



永亨銀行  
BANCO WENG HANG, S.A.

**2013**

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Interim Report

**Banco Weng Hang, S.A.**  
永亨銀行股份有限公司

30 June 2013

## **Bank Information**

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### **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 2013 (Expressed in thousands of Macau Patacas)

	<i>Note</i>	<i>Six months ended 30 June</i>	
		<i>2013</i>	<i>2012</i>
		<b>MOP'000</b>	<b>MOP'000</b>
Interest income	4(a)	318,643	271,767
Interest expense	4(b)	(105,416)	(95,579)
<b>Net interest income</b>		<u>213,227</u>	<u>176,188</u>
Net fees and commission income	4(c)	65,939	61,407
Net gain from financial instruments held for trading		4,944	248
Other income	4(d)	18,357	12,360
<b>Operating income</b>		<u>302,467</u>	<u>250,203</u>
Operating expenses	4(e)	(133,590)	(114,840)
<b>Operating profit before impairment losses and allowances released on loans and advances</b>		<u>168,877</u>	<u>135,363</u>
Impairment losses and allowances released on loans and advances	4(f)	-	-
<b>Operating profit</b>		<u>168,877</u>	<u>135,363</u>
Net gains on disposal of tangible fixed assets		<u>54,188</u>	<u>25,208</u>
<b>Profit before taxation</b>		<u>223,065</u>	<u>160,571</u>
Taxation	5	(27,196)	(18,954)
<b>Profit after taxation</b>		<u><u>195,869</u></u>	<u><u>141,617</u></u>

## Unaudited income statement for the six months ended 30 June 2013 (continued)

(Expressed in thousands of Macau Patacas)

	<i>Note</i>	<i>Six months ended 30 June</i>	
		<i>2013</i>	<i>2012</i>
<b>Effects of additional impairment allowance for loans under Autoridade Monetaria de Macau (“AMCM”) rules</b>			
Profit after taxation		195,869	141,617
Increase in impairment allowances under AMCM rules net of tax	16(b)(v)	(3,181)	(9,064)
<b>Profit after taxation under AMCM rules</b>		<b>192,688</b>	<b>132,553</b>

The notes on pages 9 to 46 form part of this unaudited interim financial report.

**Unaudited statement of comprehensive income  
for the six months ended 30 June 2013**  
*(Expressed in thousands of Macau Patacas)*

	<i>Note</i>	<i>Six months ended 30 June</i>	
		<i>2013</i>	<i>2012</i>
<b>Profit after taxation</b>		195,869	141,617
<b>Other comprehensive income</b>			
<b>Item that will not be reclassified to profit or loss:</b>			
Bank premises:			
– Surplus on revaluation of bank premises	13	66,359	23,144
– Deferred tax		(7,963)	(2,777)
<b>Item that may be reclassified subsequently to profit or loss:</b>			
Available-for-sale financial assets:			
– Fair value changes taken (from)/to equity		(22,637)	19,182
– Deferred tax		2,717	(2,302)
<b>Other comprehensive income for the period, net of tax</b>		38,476	37,247
<b>Total comprehensive income for the period</b>		234,345	178,864

The notes on pages 9 to 46 form part of this unaudited interim financial report.

## Unaudited balance sheet at 30 June 2013

(Expressed in thousands of Macau Patacas)

	<i>Note</i>	<i>30 June 2013 MOP'000</i>	<i>31 December 2012 MOP'000</i>
<b>ASSETS</b>			
Cash and balances with banks, central banks and other financial institutions	6	962,592	1,190,901
Placements with banks, central banks and other financial institutions	7	1,724,222	724,329
Trade bills	8	226,512	162,147
Trading assets	9	10,126	7,497
Advances to customers and other accounts	10	17,644,978	17,154,057
Amounts due from ultimate holding company and fellow subsidiaries	20(b)(ii)	4,037,064	4,354,731
Available-for-sale financial assets	12	2,558,623	1,976,453
Tangible fixed assets	13	437,717	424,164
<b>Total assets</b>		<b>27,601,834</b>	<b>25,994,279</b>

**Unaudited balance sheet at 30 June 2013 (continued)**  
(Expressed in thousands of Macau Patacas)

	<i>Note</i>	<i>30 June</i> 2013 MOP'000	<i>31 December</i> 2012 MOP'000
<b>EQUITY AND LIABILITIES</b>			
Deposits and balances of banks, central banks and other financial institutions		1,467	2,237
Current, fixed, savings and other deposits of customers		24,019,366	23,267,179
Trading liabilities	14	17,241	19,619
Current tax payable		60,378	33,116
Deferred tax liabilities		54,837	49,863
Other liabilities	15	359,453	289,219
Amounts due to ultimate holding company and fellow subsidiaries	20(b)(ii)	732,499	210,798
<b>Total liabilities</b>		25,245,241	23,872,031
Share capital	16(a)	120,000	120,000
Reserves		2,236,593	2,002,248
<b>Total equity</b>		2,356,593	2,122,248
<b>TOTAL EQUITY AND LIABILITIES</b>		27,601,834	25,994,279

Approved and authorised for issue by the board of directors on 9 September 2013.

