedges for the Bank's fixed-interest rate loans and debt securities. No significant speculative positions are maintained by the Bank. The Bank entered into interest rate swaps to hedge its investments in fixed-rate debt securities so as to achieve a floating rate return. The swaps have approximately the same maturity profile as the financial instruments being hedged. The Bank has not elected to adopt hedge accounting in respect of these swaps. The positive and negative fair values of the derivatives as at 30 June 2014 were reported within "trading assets" and "trading liabilities" respectively on the balance sheet.

(a) *Notional amounts of derivatives*

The following tables provide an analysis of the notional amounts of derivatives of the Bank by relevant maturity groupings based on the remaining periods to settlement at the balance sheet date. The notional amounts of the derivatives indicate the volume of outstanding transactions at the balance sheet date and do not represent amounts at risk.

	<i>30 June 2014</i>			<i>Total</i> MOP'000
	<i>Within</i> <i>1 year</i> MOP'000	<i>Over 1 year</i> <i>but within</i> <i>5 years</i> MOP'000	<i>Over</i> <i>5 years</i> MOP'000	
Forward exchange rate contracts	1,796,096	-	-	1,796,096
Interest rate swap contracts	35,020	36,050	51,500	122,570
	1,831,116	36,050	51,500	1,918,666

19 Derivatives financial instruments (continued)

(a) Notional amounts of derivatives (continued)

	<i>31 December 2013</i>			
	<i>Within 1 year MOP'000</i>	<i>Over1 year but within 5 years MOP'000</i>	<i>Over 5 years MOP'000</i>	<i>Total MOP'000</i>
Forward exchange rate contracts	1,728,242	-	-	1,728,242
Interest rate swap contracts	14,420	71,070	51,500	136,990
	<u>1,742,662</u>	<u>71,070</u>	<u>51,500</u>	<u>1,865,232</u>

(b) Credit risk weighted amounts of derivatives

	<i>30 June 2014 MOP'000</i>	<i>31 December 2013 MOP'000</i>
Exchange rate contracts	10,992	9,788
Interest rate swap contracts	622	743
	<u>11,614</u>	<u>10,531</u>

The credit risk weighted amounts are computed in accordance with the Banking (Capital) Rules of the Hong Kong Banking Ordinance and the risk weights used range from 0% to 50%.

These amounts do not take into account the effects of bilateral netting arrangements.

20 Notes to the unaudited cash flow statement

(a) Reconciliation of profit before taxation to cash flows generated from/(used in) operating activities

	<i>Six months ended 30 June</i>	
	<i>2014</i>	<i>2013</i>
	MOP'000	MOP'000
Operating activities		
Profit before taxation	216,456	223,065
Adjustments for:		
Depreciation	12,088	8,634
Net gains on disposal of tangible fixed assets	(37)	(54,188)
Amortisation of discount of debt securities	(6,725)	(2,976)
Dividend income	(2,359)	(1,995)
Foreign exchange gain	(8,580)	(2,633)
Loans and advances (recovered)/written off	(221)	141
	210,622	170,048
Increase in placements with banks with original maturity over three months	(152,864)	(679,027)
Decrease/(increase) in trade bills	130,922	(64,365)
Decrease/(increase) in trading assets	1,044	(2,629)
Increase in gross advances to customers and other accounts	(712,070)	(418,962)
Decrease/(increase) in amounts due from ultimate holding company and fellow subsidiaries with original maturity over three months	357,671	(1,269,326)
Increase/(decrease) in deposits and balances of banks, central banks and other financial institutions	140,832	(770)
Increase in current, fixed, savings and other deposits of customers	1,877,743	752,187
Decrease in trading liabilities	(1,495)	(2,378)
Increase in other liabilities	67,573	70,234
(Decrease)/increase in amounts due to ultimate holding company and fellow subsidiaries	(978,866)	521,701
	941,112	(923,287)
Net cash generated from/(used in) the operations		
Macau Complementary Tax and PRC Withholding Tax paid	(1,617)	(206)
	939,495	(923,493)
Cash flows generated from/(used in) operating activities	939,495	(923,493)

20 Notes to the unaudited cash flow statement (continued)

(b) Analysis of balances of cash and cash equivalents

	<i>Six months ended 30 June</i>	
	<i>2014</i>	<i>2013</i>
	MOP'000	MOP'000
Cash and balances with banks, central banks and other financial institutions	1,571,225	962,592
Placements with banks, central banks and other financial institutions with original maturity within three months	236,900	904,087
Amounts due from ultimate holding company and fellow subsidiaries		
– Cash and balances with banks, central banks and other financial institutions	80,582	65,134
– Placements with banks, central banks and other financial institutions with original maturity within three months	4,205,725	2,013,260
Available-for-sale financial assets		
– Treasury bills	177,996	134,974
	<u>6,272,428</u>	<u>4,080,047</u>

21 Material related party transactions

(a) Key management personnel remuneration

Remuneration for key management personnel, including amounts paid to the Bank's directors, is as follows:

	<i>Six months ended 30 June</i>	
	<i>2014</i>	<i>2013</i>
	MOP'000	MOP'000
Short-term employee benefits	10,870	10,082
Post-employment benefits	657	553
	<u>11,527</u>	<u>10,635</u>

21 Material related party transactions (continued)

(b) Transactions with ultimate holding company and fellow subsidiaries

During the six months ended 30 June 2014, transactions with the Bank's ultimate holding company, Wing Hang Bank, Limited and fellow subsidiaries were entered into by the Bank in the ordinary course of business and on normal commercial terms. The income and expense for the year, on and off-balance sheet outstandings at the balance sheet date and corresponding average balances for the period are set out below:

(i) Income and expense

	<i>Six months ended 30 June</i>	
	<i>2014</i>	<i>2013</i>
	MOP'000	MOP'000
Interest income	<u>29,400</u>	<u>18,318</u>
Interest expenses	<u>(4,683)</u>	<u>(2,362)</u>
Fees and commission expense	<u>-</u>	<u>(313)</u>
Other income	<u>464</u>	<u>464</u>
Net gain from financial instruments held for trading	<u>451</u>	<u>4,944</u>
Operating expenses	<u>(15,118)</u>	<u>(14,897)</u>

21 Material related party transactions (continued)

(b) Transactions with ultimate holding company and fellow subsidiaries (continued)

(ii) On-balance sheet outstandings

Assets

	<i>Ending balance</i>		<i>Average balance</i>	
	<i>30 June 2014</i>	<i>31 December 2013</i>	<i>Six months ended 30 June 2014</i>	<i>Year ended 31 December 2013</i>
	MOP'000	MOP'000	MOP'000	MOP'000
Cash and balances with banks, central banks and other financial institutions	754,449	359,990	549,278	210,042
Placements with banks, central banks and other financial institutions	3,839,343	3,105,510	3,124,133	4,292,944
Advances to customers and other accounts	14,890	15,579	15,003	15,609
	<u>4,608,682</u>	<u>3,481,079</u>	<u>3,688,414</u>	<u>4,518,595</u>