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) Fung Yuk Bun, Patrick  
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) Lee Tak Lim  
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The notes on pages 9 to 46 form part of this unaudited interim financial report.



Unaudited statement of changes in equity  
for the six months ended 30 June 2013  
(Expressed in thousands of Macau Patacas)

		<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
<b>At 1 January 2013</b>	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
<b>At 30 June 2013</b>	<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>
		<i>Six months ended 30 June 2012</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
<b>At 1 January 2012</b>	120,000	184,200	120,000	114,696	19,021	114,387	1,177,007	1,849,311
Appropriation to regulatory reserve net of tax	-	-	-	-	-	9,064	(9,064)	-
Transfer from reserve upon disposal of bank premises	-	-	-	(857)	-	-	857	-
Total comprehensive income for the period	-	-	-	20,367	16,880	-	141,617	178,864
<b>At 30 June 2012</b>	<u>120,000</u>	<u>184,200</u>	<u>120,000</u>	<u>134,206</u>	<u>35,901</u>	<u>123,451</u>	<u>1,310,417</u>	<u>2,028,175</u>

Unaudited statement of changes in equity  
for the six months ended 30 June 2013 (continued)  
(Expressed in thousands of Macau Patacas)

	Six months ended 31 December 2012							Total equity MOP'000
	Share capital MOP'000	General reserve MOP'000	Legal reserve MOP'000	Bank premises revaluation reserve MOP'000	Investment revaluation reserve MOP'000	Regulatory reserve MOP'000	Unappropriated profits MOP'000	
<b>At 1 July 2012</b>	120,000	184,200	120,000	134,206	35,901	123,451	1,310,417	2,028,175
Dividends paid	-	-	-	-	-	-	(84,000)	(84,000)
Appropriation to regulatory reserve net of tax	-	-	-	-	-	21,754	(21,754)	-
Transfer from reserve upon disposal of bank premises	-	-	-	(1,157)	-	-	1,157	-
Total comprehensive income for the period	-	-	-	30,965	17,077	-	130,031	178,073
<b>At 31 December 2012</b>	<u>120,000</u>	<u>184,200</u>	<u>120,000</u>	<u>164,014</u>	<u>52,978</u>	<u>145,205</u>	<u>1,335,851</u>	<u>2,122,248</u>

The notes on pages 9 to 46 form part of this unaudited interim financial report.

**Unaudited cash flow statement  
for the six months ended 30 June 2013**  
*(Expressed in thousands of Macau Patacas)*

	<i>Note</i>	<i>Six months ended 30 June</i>	
		<i>2013</i>	<i>2012</i>
		<i>MOP'000</i>	<i>MOP'000</i>
<b>Cash flows (used in)/generated from operating activities</b>	19(a)	(923,493)	1,198,276
<b>Investing activities</b>			
Purchase of tangible fixed assets		(4,934)	(9,406)
Purchase of available-for-sale financial assets		(3,824,392)	(4,607,046)
Proceeds from disposal of tangible fixed assets		31,194	49,493
Proceeds from redemption of available-for-sale debt securities		3,240,171	3,961,992
Dividends received		1,995	1,795
<b>Net cash used in investing activities</b>		(555,966)	(603,172)
<b>Net (decrease)/increase in cash and cash equivalents</b>		(1,479,459)	595,104
<b>Cash and cash equivalents at 1 January</b>		5,559,506	5,258,970
<b>Cash and cash equivalents at 30 June</b>	19(b)	4,080,047	5,854,074
<b>Cash flows from operating activities include:</b>			
Interest received		329,706	259,511
Interest paid		105,103	124,140

The notes on pages 9 to 46 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 9 September 2013.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2012 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2013 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 2012 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 66 and 67. 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 2012 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 2012 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 2012 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 19 March 2013.

## **3 Changes in accounting policies**

The IASB has issued a number of new IFRSs and amendments to IFRSs that are first effective for the current accounting period of the Bank. Of these, the following developments are relevant to the Bank's financial statements:

- Amendments to IAS 1, *Presentation of financial statements – Presentation of items of other comprehensive income*
- IFRS 13, *Fair value measurement*

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

### **(a) Amendments to IAS 1, *Presentation of financial statements – Presentation of items of other comprehensive income***

The amendments to IAS 1 require entities to present the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met separately from those that would never be reclassified to profit or loss. The Bank's presentation of other comprehensive income in these financial statements has been modified accordingly.

### **(b) IFRS 13, *Fair value measurement***

IFRS 13 replaces existing guidance in individual IFRSs with a single source of fair value measurement guidance. IFRS 13 also contains extensive disclosure requirements about fair value measurements for both financial instruments and non-financial instruments. Some of the disclosure are specifically required for financial instruments in the interim financial reports. The Bank has provided those disclosures in note 22. The adoption of IFRS 13 does not have any material impact on the fair value measurements of the Bank's assets and liabilities.

#### 4 Operating profit

		<i>Six months ended 30 June</i>	
		<i>2013</i>	<i>2012</i>
		<i>MOP'000</i>	<i>MOP'000</i>
<b>(a)</b>	<b><i>Interest income</i></b>		
	Interest income arising from:		
	- financial assets not measured at fair value through profit or loss	<u>318,643</u>	<u>271,767</u>
	of which:		
	- interest income from listed investments	14,208	10,767
	- interest income from unlisted investments	10,095	2,305
	- interest income from impaired financial assets	<u>29</u>	<u>1,657</u>
<b>(b)</b>	<b><i>Interest expense</i></b>		
	Interest expense arising from:		
	- financial liabilities not measured at fair value through profit or loss	103,667	91,387
	- trading liabilities	<u>1,749</u>	<u>4,192</u>
		<u>105,416</u>	<u>95,579</u>
	of which:		
	- interest expense on current, fixed, savings and other deposits of customers	103,005	88,513
	- interest expense on deposits and balances of banks, central banks and other financial institutions	<u>662</u>	<u>2,874</u>

#### 4 Operating profit (continued)

	<i>Six months ended 30 June</i>	
	<i>2013</i>	<i>2012</i>
	MOP'000	MOP'000
<b>(c) Net fees and commission income</b>		
Fees and commission income:		
– Deposit related business	5,342	5,689
– Loan related business	8,498	10,053
– Trade finance business	4,662	4,486
– Credit cards	19,536	17,168
– Stock-broking fees	14,712	13,044
– Wealth management fees	2,208	1,679
– Other agency commissions	9,687	8,482
– Others	1,607	1,716
Less: Fees and commission expense	(313)	(910)
	<u>65,939</u>	<u>61,407</u>
	<u>65,939</u>	<u>61,407</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.		
<b>(d) Other income</b>		
Dividend income	1,995	1,795
Gains arising from dealing in foreign currencies	10,678	7,521
Others	5,684	3,044
	<u>18,357</u>	<u>12,360</u>
	<u>18,357</u>	<u>12,360</u>
<b>(e) Operating expenses</b>		
Salaries and other staff costs	68,283	62,581
Retirement benefit costs	4,957	4,610
	<u>73,240</u>	<u>67,191</u>
Premises and equipment expense, excluding depreciation	7,594	7,280
Depreciation (note 13)	8,634	8,388
Operating lease charges	1,699	1,863
Auditors' remuneration	391	238
Others	42,032	29,880
	<u>133,590</u>	<u>114,840</u>
	<u>133,590</u>	<u>114,840</u>

**4 Operating profit (continued)**

	<i>Six months ended 30 June</i>	
	<i>2013</i>	<i>2012</i>
	MOP'000	MOP'000
<i>(f) Impairment losses and allowances released on loans and advances</i>		
Individually assessed		
– Released	656	736
Collectively assessed		
– Charged	(656)	(736)
	<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>2013</i>	<i>2012</i>
	MOP'000	MOP'000
<b>Current tax - Provision for Macau Complementary Tax</b>		
Provision for the period	26,341	17,301
<b>Current tax - The People's Republic of China ("PRC") withholding tax</b>		
Provision for the period	421	417
<b>Deferred taxation</b>		
Origination and reversal of temporary differences	434	1,236
	<hr/>	<hr/>
	<hr/> <hr/> 27,196	<hr/> <hr/> 18,954



**5 Taxation (continued)**

The provision for Macau Complementary Tax is calculated at 12% (2012: 12%) of the Bank's estimated assessable profits for the six months ended 30 June 2013.

The provision for PRC Withholding Tax is calculated at 7% (2012: 10%) of the assessable interest income for the six months ended 30 June 2013.

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

	<i>30 June</i>	<i>31 December</i>
	<i>2013</i>	<i>2012</i>
	MOP'000	MOP'000
Cash balances	256,660	371,241
Balances with central banks	464,454	466,386
Balances with banks	241,478	353,274
	<u>962,592</u>	<u>1,190,901</u>

**7 Placements with banks, central banks and other financial institutions**

	<i>30 June</i>	<i>31 December</i>
	<i>2013</i>	<i>2012</i>
	MOP'000	MOP'000
Placements with banks	<u>1,724,222</u>	<u>724,329</u>

**8 Trade bills**

	<i>30 June</i>	<i>31 December</i>
	<i>2013</i>	<i>2012</i>
	MOP'000	MOP'000
Trade bills	<u>226,512</u>	<u>162,147</u>

During the six months, no allowance for impairment losses has been made in respect of the above trade bills (31 December 2012: Nil).

## 9 Trading assets

Trading assets represent positive fair values of derivative financial instruments and include balances with the ultimate holding company amounting to MOP4,406,000 (31 December 2012: MOP2,178,000).