Liabilities

	<i>Ending balance</i>		<i>Average balance</i>	
	<i>30 June 2014</i>	<i>31 December 2013</i>	<i>Six months ended 30 June 2014</i>	<i>Year ended 31 December 2013</i>
	MOP'000	MOP'000	MOP'000	MOP'000
Deposits and balances of banks, central banks, and other financial institutions	488,296	1,466,842	1,154,087	909,959
Current, fixed, savings and other deposits of customers	218	221	218	221
Other liabilities	804	1,121	899	1,612
	<u>489,318</u>	<u>1,468,184</u>	<u>1,155,204</u>	<u>911,792</u>

21 Material related party transactions (continued)

(b) Transactions with ultimate holding company and fellow subsidiaries (continued)

(iii) Off-balance sheet outstanding

	<i>Ending balance</i>		<i>Average balance</i>	
	<i>30 June</i>	<i>31 December</i>	<i>Six months</i>	<i>Year ended</i>
	<i>2014</i>	<i>2013</i>	<i>ended</i>	<i>31 December</i>
	MOP'000	MOP'000	30 June 2014	2013
	MOP'000	MOP'000	MOP'000	MOP'000
Contract amounts				
Direct credit substitutes	<u>1,030</u>	<u>-</u>	<u>858</u>	<u>11,794</u>

(iv) Derivative financial instruments outstanding

	<i>Ending balance</i>		<i>Average balance</i>	
	<i>30 June</i>	<i>31 December</i>	<i>Six months</i>	<i>Year ended</i>
	<i>2014</i>	<i>2013</i>	<i>ended</i>	<i>31 December</i>
	MOP'000	MOP'000	30 June 2014	2013
	MOP'000	MOP'000	MOP'000	MOP'000
Notional amounts				
Forward exchange rate contracts	<u>1,428,518</u>	<u>1,330,950</u>	<u>1,238,086</u>	<u>1,183,741</u>
Interest rate swap contracts	<u>122,570</u>	<u>136,990</u>	<u>122,570</u>	<u>244,282</u>

(c) Loans to officers

Aggregate amount of relevant loans outstanding during the six months ended 30 June 2014 and at 30 June 2014 is Nil (31 December 2013: Nil).

(d) During the six months ended 30 June 2014, no allowance for impairment losses has been made in respect of the above advances to related parties (30 June 2013: Nil).

22 Financial risk management

The Bank has established policies, procedures and limits to manage various types of risk that the Bank is exposed to. Risk management processes and management information systems are in place to identify, measure, monitor and control credit risk, liquidity risk market risk and operational risk. The risk management policies, procedures and limits are approved by the Board of Directors or its designated committee, and are monitored and reviewed regularly by the relevant risk management committees, such as the Credit Committee and the Asset and Liability Management Committee (“ALMCO”). Internal auditors perform regular audits and independent checking to ensure compliance with the policies and procedures.

This note presents information about the Bank’s exposure to each of the above risks, the Bank’s objectives, policies and processes for measuring and managing risks, and the Bank’s management of capital.

(a) Credit risk management

Credit risk arises from the possibility that the counterparty in a transaction may default. It arises from the lending, trade finance, treasury, derivatives and other activities undertaken by the Bank. The Board of Directors has delegated the Bank’s credit risk management to the Credit Committee, which is chaired by the Bank’s General Manager.

The credit risk management function is independent of the business units. It oversees the implementation of credit policies and ensures the quality of credit evaluation and approval. Credit approval is conducted in accordance with the Bank’s credit policy, which defines the credit extension criteria, the credit approval and monitoring processes, the loan classification system and impairment policy. The credit policy also takes into account the guidelines issued by the AMCM and accounting standards issued by Macau SAR with respect to large exposures and impairment requirements.

Guidelines to manage credit risk have been laid down in the Bank’s Loaning Manual, which is regularly reviewed and approved by the Credit Committee. The Loaning Manual covers the delegated lending authorities, credit extension criteria, credit monitoring process, loan classification system, credit recovery and impairment policy.

22 Financial risk management (continued)

(a) Credit risk management (continued)

(i) Corporate credit risk

The corporate lending is generally made to customers with strong financial background. In addition to market targeting, the principal means of managing credit risk is the credit approval process. The Bank has policies and procedures to evaluate the potential credit risk of a particular counterparty or transaction and to approve the transaction. For corporate clients, the Bank has a detailed risk grading system that is applied to each counterparty on a regular basis. The Bank also has limits for exposure to individual industries and for borrowers and groups of borrowers, regardless of whether the exposure is in the form of loans or non-funded exposures. The Bank also has a review process to ensure the proper level of review and approval depending on the size of the facility and risk grading of the credit.

The Bank undertakes ongoing credit analysis and monitoring at several levels. The credit policies promote early detection of counterparty, industry or product exposures that require special attention. The Credit Committee oversees the overall portfolio risk as well as individual problem loans and potential problem loans on a regular basis.

(ii) Retail credit risk

The Bank's retail credit policy and approval process are designed for the fact that there are high volumes of relatively homogeneous, small value transactions in each retail loan category. Because of the nature of retail banking, the credit policies are based primarily on statistical analyses of risks with respect to different products and types of customers. The Bank monitors its own and industry experience to determine and periodically revise product terms and desired customer profiles.

(iii) Credit-related commitments

The risks involved in credit-related commitments and contingencies are essentially the same as the credit risk involved in extending loan facilities to customers. These transactions are, therefore, subject to the same credit application, portfolio maintenance and collateral requirements as for customers applying for loans.

22 Financial risk management (continued)

(a) Credit risk management (continued)

(iv) Concentrations of credit risk

Concentration of credit risk exists when changes in geographic, economic or industry factors similarly affect groups of counterparties whose aggregate credit exposure is material in relation to the Bank's total exposures. The Bank does not have significant exposure to any individual or group of customers or counterparties except for the amount due to the ultimate holding company and fellow subsidiaries.

Analysis of credit risk concentration by economic sector of respective financial assets is disclosed in notes 8 to 13.

(b) Liquidity risk management

Liquidity risk is the risk of the Bank's inability to fund an increase in assets or meet its obligations as they fall due. The Bank has established liquidity management policies for ensuring adequate liquidity is maintained at all times.

Liquidity is managed day-to-day by the treasury under the direction of ALMCO. ALMCO, which comprises personnel from senior management, treasury function, risk management, financial management and other business areas that could affect liquidity risk, is responsible for overseeing the liquidity risk management, in particular implementation of appropriate liquidity policies and procedures, identifying, measuring and monitoring liquidity risk, and control over the liquidity risk management process. The Board of Directors approves the liquidity risk strategy and policies, maintains continued awareness of the overall liquidity risk profile, and ensures liquidity risk is adequately managed and controlled by senior management within the established risk management framework.

To cater for short term funding requirements during ordinary course of business, sufficient liquid assets are held and also access to the interbank market is maintained. In addition, adequate standby facilities are maintained in order to meet any unexpected and material cash outflow. The Bank also performs regular stress tests on its liquidity position to ensure adequate liquidity is maintained at all times. The following tables set out the detail of the analysis of the Bank's material assets and liabilities into relevant maturity groupings based on the remaining periods at balance sheet date to the contractual maturity date.