## 10 Advances to customers and other accounts

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

	<i>30 June 2013 MOP'000</i>	<i>31 December 2012 MOP'000</i>
Gross advances to customers	17,447,761	16,269,604
Individual impairment allowances for impaired loans and advances (note 11)	(3,151)	(2,354)
Collective impairment allowances for loans and advances (note 11)	(9,403)	(10,059)
	<u>17,435,207</u>	<u>16,257,191</u>
Advances to bank	-	757,904
Customer liability under acceptances	51,271	34,263
Accrued interest	45,177	56,240
Other accounts	113,323	48,459
	<u><u>17,644,978</u></u>	<u><u>17,154,057</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 2013</i>		<i>31 December 2012</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>
<b>Advances for use in Macau</b>				
<i>Industrial, commercial and financial</i>				
Property development	261,745	20,678	226,672	20,678
Property investment	2,006,669	-	2,170,092	-
Financial concerns	5,745	-	18,313	-
Wholesale and retail trade	831,830	-	725,424	-
Manufacturing	417,498	1,672	73,541	1,672
Transport and transport equipment	29,145	-	36,225	-
Share financing	53,006	-	36,912	-
Others	1,341,472	-	1,378,789	-
<i>Individuals</i>				
Advances for the purchase of residential properties	8,796,616	1,793	8,501,176	1,193
Credit card advances	168,673	583	169,708	339
Others	3,165,789	1,490	2,551,884	551
	<u>17,078,188</u>	<u>26,216</u>	<u>15,888,736</u>	<u>24,433</u>
<b>Trade finance</b>	359,671	-	358,800	-
<b>Advances for use outside Macau</b>	<u>9,902</u>	<u>-</u>	<u>22,068</u>	<u>-</u>
	<u><u>17,447,761</u></u>	<u><u>26,216</u></u>	<u><u>16,269,604</u></u>	<u><u>24,433</u></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</i> <i>2013</i> MOP'000	<i>31 December</i> <i>2012</i> MOP'000
Gross impaired advances to customers	<u>26,216</u>	<u>24,433</u>
Gross impaired advances to customers as a percentage of total advances to customers	<u>0.15%</u>	<u>0.15%</u>
Market value of collateral held with respect to impaired advances to customers	<u>22,472</u>	<u>21,871</u>
Individual impairment allowances	<u>3,151</u>	<u>2,354</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 2013 and 31 December 2012.

**(d) *Repossessed assets***

At 30 June 2013 and 31 December 2012, the Bank did not hold any repossessed assets.

## 11 Impairment allowances on loans and advances to customers

	<i>Six months ended 30 June 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	913	-	913
Releases	(257)	(656)	(913)
Net charge/(credit) to income statement (note 4(f))	656	(656)	-
Recoveries of advances written off in prior years	211	-	211
Amounts written off	(70)	-	(70)
At 30 June (note 10(a))	<u>3,151</u>	<u>9,403</u>	<u>12,554</u>
	<i>Year ended 31 December 2012</i>		
	<i>Individual</i> MOP'000	<i>Collective</i> MOP'000	<i>Total</i> MOP'000
At 1 January	765	10,927	11,692
Additions	2,278	-	2,278
Releases	(1,415)	(868)	(2,283)
Net charge/(credit) to income statement	863	(868)	(5)
Recoveries of advances written off in prior years	1,348	-	1,348
Amounts written off	(622)	-	(622)
At 31 December (note 10(a))	<u>2,354</u>	<u>10,059</u>	<u>12,413</u>

**12 Available-for-sale financial assets**

	<i>30 June</i>	<i>31 December</i>
	<i>2013</i>	<i>2012</i>
	MOP'000	MOP'000
		(restated)
<b>Debt securities</b>		
Issued by sovereigns - unlisted (Treasury bills)	1,340,234	1,113,594
Issued by corporates - listed	576,602	582,681
Issued by corporates - unlisted	146,385	56,758
Issued by public sector entities - listed	44,567	46,498
Issued by public sector entities - unlisted	103,525	83,390
Issued by financial institutions - listed	60,821	25,806
Issued by financial institutions - unlisted	214,195	-
	2,486,329	1,908,727
<b>Equity securities</b>		
Issued by corporates - unlisted	46,451	46,451
Issued by corporates - listed	25,843	21,275
	72,294	67,726
	2,558,623	1,976,453

### 13 Tangible fixed assets

	<u>Six months ended 30 June 2013</u>		
	<i>Bank premises</i>	<i>Furniture, fixtures, equipment and motor vehicles</i>	<i>Total</i>
	MOP'000	MOP'000	MOP'000
<b>At cost or valuation:</b>			
At 1 January 2013	417,806	147,357	565,163
Additions	729	4,205	4,934
Disposals	(49,090)	(2,867)	(51,957)
Surplus on revaluation	66,359	-	66,359
Elimination of accumulated depreciation on revalued bank premises	(2,246)	-	(2,246)
	<u>433,558</u>	<u>148,695</u>	<u>582,253</u>
At 30 June 2013	433,558	148,695	582,253
The analysis of cost or valuation of the above assets is as follows:			
- At cost	194,610	148,695	343,305
- At valuation 2013	238,948	-	238,948
	<u>433,558</u>	<u>148,695</u>	<u>582,253</u>
<b>Accumulated depreciation:</b>			
At 1 January 2013	29,186	111,813	140,999
Charge for the period (note 4(e))	3,369	5,265	8,634
Written back on disposals	-	(2,851)	(2,851)
Elimination of accumulated depreciation on revalued bank premises	(2,246)	-	(2,246)
	<u>30,309</u>	<u>114,227</u>	<u>144,536</u>
At 30 June 2013	30,309	114,227	144,536
<b>Net book value:</b>			
At 30 June 2013	<u>403,249</u>	<u>34,468</u>	<u>437,717</u>