22 Financial risk management (continued)

(b) Liquidity risk management (continued)

Maturity profile of the assets and liabilities based on the remaining period at the balance sheet date to the contractual maturity date

30 June 2014

	<i>Repayable on demand</i> MOP'000	<i>Within 1 month</i> MOP'000	<i>Over 1 month but within 3 months</i> MOP'000	<i>Over 3 months but within 1 year</i> MOP'000	<i>Over 1 year but within 5 years</i> MOP'000	<i>Over 5 years</i> MOP'000	<i>Undated</i> MOP'000	<i>Total</i> MOP'000
Assets								
Cash and balances with banks, central banks and other financial institutions	1,571,225	-	-	-	-	-	-	1,571,225
Placements with banks, central banks and other financial institutions	-	285,091	364,069	1,783,825	-	-	-	2,432,985
Trade bills	1,023	11,129	10,321	-	-	-	-	22,473
Trading assets	-	-	-	-	-	-	6,902	6,902
Advances to customers	186,867	502,236	632,905	2,155,588	7,340,919	9,350,091	-	20,168,606
Amounts due from ultimate holding company and fellow subsidiaries	1,161,431	2,934,934	277,746	234,571	-	-	-	4,608,682
Available-for-sale financial assets	-	493,637	688,773	860,859	964,960	108,079	123,576	3,239,884
Held-to-maturity investments	-	-	-	-	-	51,500	-	51,500
Other assets	116,476	39,212	19,404	24,426	-	258	693,288	893,064
	<u>3,037,022</u>	<u>4,266,239</u>	<u>1,993,218</u>	<u>5,059,269</u>	<u>8,305,879</u>	<u>9,509,928</u>	<u>823,766</u>	<u>32,995,321</u>
Liabilities								
Deposits and balances of banks, central banks and other financial institutions	2,998	140,000	-	-	-	-	-	142,998
Current, fixed, savings and other deposits of customers	12,932,346	5,727,383	4,869,616	5,169,699	32,851	2	-	28,731,897
Trading liabilities	-	-	-	-	-	-	12,160	12,160
Amounts due to ultimate holding company and fellow subsidiaries	850	488,367	101	-	-	-	-	489,318
Other liabilities	483,456	22,744	18,090	155,660	22	-	1	679,973
	<u>13,419,650</u>	<u>6,378,494</u>	<u>4,887,807</u>	<u>5,325,359</u>	<u>32,873</u>	<u>2</u>	<u>12,161</u>	<u>30,056,346</u>
Net (liability)/asset gap	<u>(10,382,628)</u>	<u>(2,112,255)</u>	<u>(2,894,589)</u>	<u>(266,090)</u>	<u>8,273,006</u>	<u>9,509,926</u>	<u>811,605</u>	<u>2,938,975</u>

22 Financial risk management (continued)

(b) Liquidity risk management (continued)

(i) Maturity profile of the assets and liabilities based on the remaining period at the balance sheet date to the contractual maturity date (continued)

	31 December 2013							Total MOP'000
	Repayable on demand MOP'000	Within 1 month MOP'000	Over 1 month but within 3 months MOP'000	Over 3 months but within 1 year MOP'000	Over 1 year but within 5 years MOP'000	Over 5 years MOP'000	Undated MOP'000	
Assets								
Cash and balances with banks, central banks and other financial institutions	1,248,301	-	-	-	-	-	-	1,248,301
Placements with banks, central banks and other financial institutions	-	221,679	685,298	1,626,805	-	-	-	2,533,782
Trade bills	3,828	138,715	10,363	489	-	-	-	153,395
Trading assets	-	-	-	-	-	-	7,946	7,946
Advances to customers	199,845	525,848	491,852	2,744,645	6,664,732	8,864,354	-	19,491,276
Amounts due from ultimate holding company and fellow subsidiaries	735,311	2,002,224	393,163	350,381	-	-	-	3,481,079
Available-for-sale financial assets	-	245,994	294,934	2,308,092	788,258	81,021	78,929	3,797,228
Held-to-maturity investments	-	-	-	-	-	51,500	-	51,500
Other assets	92,527	35,960	11,094	24,976	-	258	541,718	706,533
	<u>2,279,812</u>	<u>3,170,420</u>	<u>1,886,704</u>	<u>7,055,388</u>	<u>7,452,990</u>	<u>8,997,133</u>	<u>628,593</u>	<u>31,471,040</u>
Liabilities								
Deposits and balances of banks, central banks and other financial institutions	2,166	-	-	-	-	-	-	2,166
Current, fixed, savings and other deposits of customers	12,799,041	4,526,760	4,399,117	5,078,629	50,600	7	-	26,854,154
Trading liabilities	-	-	-	-	-	-	13,655	13,655
Amounts due to ultimate holding company and fellow subsidiaries	1,119	683,710	515,551	267,804	-	-	-	1,468,184
Other liabilities	377,754	15,274	21,863	145,782	-	-	16	560,689
	<u>13,180,080</u>	<u>5,225,744</u>	<u>4,936,531</u>	<u>5,492,215</u>	<u>50,600</u>	<u>7</u>	<u>13,671</u>	<u>28,898,848</u>
Net (liability)/asset gap	<u>(10,900,268)</u>	<u>(2,055,324)</u>	<u>(3,049,827)</u>	<u>1,563,173</u>	<u>7,402,390</u>	<u>8,997,126</u>	<u>614,922</u>	<u>2,572,192</u>

22 Financial risk management (continued)

(c) Market risk management

Market risk is the risk arising from the movements in market prices of on- and off-balance sheet positions in interest rates, foreign exchange rates as well as equity and commodity prices and the resulting change in the profit or loss or reserve of the Bank.

The Bank is exposed to market risk on position taken or financial instrument held or taken such as foreign exchange contracts, interest rate contracts, fixed income and equity securities and derivatives instruments.

The Board of Directors reviews and approves the policies for the management of market risks and trading authorities. The Asset and Liability Management Committee (“ALMCO”) has been delegated the responsibility of controlling and monitoring market risk including regular review of the risk exposures and the risk management framework such as the established limits and stop-losses. The limits are set by ALMCO and reviewed on a periodic basis with reference to market conditions, with any material changes requiring a review by the Board of Directors. It is the Bank’s policy that no limit should be exceeded.

(i) Interest rate risk

The Bank’s interest rate positions arise from treasury and commercial banking activities. Interest rate risk primarily results from the timing differences in the repricing of interest-bearing assets, liabilities and commitments. It also relates to positions from non-interest bearing liabilities including shareholders’ funds and current accounts, as well as from certain fixed rate loans and liabilities. Interest rate risk is managed by the Financial Management Division within limits approved by the Board. The Bank also uses interest rate swaps and other derivatives to manage interest rate risk.

Structural interest rate risk arises primarily from the deployment of non-interest bearing liabilities, including shareholders’ funds and current accounts, as well as from certain fixed rate loans and liabilities. Structural interest rate risk is monitored by ALMCO.

22 Financial risk management (continued)

(c) Market risk management (continued)

(ii) Currency risk management

The Bank's foreign exchange positions arise from foreign exchange dealing, commercial banking operations. All foreign exchange positions are managed by the Treasury Department within limits approved by the Board of Directors.

The directors do not consider the Bank to have significant foreign currency 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. The exposure at the balance sheet date was as follows:

30 June 2014

	<i>MOP</i>	<i>HKD</i>	<i>USD</i>	<i>Others</i>	<i>Total</i>
Total assets	30.2%	50.2%	5.7%	13.9%	100%
Total liabilities	<u>35.1%</u>	<u>45.8%</u>	<u>4.6%</u>	<u>14.5%</u>	<u>100%</u>
Net position	<u>(4.9)%</u>	<u>4.4%</u>	<u>1.1%</u>	<u>(0.6)%</u>	<u>-</u>

31 December 2013

	<i>MOP</i>	<i>HKD</i>	<i>USD</i>	<i>Others</i>	<i>Total</i>
Total assets	31.3%	47.3%	7.5%	13.9%	100%
Total liabilities	<u>34.4%</u>	<u>44.6%</u>	<u>6.7%</u>	<u>14.3%</u>	<u>100%</u>
Net position	<u>(3.1)%</u>	<u>2.7%</u>	<u>0.8%</u>	<u>(0.4)%</u>	<u>-</u>

22 Financial risk management (continued)

(d) *Operational risk management*

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.

The Bank's risk management framework is established to control risks at both corporate and departmental levels. The underlying management principle is built upon a longstanding culture of high integrity and risk awareness fostered by senior executives of the Bank.

The framework consists of governing policies with control measures to ascertain absolute compliance by all operating units. These measures are directed, controlled and held to account by operational management committees chaired by senior executives. Regular reviews are performed by the committees to ensure proper functioning of internal controls and to identify improvement opportunities.

Furthermore, independent reviews are conducted by the Bank's Internal Audit Department to measure the effectiveness of the Bank's system of internal controls. This department reports to the Supervisory Council to ensure the framework is managed with high standards.

(e) *Capital management*

The Bank's policy is to maintain a strong capital base to support the development of the Bank's business and to meet the statutory capital adequacy ratio. In addition to meeting the AMCM requirements and the HKMA requirements on group basis for its ultimate holding company, the Bank's primary objectives when managing capital are to safeguard the Bank's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Bank actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might otherwise be possible with greater gearing and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions. The amount of minimum capital requirements held for credit, market and operational risks is calculated in accordance with the AMCM regulation and Basel III requirements under HKMA regulation.

Capital is allocated to the various activities of the Bank depending on the risk taken by each business division. The Bank is subject to the capital requirements of the AMCM and the HKMA for their regulatory supervision purposes. The Bank has complied with all externally imposed capital requirements throughout the six months ended 30 June 2014 and the year ended 31 December 2013 and are well above the minimum required ratio set by the AMCM and the HKMA.

23 Fair values

(a) *Financial instruments carried at fair value*

Financial instruments measured at fair value on an ongoing basis include trading assets and liabilities and financial instruments classified as available-for-sale.

Fair value estimates are generally subjective in nature, and are made as of a specific point in time based on the characteristics of the financial instruments and relevant market information. The Bank measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- (i) Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.
- (ii) Level 2: Inputs other than quoted prices included in Level 1 that are observable, either directly (i.e., as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- (iii) Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs). This category includes all instruments where the valuation technique includes inputs not based on observable market data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Fair values of financial instruments that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments that are not traded in the active markets, the Bank determines fair values using valuation techniques. Valuation techniques include net present value of expected future cash flows and discounted cash flow models based on "no-arbitrage" principles, standard option pricing models across the industry for vanilla derivative products. The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the reporting date that would have been determined by market participants acting at arm's length.

23 Fair values (continued)

(a) *Financial instruments carried at fair value (continued)*

The majority of valuation techniques employ only observable market data. Hence, the reliability of the fair values measurement is high. However, certain financial instruments are valued on the basis of one or more significant market inputs that are not observable. The fair value derived is more judgemental. “Not observable” does not mean there is absolutely no market data available but there is little or no current market data available from which to determine the level at which an arm’s length transaction would likely occur. Examples of observable inputs include foreign exchange spot and forward rates, benchmark interest rate curves and volatility surfaces for commonly traded option products. Examples of unobservable inputs include volatility surfaces for less commonly traded option products and correlations between market factors.

Availability of observable market prices and model inputs reduces the need for management judgement and estimation and also reduces the valuation uncertainty associated with determination of fair values. The availability varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets.

For more complex instruments, the Bank uses the broker pricing service, which adopts proprietary valuation models, as inputs to a fair value measurement. These models usually are developed from recognised valuation models across the industry with some or all of the inputs into these models being unobservable in the market.

Fair values are subject to a control framework that aims to ensure that they are either determined, or validated, by a function independent of the risk-taker. To this end, ultimate responsibility for the determination of fair values lies with Middle Office. Middle Office establishes procedures governing valuation, and is responsible for ensuring that these comply with all relevant accounting standards.

23 Fair values (continued)

(a) Financial instruments carried at fair value (continued)

The table below analyses financial instruments measured at fair value at the balance sheet date according to the level in the fair value hierarchy into which they are categorised:

	30 June 2014			
	Level 1 MOP'000	Level 2 MOP'000	Level 3 MOP'000	Total MOP'000
Recurring fair value measurements				
Assets				
Trading assets				
- Positive fair values of derivative financial instruments held for trading	-	6,902	-	6,902
Available-for-sale financial assets				
- Treasury bills	-	1,785,778	-	1,785,778
- Other debt securities	1,263,155	67,375	-	1,330,530
- Listed equity securities	23,649	6,610	-	30,259
- Unlisted equity securities	-	-	93,317	93,317
	<u>1,286,804</u>	<u>1,859,763</u>	<u>93,317</u>	<u>3,239,884</u>
Liabilities				
Trading liabilities				
- Negative fair values of derivative financial instruments held for trading	-	12,160	-	12,160

23 Fair values (continued)

(a) Financial instruments carried at fair value (continued)

	<i>31 December 2013</i>			
	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
	MOP'000	MOP'000	MOP'000	MOP'000
Recurring fair value measurements				
Assets				
Trading assets				
- Positive fair values of derivative financial instruments held for trading	-	7,946	-	7,946
Available-for-sale financial assets				
- Treasury bills	-	2,588,490	-	2,588,490
- Other debt securities	1,114,509	15,300	-	1,129,809
- Listed equity securities	24,971	7,507	-	32,478
- Unlisted equity securities	-	-	46,451	46,451
	1,139,480	2,611,297	46,451	3,797,228
Liabilities				
Trading liabilities				
- Negative fair values of derivative financial instruments held for trading	-	13,655	-	13,655

(i) Transfers between Level 1 and 2

During the six months ended 30 June 2014, there were no transfers between Level 1 and Level 2 (31 December 2013: Nil). The Bank's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

23 Fair values (continued)

(a) Financial instruments carried at fair value (continued)

(ii) Level 3 fair values

Reconciliation of Level 3 fair values

The following table shows a reconciliation from the beginning balance to the ending balances for fair value measurements in Level 3 of the fair value hierarchy:

	<i>Available for sale financial assets - equity</i>	
	<i>Six months ended 30 June 2014 MOP'000</i>	<i>Year ended 31 December 2013 MOP'000</i>
Assets		
At 1 January	46,451	46,451
Changes in fair value recognised in the other comprehensive income	46,866	-
At 30 June/31 December	93,317	46,451

Information about Level 3 fair value measurements:

	<i>Valuation techniques</i>	<i>Significant unobservable inputs</i>	<i>Range</i>	<i>Weighted overage</i>
Available-for-sale unlisted equity securities	Net asset value	N/A	N/A	N/A

The Bank has estimated the fair value of available-for-sale unlisted equity securities using the net asset value of the invested companies. The Bank considers that the net asset value reflects the fair value of these unlisted equity securities and other valuation models involve significant uncertainties given the Bank was unable to provide reliable future cashflows forecast for valuation purpose.