### 13 Tangible fixed assets (continued)

	<i>Year ended 31 December 2012</i>		
	<i>Bank premises MOP'000</i>	<i>Furniture, fixtures, equipment and motor vehicles MOP'000</i>	<i>Total MOP'000</i>
<b>At cost or valuation:</b>			
At 1 January 2012	388,023	138,828	526,851
Additions	757	16,120	16,877
Disposals	(26,077)	(7,591)	(33,668)
Surplus on revaluation	58,331	-	58,331
Elimination of accumulated depreciation on revalued bank premises	(3,228)	-	(3,228)
At 31 December 2012	<u>417,806</u>	<u>147,357</u>	<u>565,163</u>
The analysis of cost or valuation of the above assets is as follows:			
- At cost	237,090	147,357	384,447
- At valuation 2012	180,716	-	180,716
	<u>417,806</u>	<u>147,357</u>	<u>565,163</u>
<b>Accumulated depreciation:</b>			
At 1 January 2012	29,109	107,507	136,616
Charge for the period	5,691	11,228	16,919
Written back on disposals	(2,386)	(6,922)	(9,308)
Elimination of accumulated depreciation on revalued bank premises	(3,228)	-	(3,228)
At 31 December 2012	<u>29,186</u>	<u>111,813</u>	<u>140,999</u>
<b>Net book value:</b>			
At 31 December 2012	<u>388,620</u>	<u>35,544</u>	<u>424,164</u>



### **13 Tangible fixed assets (continued)**

Bank premises held for administrative use are revalued by an independent firm of surveyors, Savills Valuation and Professional Services Limited, who have among their staff, Fellows of the Hong Kong Institute of Surveyors, and by directors' valuation, on an open market value basis as at 31 May 2013. The net revaluation surplus for the six month period ended 30 June 2013 of MOP58,396,000 (31 December 2012: MOP51,332,000) (being revaluation surplus of MOP66,359,000 (31 December 2012: MOP58,331,000) net of deferred tax of MOP7,963,000 (31 December 2012: MOP6,999,000)) have been recognised in other comprehensive income and accumulated in the bank premises revaluation reserve.

The carrying amount of the bank premises would have been MOP157,453,000 (31 December 2012: MOP201,768,000) at 30 June 2013 had they been stated at cost less accumulated depreciation.

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

	<i>30 June 2013</i>	<i>31 December 2012</i>
	MOP'000	MOP'000
Freehold held in Macau	162,392	180,937
Leasehold held in Macau		
– Short-term leases (less than 10 years unexpired)	240,857	207,683
	403,249	388,620

### **14 Trading liabilities**

Trading liabilities represent the negative fair values of derivative financial instruments and include balances with the ultimate holding company amounting to MOP12,835,000 (31 December 2012: MOP17,775,000).

## 15 Other liabilities

	<i>30 June</i> <i>2013</i> MOP'000	<i>31 December</i> <i>2012</i> MOP'000
Interest payable	44,371	44,058
Acceptances outstanding	51,271	34,263
Provisions for liabilities and accrued charges	25,488	34,867
Cashier order	93,189	53,277
Others	145,134	122,754
	<u>359,453</u>	<u>289,219</u>

## 16 Share capital and reserves

### (a) Share capital

	<i>30 June</i> <i>2013</i> MOP'000	<i>31 December</i> <i>2012</i> MOP'000
<b>Authorised, issued and fully paid:</b>		
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.

## 16 Share capital and reserves (continued)

### (b) Reserves (continued)

#### (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.

#### (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 2013 MOP'000</i>	<i>30 June 2012 MOP'000</i>
Increase in impairment allowances under AMCM rules	3,615	10,300
Tax effect on the additional impairment allowances (note 5)	(434)	(1,236)
	3,181	9,064

The total balance of performing loans and certain credit-related off balance sheet exposure in 2013 is higher than that of 2012, therefore, the total impairment allowances required under AMCM rules is increased.