23 Fair values (continued)

(a) *Financial instruments carried at fair value (continued)*

- (iii) Effect of changes in significant non-observable assumptions to reasonably possible alternatives:

The fair value of financial instruments are, in certain circumstances, measured using valuation models that incorporate assumptions that are not supported by prices from observable current market transactions in the same instrument and are not based on observable market data. The following table shows the sensitivity of fair values in Level 3 due to parallel movement of plus or minus 10 per cent of change in fair value to reasonably possible alternative assumptions.

	<i>30 June 2014</i>		<i>31 December 2013</i>	
	<i>Reflected in equity</i>		<i>Reflected in equity</i>	
	<i>Favourable changes</i>	<i>Unfavourable changes</i>	<i>Favourable changes</i>	<i>Unfavourable changes</i>
	MOP'000	MOP'000	MOP'000	MOP'000
Available-for-sale financial assets				
– Unlisted equity securities	<u>9,332</u>	<u>(9,332)</u>	<u>4,645</u>	<u>(4,645)</u>

23 Fair values (continued)

(b) Fair values of financial instruments carried at other than fair value

The carrying amount of the Bank's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 30 June 2014 and 31 December 2013.

	30 June 2014					31 December 2013				
	Carrying value	Fair value	Level 1	Level 2	Level 3	Carrying value	Fair value	Level 1	Level 2	Level 3
	MOP'000	MOP'000	MOP'000	MOP'000	MOP'000	MOP'000	MOP'000	MOP'000	MOP'000	MOP'000
Held-to-maturity investments										
- Debt securities	51,500	51,746	-	51,746	-	51,500	51,190	-	51,190	-

The following methods and significant assumptions have been applied in determining the fair values of financial instruments presented in above.

- The fair value of fixed rate financial instruments is assumed to approximate their carrying amounts and reflect changes in their credit quality as the impact of credit risk is recognised separately by deducting the amount of the impairment loss and allowances from both the carrying amount and fair value.

Unaudited disclosures of financial information

(Expressed in thousands of Macau Patacas unless otherwise indicated)

The following unaudited disclosures of financial information are prepared to comply with the Guideline on the Disclosure of Financial Information issued by the Monetary Authority of Macau.

(a) **Capital adequacy ratio of top consolidated group**

	<i>Group</i>	
	<i>30 June</i>	<i>31 December</i>
	<i>2014</i>	<i>2013</i>
Capital adequacy ratio	<u>15.4%</u>	<u>15.9%</u>

The calculation of the regulatory capital and capital charges of the top consolidated group are in accordance with the Banking (Disclosure) Rules of Hong Kong.

(b) **Components of own funds**

	<i>30 June</i>	<i>31 December</i>
	<i>2014</i>	<i>2013</i>
	<i>MOP'000</i>	<i>MOP'000</i>
Core capital:		
Paid-up share capital	120,000	120,000
Legal, statutory and other reserves created by appropriation of retained profits	304,200	304,200
Profits brought forward	1,635,240	1,296,851
Current year net profits	-	192,688
Total core capital	<u>2,059,440</u>	<u>1,913,739</u>
Supplementary capital:		
Reserves on revaluation of own premises	51,610	51,610
General provision	204,206	197,538
Total supplementary capital	<u>255,816</u>	<u>249,148</u>
Deduction:	<u>-</u>	<u>-</u>
Total own funds after deduction	<u>2,315,256</u>	<u>2,162,887</u>

The calculation on the components and total amount of own funds after deduction is in accordance with Notice No. 012/93-AMCM.

Unaudited disclosures of financial information (continued)
(Expressed in thousands of Macau Patacas unless otherwise indicated)

(c) **Solvency**

(i) Solvency ratio

	30 June 2014	31 December 2013
Solvency ratio (before market and operational risk ratio)	13.3%	12.8%
Solvency ratio	<u>12.5%</u>	<u>12.0%</u>

The calculation on the solvency ratio is in accordance with Notice No.002/2011-AMCM.

(ii) Market risk capital requirement

	30 June 2014 MOP'000	31 December 2013 MOP'000
The market risk capital requirements for		
- Interest rate risk	-	-
- Equity position risk	-	-
- Foreign exchange risk	11,993	10,901
- Commodity risk	-	-
Weighted market risk exposures	<u>11,993</u>	<u>10,901</u>

(d) **Credit risk**

(i) Geographical analysis of loans and advances to customers

	30 June 2014				
	Gross loans and advances MOP'000	Overdue loans and advances (over 3 months) MOP'000	Impaired loans (individually determined) MOP'000	Individually assessed impairment allowances MOP'000	Collectively assessed impairment allowances MOP'000
Macau	18,297,007	29,446	26,502	3,164	5,930
Hong Kong	1,421,893	-	-	-	461
China	436,441	-	-	-	141
Other	22,968	-	-	-	7
	<u>20,178,309</u>	<u>29,446</u>	<u>26,502</u>	<u>3,164</u>	<u>6,539</u>

Unaudited disclosures of financial information (continued)
(Expressed in thousands of Macau Patacas unless otherwise indicated)

(d) Credit risk (continued)

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

	<i>31 December 2013</i>				
	<i>Gross loans and advances MOP'000</i>	<i>Overdue loans and advances (over 3 months) MOP'000</i>	<i>Impaired loans (individually determined) MOP'000</i>	<i>Individually assessed impairment allowances MOP'000</i>	<i>Collectively assessed impairment allowances MOP'000</i>
Macau	17,309,623	26,496	25,286	1,633	7,359
Hong Kong	1,585,529	-	-	-	674
China	415,124	-	-	-	176
Other	190,924	-	-	-	82
	<u>19,501,200</u>	<u>26,496</u>	<u>25,286</u>	<u>1,633</u>	<u>8,291</u>

The above geographical analysis is classified by the location of the borrowers after taking into account the transfer of risk. In general, risk transfer applies when a loan is guaranteed by a party situated in an area different from the counterparty.

(ii) Geographical analysis of debt securities

	<i>30 June 2014</i>		<i>31 December 2013</i>	
	<i>Carrying amount MOP'000</i>	<i>Individually assessed impairment allowances MOP'000</i>	<i>Carrying amount MOP'000</i>	<i>Individually assessed impairment allowances MOP'000</i>
Hong Kong	551,395	-	619,231	-
Rest of Asia-Pacific	2,355,464	-	3,000,932	-
Americas	98,865	-	92,796	-
Europe	-	-	-	-
Other	162,084	-	56,840	-
	<u>3,167,808</u>	<u>-</u>	<u>3,769,799</u>	<u>-</u>

Unaudited disclosures of financial information (continued)

(Expressed in thousands of Macau Patacas unless otherwise indicated)

(d) **Credit risk (continued)**

(iii) Maturity analysis on certain assets and liabilities based on the residual contractual maturity at the balance sheet date

	30 June 2014							Total MOP'000
	Repayable on demand MOP'000	Within 1 month MOP'000	Over 1 month but within 3 months MOP'000	Over 3 months but within 1 year MOP'000	Over 1 year but within 3 years MOP'000	Over 3 years MOP'000	Indefinite period MOP'000	
Assets								
Trade bills, loans and advances to customers	187,890	513,365	643,226	2,155,588	4,812,871	11,878,139	-	20,191,079
Cash and balances with and loans and advances to banks	1,571,225	-	-	-	-	-	-	1,571,225
Securities issued by Macao SAR Government and/or AMCM	-	377,992	688,773	719,013	-	-	-	1,785,778
Other securities	-	115,645	-	141,846	437,500	687,039	123,576	1,505,606
Liabilities								
Deposits and balances of banks and financial institutions	2,998	140,000	-	-	-	-	-	142,998
Deposits from public sector entities	626	385,200	23,167	500,000	-	-	-	908,993
Deposits from holding and associated companies	850	488,367	101	-	-	-	-	489,318
Deposits from non-bank customers	12,369,335	5,904,568	4,846,449	4,669,699	32,615	238	-	27,822,904

Unaudited disclosures of financial information (continued)

(Expressed in thousands of Macau Patacas unless otherwise indicated)

(d) **Credit risk (continued)**

(iii) Maturity analysis on certain assets and liabilities based on the residual contractual maturity at the balance sheet date (continued)

	31 December 2013							Total MOP'000
	Repayable on demand MOP'000	Within 1 month MOP'000	Over 1 month but within 3 months MOP'000	Over 3 months but within 1 year MOP'000	Over 1 year but within 3 years MOP'000	Over 3 years MOP'000	Indefinite period MOP'000	
Assets								
Trade bills, loans and advances to customers	203,673	664,563	502,215	2,745,134	3,633,397	11,895,689	-	19,644,671
Cash and balances with and loans and advances to banks	1,248,301	-	-	-	-	-	-	1,248,301
Securities issued by Macao SAR Government and/or AMCM	-	245,994	294,934	2,047,562	-	-	-	2,588,490
Other securities	-	-	-	260,530	122,014	798,765	78,929	1,260,238
Liabilities								
Deposits and balances of banks and financial institutions	2,166	-	-	-	-	-	-	2,166
Deposits from public sector entities	6,025	6,057	49,546	885,200	-	-	-	946,828
Deposits from holding and associated companies	1,119	683,710	515,551	267,804	-	-	-	1,468,184
Deposits from non-bank customers	12,793,016	4,520,703	4,349,571	4,193,429	50,363	244	-	25,907,326

Unaudited disclosures of financial information (continued)

(Expressed in thousands of Macau Patacas unless otherwise indicated)

(d) **Credit risk (continued)**

(iv) Analysis on past due assets

Advances to bank are only made to bank with good credit rating. The credit quality of advances to customers can be analysed as follows:

	<i>30 June</i> 2014 MOP'000	<i>31 December</i> 2013 MOP'000
Gross advances to customers		
– neither past due nor impaired	19,877,020	19,192,657
– past due but not impaired	274,787	283,257
– impaired (note 10(c))	26,502	25,286
	<u>20,178,309</u>	<u>19,501,200</u>
Of which:		
Gross advances to customers		
– Grade 1: Pass	20,098,386	19,431,634
– Grade 2: Special mention	53,421	44,280
– Grade 3: Substandard	20,971	21,279
– Grade 4: Doubtful	1,655	1,685
– Grade 5: Loss	3,876	2,322
	<u>20,178,309</u>	<u>19,501,200</u>

The Bank classifies the loans and advances in accordance with the loan classification system adopted by the Hong Kong Monetary Authority (“HKMA”).

The ageing analysis of advances to customers that are past due but not impaired is as follows:

	<i>30 June</i> 2014 MOP'000	<i>31 December</i> 2013 MOP'000
Gross advances to customers that are past due but not impaired		
– past due 3 months or less	270,266	282,047
– 6 months or less but over 3 months	4,521	1,210
– 1 year or less but over 6 months	-	-
	<u>274,787</u>	<u>283,257</u>

As at 30 June 2014, there were no advances to customers that would be past due or impaired had the terms not been renegotiated (31 December 2013: Nil).

Unaudited disclosures of financial information (continued)

(Expressed in thousands of Macau Patacas unless otherwise indicated)

(d) Credit risk (continued)

(iv) Analysis on past due assets (continued)

The Bank holds collateral against advances to customers in the form of mortgages over property, other registered securities over assets, cash deposits and guarantees.

An estimate of the fair value of collateral and other credit enhancements held against past due but not impaired financial assets is as follows:

	30 June 2014 MOP'000	31 December 2013 MOP'000
Fair value of collateral and other credit enhancements held against financial assets that are past due but not impaired	1,308,045	1,123,019

(e) Foreign exchange risk

	30 June 2014					
	MOP MOP'000	HK\$ MOP'000	Chinese Renminbi MOP'000	US\$ MOP'000	Other currencies MOP'000	Total MOP'000
Total net long positions	-	191,942	9,771	12,639	2,195	216,547
Total net short positions	216,479	-	-	-	68	216,547

	31 December 2013					
	MOP MOP'000	HK\$ MOP'000	Chinese Renminbi MOP'000	US\$ MOP'000	Other currencies MOP'000	Total MOP'000
Total net long positions	-	42,655	9,421	-	1,460	53,536
Total net short positions	51,029	-	-	2,105	402	53,536

Unaudited disclosures of financial information (continued)
(Expressed in thousands of Macau Patacas unless otherwise indicated)

(e) Foreign exchange risk (continued)

	<u>30 June 2014</u>			
	<i>Chinese</i>			<i>Total</i>
	<i>HK\$</i>	<i>Renminbi</i>	<i>US\$</i>	
	MOP'000	MOP'000	MOP'000	MOP'000
Spot assets	16,543,654	3,421,135	1,886,640	21,851,429
Spot liabilities	15,102,630	3,615,931	1,522,701	20,241,262
Forward purchases	146,759	366,946	184,433	698,138
Forward sales	1,395,841	162,379	535,733	2,093,953
Net option positions	-	-	-	-
Net long/(short) positions	<u>191,942</u>	<u>9,771</u>	<u>12,639</u>	<u>214,352</u>
	<u>31 December 2013</u>			
	<i>Chinese</i>			
	<i>HK\$</i>	<i>Renminbi</i>	<i>US\$</i>	<i>Total</i>
	MOP'000	MOP'000	MOP'000	MOP'000
Spot assets	14,885,990	3,329,267	2,358,805	20,574,062
Spot liabilities	14,037,327	3,450,796	2,093,352	19,581,475
Forward purchases	393,992	264,836	129,386	788,214
Forward sales	1,200,000	133,886	396,944	1,730,830
Net option positions	-	-	-	-
Net long/(short) positions	<u>42,655</u>	<u>9,421</u>	<u>(2,105)</u>	<u>49,971</u>

Unaudited disclosures of financial information (continued)
(Expressed in thousands of Macau Patacas unless otherwise indicated)

(f) *Liquidity risk*

	<i>30 June</i> 2014 MOP'000	<i>31 December</i> 2013 MOP'000
Average minimum weekly cash in hand	639,433	598,487
Average weekly cash in hand	820,560	853,472
Average month-end specified liquid assets	<u>9,627,982</u>	<u>8,506,829</u>
	<i>30 June</i> 2014 %	<i>31 December</i> 2013 %
Average month-end ratio of specified liquid assets to total basic liabilities	34.4	33.7
Average one-month liquidity ratio	45.2	42.7
Average three-months liquidity ratio	<u>39.9</u>	<u>38.0</u>

(g) *Interest rate risk*

Interest rate sensitivity set out below is for risk management reported to ALMCO only in simplified scenario, where demand and saving deposits remain in the level as they currently are and mortgage loans are serviced until their original maturity. Actual changes in the Bank's profit before tax resulting from the change in interest rates may differ from the result of the sensitivity analysis. The effect on interest-bearing financial instruments and interest rate swaps has been included in this calculation.