## 17 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.

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 2013 MOP'000</i>	<i>31 December 2012 MOP'000</i>
Direct credit substitutes	180,473	322,220
Trade-related contingencies	84,025	59,363
Other commitments		
– With an original maturity of not more than 1 year	835,499	85,285
– With an original maturity over 1 year	775,397	683,164
– Which are unconditionally cancellable	1,415,424	1,264,790
Total	<u>3,290,818</u>	<u>2,414,822</u>
Credit risk weighted amount	<u>593,986</u>	<u>583,705</u>

**17 Off-balance sheet exposures (continued)**

**(b) Capital commitments**

Capital commitments for acquisition of tangible fixed assets outstanding at 30 June 2013 not provided for in the financial report were as follows:

	<i>30 June 2013 MOP'000</i>	<i>31 December 2012 MOP'000</i>
Expenditure authorised and contracted for	<u>4,266</u>	<u>3,477</u>
Expenditure authorised but not contracted for	<u>-</u>	<u>-</u>

**18 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 2013 were reported within "trading assets" and "trading liabilities" respectively on the balance sheet.

## 18 Derivatives financial instruments (continued)

### (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 2013</i>			<i>Total</i> MOP'000
	<i>Within</i> <i>1 year</i> MOP'000	<i>Over1 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	1,660,113	46,935	-	1,707,048
Interest rate swap contracts	323,420	71,070	51,500	445,990
	<u>1,983,533</u>	<u>118,005</u>	<u>51,500</u>	<u>2,153,038</u>
	<i>31 December 2012</i>			
	<i>Within</i> <i>1 year</i> MOP'000	<i>Over1 year</i> <i>but within</i> <i>5 years</i> MOP'000	<i>Over</i> <i>5 years</i> MOP'000	<i>Total</i> MOP'000
Forward exchange rate contracts	1,113,800	-	-	1,113,800
Interest rate swap contracts	386,250	85,490	51,500	523,240
	<u>1,500,050</u>	<u>85,490</u>	<u>51,500</u>	<u>1,637,040</u>

**18 Derivatives financial instruments (continued)**

*(b) Credit risk weighted amounts of derivatives*

	<i>30 June 2013 MOP'000</i>	<i>31 December 2012 MOP'000</i>
Exchange rate contracts	8,590	6,196
Interest rate swap contracts	1,388	1,622
	9,978	7,818

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.

## 19 Notes to the unaudited cash flow statement

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

	<i>Six months ended 30 June</i>	
	<i>2013</i>	<i>2012</i>
	MOP'000	MOP'000
<b>Operating activities</b>		
Profit before taxation	223,065	160,571
Adjustments for:		
Depreciation	8,634	8,388
Net gains on disposal of tangible fixed assets	(54,188)	(25,208)
Amortisation of discount of debt securities	(2,976)	(2,256)
Dividend income	(1,995)	(1,795)
Foreign exchange gain	(2,633)	(785)
Loans and advances written off net of recoveries	141	1,081
	<hr/>	<hr/>
	170,048	139,996
(Increase)/decrease in placements with banks with original maturity over three months	(679,027)	863,621
Increase in trade bills	(64,365)	(61,476)
(Increase)/decrease in trading assets	(2,629)	1,475
Increase in gross advances to customers and other accounts	(418,962)	(1,459,175)
(Increase)/decrease in amounts due from ultimate holding company and fellow subsidiaries with original maturity over three months	(1,269,326)	91,911
(Decrease)/increase in deposits and balances of banks, central banks and other financial institutions	(770)	26,592
Increase in current, fixed, savings and other deposits of customers	752,187	625,876
Decrease in trading liabilities	(2,378)	(2,254)
Increase/(decrease) in other liabilities	70,234	(121,305)
Increase in amounts due to ultimate holding company and fellow subsidiaries	521,701	1,093,471
	<hr/>	<hr/>
<b>Net cash (used in)/generated from the operations</b>	(923,287)	1,198,732
Macau Complementary Tax and PRC Withholding Tax paid	(206)	(456)
	<hr/>	<hr/>
<b>Cash flows (used in)/generated from operating activities</b>	<u>(923,493)</u>	<u>1,198,276</u>



**19 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>2013</i>	<i>2012</i>
	MOP'000	MOP'000
Cash and balances with banks, central banks and other financial institutions	962,592	818,907
Placements with banks, central banks and other financial institutions with original maturity within three months	904,087	1,854,285
Amounts due from ultimate holding company and fellow subsidiaries		
– Cash and balances with banks, central banks and other financial institutions	65,134	470,482
– Placements with banks, central banks and other financial institutions with original maturity within three months	2,013,260	2,445,404
Available-for-sale financial assets		
– Treasury bills	134,974	264,996
	<u>4,080,047</u>	<u>5,854,074</u>

**20 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>2013</i>	<i>2012</i>
	MOP'000	MOP'000
Short-term employee benefits	10,082	6,770
Post-employment benefits	553	494
	<u>10,635</u>	<u>7,264</u>

**20 Material related party transactions (continued)**

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

During the six months ended 30 June 2013, 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>2013</i>	<i>2012</i>
	MOP'000	MOP'000
Interest income	<u>18,318</u>	<u>29,379</u>
Interest expenses	<u>(2,362)</u>	<u>(7,065)</u>
Fees and commission expense	<u>(313)</u>	<u>(910)</u>
Other income	<u>464</u>	<u>464</u>
Net gain from financial instruments held for trading	<u>4,944</u>	<u>248</u>
Operating expenses	<u>(14,897)</u>	<u>(14,747)</u>

## 20 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 2013</i>	<i>31 December 2012</i>	<i>Six months ended 30 June 2013</i>	<i>Year ended 31 December 2012</i>
	MOP'000	MOP'000	MOP'000	MOP'000
Cash and balances with banks, central banks and other financial institutions	68,673	75,862	74,311	327,471
Placements with banks, central banks and other financial institutions	3,953,322	4,268,045	4,955,932	3,502,235
Advances to customers and other accounts	15,069	10,824	13,227	90,109
	<u>4,037,064</u>	<u>4,354,731</u>	<u>5,043,470</u>	<u>3,919,815</u>

##### Liabilities

	<i>Ending balance</i>		<i>Average balance</i>	
	<i>30 June 2013</i>	<i>31 December 2012</i>	<i>Six months ended 30 June 2013</i>	<i>Year ended 31 December 2012</i>
	MOP'000	MOP'000	MOP'000	MOP'000
Deposits and balances of banks, central banks, and other financial institutions	730,462	208,838	329,303	909,328
Current, fixed, savings and other deposits of customers	221	223	221	223
Other liabilities	1,816	1,737	1,467	2,516
	<u>732,499</u>	<u>210,798</u>	<u>330,991</u>	<u>912,067</u>

**20 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>2013</i>	<i>2012</i>	<i>ended 30</i>	<i>31 December</i>
	MOP'000	MOP'000	MOP'000	MOP'000
<b>Contract amounts</b>				
Direct credit substitutes	<u>17,098</u>	<u>17,098</u>	<u>17,098</u>	<u>21,218</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>2013</i>	<i>2012</i>	<i>ended 30</i>	<i>31 December</i>
	MOP'000	MOP'000	MOP'000	MOP'000
<b>Notional amounts</b>				
Forward exchange rate contracts	<u>1,031,993</u>	<u>1,112,480</u>	<u>1,239,370</u>	<u>1,483,195</u>
Interest rate swap contracts	<u>291,490</u>	<u>368,740</u>	<u>305,823</u>	<u>577,315</u>

**(c) Loans to officers**

Aggregate amount of relevant loans outstanding during the six months ended 30 June 2013 and at 30 June 2013 is Nil (31 December 2012: Nil).

**(d)** During the six months ended 30 June 2013, no allowance for impairment losses has been made in respect of the above advances to related parties (30 June 2012: Nil).

## **21 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.

## 21 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.

## **21 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 note 8 to 12.

### **(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.

## 21 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 2013

	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	Total MOP'000
<b>Assets</b>								
Cash and balances with banks, central banks and other financial institutions	962,592	-	-	-	-	-	-	962,592
Placements with banks, central banks and other financial institutions	-	483,186	674,884	338,001	228,151	-	-	1,724,222
Trade bills	85,846	8,975	4,489	127,202	-	-	-	226,512
Trading assets	-	-	-	-	-	-	10,126	10,126
Advances to customers	205,169	523,245	450,818	2,260,604	5,409,426	8,585,945	-	17,435,207
Amounts due from ultimate holding company and fellow subsidiaries	493,484	2,032,605	458,494	1,052,481	-	-	-	4,037,064
Available-for-sale financial assets	-	264,993	354,135	1,042,305	743,617	81,279	72,294	2,558,623
Other assets	164,234	26,253	14,557	4,469	-	258	437,717	647,488
	<u>1,911,325</u>	<u>3,339,257</u>	<u>1,957,377</u>	<u>4,825,062</u>	<u>6,381,194</u>	<u>8,667,482</u>	<u>520,137</u>	<u>27,601,834</u>
<b>Liabilities</b>								
Deposits and balances of banks, central banks and other financial institutions	1,467	-	-	-	-	-	-	1,467
Current, fixed, savings and other deposits of customers	11,434,675	4,032,798	4,531,757	3,992,660	27,461	15	-	24,019,366
Trading liabilities	-	-	-	-	-	-	17,241	17,241
Amounts due to ultimate holding company and fellow subsidiaries	41,202	553	566,651	124,093	-	-	-	732,499
Other liabilities	359,657	7,893	16,315	90,367	-	-	436	474,668
	<u>11,837,001</u>	<u>4,041,244</u>	<u>5,114,723</u>	<u>4,207,120</u>	<u>27,461</u>	<u>15</u>	<u>17,677</u>	<u>25,245,241</u>
<b>Net (liability)/asset gap</b>	<u>(9,925,676)</u>	<u>(701,987)</u>	<u>(3,157,346)</u>	<u>617,942</u>	<u>6,353,733</u>	<u>8,667,467</u>	<u>502,460</u>	<u>2,356,593</u>