	<i>30 June</i> 2014 MOP'000	<i>31 December</i> 2013 MOP'000
Increase in 10 basis points	2,643	1,975
Decrease in 10 basis points	<u>(2,643)</u>	<u>(1,975)</u>

Unaudited disclosures of financial information (continued)
(Expressed in thousands of Macau Patacas unless otherwise indicated)

(h) Balance sheet (in accordance with standard format established by the AMCM)

BALANÇO ANUAL EM 30 DE JUNHO DE 2014

資產負債表於二零一四年六月三十日

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 LIQUIDO 資產淨額
CAIXA 現金	372,815,976		372,815,976
DEPÓSITOS NA AMCM AMCM 存款	478,176,902		478,176,902
VALORES A COBRAR 應收賬項	858,576,418		858,576,418
DEPÓSITOS À ORDEM NOUTRAS INSTITUIÇÕES DE CRÉDITO NO TERRITÓRIO 在本地之其他信用機構活期存款	14,418,301		14,418,301
DEPÓSITOS À ORDEM NO EXTERIOR 在外地之其他信用機構活期存款	769,423,365		769,423,365
OURO E PRATA 金,銀			
OUTROS VALORES 其他流動資產			
CRÉDITO CONCEDIDO 放款	20,083,690,967	3,164,160	20,080,526,807
APLICAÇÕES EM INSTITUIÇÕES DE CRÉDITO NO TERRITÓRIO 在本澳信用機構拆放	3,233,959,095		3,233,959,095
DEPÓSITOS COM PRÉ-AVISO E A PRAZO NO EXTERIOR 在外地信用機構之通知及定期存款	4,876,868,386		4,876,868,386
ACÇÕES, OBRIGAÇÕES E QUOTAS 股票,債券及股權	1,316,691,359	-	1,316,691,359

Unaudited disclosures of financial information (continued)
(Expressed in thousands of Macau Patacas unless otherwise indicated)

(h) Balance sheet (in accordance with standard format established by the AMCM)
(continued)

BALANÇO ANUAL EM 30 DE JUNHO DE 2014

資產負債表於二零一四年六月三十日

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 LIQUIDO 資產淨額
APLICAÇÕES DE RECURSOS CONSIGNADOS 承銷資金投資			
DEVEDORES 債務人	2,732,077		2,732,077
OUTRAS APLICAÇÕES 其他投資	100,904,166		100,904,166
PARTICIPAÇÕES FINANCEIRAS 財務投資	36,768,219		36,768,219
IMÓVEIS 不動產	683,385,568	32,556,766	650,828,802
EQUIPAMENTO 設備	163,727,831	121,268,500	42,459,331
CUSTOS PLURIENAIIS 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	105,312,172		105,312,172
TOTAIS 總額	33,097,450,802	156,989,426	32,940,461,376

Unaudited disclosures of financial information (continued)
(Expressed in thousands of Macau Patacas unless otherwise indicated)

(h) *Balance sheet (in accordance with standard format established by the AMCM)
(continued)*

BALANÇO ANUAL EM 30 DE JUNHO DE 2014

資產負債表於二零一四年六月三十日

MOP
澳門幣

PASSIVO 負債	SUB-TOTAIS 小結	TOTAIS 總額
DEPÓSITOS À ORDEM 活期存款	12,408,047,869	
DEPÓSITOS C / PRÉ-AVISO 通知存款		
DEPÓSITOS A PRAZO 定期存款	15,451,196,867	
DEPÓSITOS DE SECTOR PUBLICO 公共機構存款	908,992,916	28,768,237,652
RECURSOS DE INSTITUIÇÕES DE CRÉDITO NO TERRITÓRIO 本地信用機構資金	140,343,927	
RECURSOS DE OUTRAS ENTIDADES LOCAIS 其他本地機構資金		
EMPRÉSTIMOS EM MOEDAS EXTERNAS 外幣借款	490,950,407	
EMPRÉSTIMOS POR OBRIGAÇÕES 債券借款		
CREDORES POR RECURSOS CONSIGNADOS 承銷資金債權人		
CHEQUES E ORDENS A PAGAR 應付支票及票據	118,781,914	
CREDORES 債權人	74,598,009	
EXIGIBILIDADES DIVERSAS 各項負債	107,299,117	931,973,374

Unaudited disclosures of financial information (continued)
(Expressed in thousands of Macau Patacas unless otherwise indicated)

(h) Balance sheet (in accordance with standard format established by the AMCM)
(continued)

BALANÇO ANUAL EM 30 DE JUNHO DE 2014

資產負債表於二零一四年六月三十日

MOP
澳門幣

PASSIVO 負債	SUB-TOTAIS 小結	TOTAIS 總額
CONTAS INTERNAS E DE REGULARIZAÇÃO 內部及調整賬		294,735,737
PROVISÕES PARA RISCOS DIVERSOS 各項風險備用金		6,539,023
CAPITAL 股本	120,000,000	
RESERVA LEGAL 法定儲備	120,000,000	
RESERVA ESTATUTÁRIA 自定儲備		
RESERVA DE REAVALIAÇÃO 重估儲備	525,273,582	
*OUTRAS RESERVAS 其他儲備	358,327,653	
		1,123,601,235
RESULTADOS TRANSITADOS DE EXERCÍCIOS ANTERIORES 歷年營業結果	1,635,239,743	
RESULTADO DO EXERCÍCIO 本年營業結果	180,134,612	1,815,374,355
TOTAIS 總額		32,940,461,376

Unaudited disclosures of financial information (continued) (Expressed in thousands of Macau Patacas unless otherwise indicated)

(h) **Balance sheet (in accordance with standard format established by the AMCM)
(continued)**

* 附註: 其他儲備包含澳門幣 174,127,653 元的一般風險備用金。銀行採用《澳門財務報告準則》編制年度財務報表和計提貸款減值準備, 有關減值準備可能低於按《第 18 / 93 - AMCM 號通告》所規定的最低水平的一般風險備用金。銀行會撥出一筆相等於該最低水平備用金與減值準備差異的金額 (已考慮遞延稅項澳門幣 23,744,682) 作為監管儲備。該增撥備用金在帳項概要內的損益計算表列示為「根據金融體系法律制度增撥的備用金」, 並在相關審計年度財務報表內的收益表中, 以「除稅後溢利」與根據金融體系法律制度計算的「年度業績」之間的調整項目列示。

* As Outras Reservas incluem uma reserva obrigatória no montante de 174,127,653 Patacas. Porque o Banco adopta as Normas de Relato Financeiro de Macau na preparação das suas demonstrações financeiras anuais, as perdas de imparidade com base nas NRFM podem ser inferiores ao nível mínimo de provisões genéricas calculadas de acordo com o Aviso 18/93 da AMCM (o nível mínimo). A referida reserva obrigatória representa, pois, a diferença entre o nível mínimo e as perdas de imparidade nos termos das NRFM (antes dos impostos diferidos de 23,744,682 Patacas). Este mesmo montante, inscrito na linha 《Dotações adicionais para provisões conforme RJSF》 da Conta de Lucros e Perdas das contas resumidas, está reconciliado entre o 《Lucro depois de impostos》 e os 《Resultados do ano》 de acordo com as regras da RJSF na Conta de exploração das demonstrações financeiras auditadas anuais.

Unaudited disclosures of financial information (continued)
(Expressed in thousands of Macau Patacas unless otherwise indicated)

(h) Balance sheet (in accordance with standard format established by the AMCM)
(continued)

	MOP 澳門幣
CONTAS EXTRAPATRIMONIAIS 備查賬	MONTANTE 金額
VALORES RECEBIDOS EM DEPÓSITO 代客保管賬	7,134,666,236
VALORES RECEBIDOS PARA COBRANÇA 代收賬	44,959,584
VALORES RECEBIDOS EM CAUÇÃO 抵押賬	36,176,328,291
GARANTIAS E AVALES PRESTADOS 保證及擔保付款	182,802,588
CRÉDITOS ABERTOS 信用狀	45,469,957
ACEITES EM CIRCULAÇÃO 承兌匯票	71,211,739
VALORES DADOS EM CAUÇÃO 代付保證金	
COMPRAS A PRAZO 期貨買入	2,118,955,648
VENDAS A PRAZO 期貨賣出	2,117,763,170
OUTRAS CONTAS EXTRAPATRIMONIAIS 其他備查賬	924,471,421

Unaudited disclosures of financial information (continued)

(Expressed in thousands of Macau Patacas unless otherwise indicated)

(i) Profit and loss account (in accordance with the standard format established by the AMCM)

DEMONSTRAÇÃO DE RESULTADOS DO EXERCÍCIO DE JANEIRO A JUNHO DE 2014
二零一四年一月至六月營業結果演算
CONTA DE EXPLORAÇÃO
營業賬目

Débito 借方	MONTANTE 金額	Crédito 貸方	MONTANTE 金額
CUSTOS DE OPERAÇÕES PASSIVAS 負債業務成本	149,606,681	PROVEITOS DE OPERAÇÕES ACTIVAS 資產業務收益	391,411,424
CUSTOS COM PESSOAL 人事費用		PROVEITOS DE SERVIÇOS BANCÁRIOS 銀行服務收益	54,906,645
REMUNERAÇÕES DOS ÓRGÃOS DE GESTÃO E FISCALIZAÇÃO 董事及監察會開支	132,498	PROVEITOS DE OUTRAS OPERAÇÕES BANCÁRIAS 其他銀行業務收益	10,829,620
REMUNERAÇÕES DE EMPREGADOS 職員開支	57,134,916	RENDIMENTOS DE TÍTULOS DE CRÉDITO E DE PARTICIPAÇÕES FINANCEIRAS 證券及財務投資收益	44,697,880
ENCARGOS SOCIAIS 固定職員福利	22,316,160	OUTROS PROVEITOS BANCÁRIOS 其他銀行收益	15,308,542
OUTROS CUSTOS COM O PESSOAL 其他人事費用	519,952	PROVEITOS INORGÂNICOS 非正常業務收益	72,170
FORNECIMENTOS DE TERCEIROS 第三者作出之供應	4,469,516		
SERVIÇOS DE TERCEIROS 第三者提供之勞務	20,513,825		
OUTROS CUSTOS BANCÁRIOS 其他銀行費用	33,124,440		
IMPOSTOS 稅項	460,404		
CUSTOS INORGÂNICOS 非正常業務費用	403,561		

Unaudited disclosures of financial information (continued)

(Expressed in thousands of Macau Patacas unless otherwise indicated)

(i) Profit and loss account (in accordance with the standard format established by the AMCM) (continued)

DEMONSTRAÇÃO DE RESULTADOS DO EXERCÍCIO DE JANEIRO A JUNHO DE 2014

二零一四年一月至六月營業結果演算

CONTA DE EXPLORAÇÃO

營業賬目

MOP
澳門幣

Débito 借方	MONTANTE 金額	Crédito 貸方	MONTANTE 金額
DOTAÇÕES PARA AMORTIZAÇÕES 折舊撥款	12,087,729		
DOTAÇÕES PARA PROVISÕES 備用金之撥款	573,908		
LUCRO DA EXPLORAÇÃO 營業利潤	215,882,691		
TOTAL 總額	517,226,281	TOTAL 總額	517,226,281

Unaudited disclosures of financial information (continued)

(Expressed in thousands of Macau Patacas unless otherwise indicated)

(i) Profit and loss account (in accordance with the standard format established by the AMCM) (continued)

CONTA DE LUCROS E PERDAS

損益計算表

MOP
澳門幣

Débito 借方	MONTANTE 金額	Crédito 貸方	MONTANTE 金額
PREJUÍZO DE EXPLORAÇÃO 營業損失		LUCRO DE EXPLORAÇÃO 營業利潤	215,882,691
PERDAS RELATIVAS A EXERCÍCIOS ANTERIORES 歷年之損失	793,826	LUCROS RELATIVOS A EXERCÍCIOS ANTERIORES 歷年之利潤	573,908
PERDAS EXCEPCIONAIS 特別損失		LUCROS EXCEPCIONAIS 特別利潤	
DOTAÇÕES PARA IMPOSTOS SOBRE LUCROS DO EXERCÍCIO 營業利潤之稅項撥款	27,875,987	PROVISÕES UTILIZADAS 備用金之使用	793,826
DOTAÇÕES ADICIONAIS PARA PROVISÕES CONFORME RJSF 根據金融體系法律制度增撥的備用金	8,446,000		
RESULTADO DO EXERCÍCIO (SE POSITIVO) 營業結果 (盈餘)	180,134,612		
TOTAL 總額	217,250,425	TOTAL 總額	217,250,425

Review report to the Board of Directors of Banco Weng Hang, S.A.

(Incorporated in Macau with limited liability)

Introduction

We have reviewed the interim financial report set out on pages 1 to 49, which comprises the balance sheet of Banco Weng Hang, S.A. (“the Bank”) as at 30 June 2014 and the related income statement, statement of comprehensive income, statement of changes in equity and cash flow statement for the six month period then ended and explanatory notes. The directors are responsible for the preparation and presentation of the interim financial report in accordance with International Accounting Standard 34, *Interim financial reporting*, issued by the International Accounting Standards Board.

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion 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.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”, issued by the International Accounting Standards Board. A review of the interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

**Review report to the Board of Directors of
Banco Weng Hang, S.A. (continued)**

(Incorporated in Macau with limited liability)

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2014 is not prepared, in all material respects, in accordance with International Accounting Standard 34, *Interim financial reporting*.

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

Certified Public Accountants

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

15 September 2014



永亨銀行股份有限公司
BANCO WENG HANG, S.A.

註冊辦事處：澳門新馬路 241 號
Registered Office: 241 Avenida de Almeida Ribeiro, Macau