**21 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 2012							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	
<b>Assets</b>								
Cash and balances with banks, central banks and other financial institutions	1,190,901	-	-	-	-	-	-	1,190,901
Placements with banks, central banks and other financial institutions	-	171,530	411,691	-	141,108	-	-	724,329
Trade bills	147,265	9,152	5,730	-	-	-	-	162,147
Trading assets	-	-	-	-	-	-	7,497	7,497
Advances to customers	223,946	624,254	426,356	1,967,621	5,016,512	7,998,502	-	16,257,191
Advances to bank	-	-	-	757,904	-	-	-	757,904
Amounts due from ultimate holding company and fellow subsidiaries	565,557	3,026,582	123,707	638,885	-	-	-	4,354,731
Available-for-sale financial assets	-	275,793	99,976	872,676	573,172	87,110	67,726	1,976,453
Other assets	82,128	25,994	9,537	21,045	-	258	424,164	563,126
	<u>2,209,797</u>	<u>4,133,305</u>	<u>1,076,997</u>	<u>4,258,131</u>	<u>5,730,792</u>	<u>8,085,870</u>	<u>499,387</u>	<u>25,994,279</u>
<b>Liabilities</b>								
Deposits and balances of banks, central banks and other financial institutions	2,237	-	-	-	-	-	-	2,237
Current, fixed, savings and other deposits of customers	11,711,864	4,131,863	3,856,983	3,563,295	3,148	26	-	23,267,179
Trading liabilities	-	-	-	-	-	-	19,619	19,619
Amounts due to ultimate holding company and fellow subsidiaries	591	85,663	942	123,602	-	-	-	210,798
Other liabilities	243,701	12,334	13,822	99,538	-	-	2,803	372,198
	<u>11,958,393</u>	<u>4,229,860</u>	<u>3,871,747</u>	<u>3,786,435</u>	<u>3,148</u>	<u>26</u>	<u>22,422</u>	<u>23,872,031</u>
<b>Net (liability)/asset gap</b>	<u>(9,748,596)</u>	<u>(96,555)</u>	<u>(2,794,750)</u>	<u>471,696</u>	<u>5,727,644</u>	<u>8,085,844</u>	<u>476,965</u>	<u>2,122,248</u>

## **21 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.

## 21 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 2013*

	<i>MOP</i>	<i>HKD</i>	<i>USD</i>	<i>Others</i>	<i>Total</i>
Total assets	27.9%	52.1%	6.2%	13.8%	100%
Total liabilities	30.2%	49.9%	6.0%	13.9%	100%
Net position	<u>(2.3)%</u>	<u>2.2%</u>	<u>0.2%</u>	<u>(0.1)%</u>	<u>-</u>

*31 December 2012*

	<i>MOP</i>	<i>HKD</i>	<i>USD</i>	<i>Others</i>	<i>Total</i>
Total assets	27.3%	56.8%	5.3%	10.6%	100%
Total liabilities	30.7%	53.4%	4.9%	11.0%	100%
Net position	<u>(3.4)%</u>	<u>3.4%</u>	<u>0.4%</u>	<u>(0.4)%</u>	<u>-</u>

## **21 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 Audit Committee 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 2013 and the year ended 31 December 2012 and are well above the minimum required ratio set by the AMCM and the HKMA.

## 22 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: Valuation technique based on observable inputs, 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: Valuation technique using significant 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.

## 22 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.

## 22 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:

	<i>30 June 2013</i>			
	<i>Level 1</i> MOP'000	<i>Level 2</i> MOP'000	<i>Level 3</i> MOP'000	<i>Total</i> MOP'000
<b>Assets</b>				
Trading assets				
- Positive fair values of derivative financial instruments held for trading	-	10,126	-	10,126
Available-for-sale financial assets				
- Treasury bills	-	1,340,234	-	1,340,234
- Other debt securities	1,130,835	15,260	-	1,146,095
- Equity securities	20,665	5,178	12,306	38,149
	<u>1,151,500</u>	<u>1,360,672</u>	<u>12,306</u>	<u>2,524,478</u>
<b>Liabilities</b>				
Trading liabilities				
- Negative fair values of derivative financial instruments held for trading	-	17,241	-	17,241

## 22 Fair values (continued)

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

	<i>31 December 2012</i>			
	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
	MOP'000	MOP'000	MOP'000	MOP'000
<b>Assets</b>				
Trading assets				
- Positive fair values of derivative financial instruments held for trading	-	7,497	-	7,497
	-	7,497	-	7,497
Available-for-sale financial assets				
- Treasury bills	-	1,113,594	-	1,113,594
- Other debt securities	779,347	15,786	-	795,133
- Equity securities	16,882	4,394	12,306	33,582
	796,229	1,133,774	12,306	1,942,309
	796,229	1,133,774	12,306	1,942,309
<b>Liabilities</b>				
Trading liabilities				
- Negative fair values of derivative financial instruments held for trading	-	19,619	-	19,619
	-	19,619	-	19,619
	-	19,619	-	19,619

During the six months ended 30 June 2013, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (31 December 2012: 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.

During the six months ended 30 June 2013 and the year ended 31 December 2012, there were no purchases, sales, issues or settlements of financial instruments categorised as Level 3 of the fair value hierarchy or transfer into or out of Level 3 of the fair value hierarchy.



## 22 Fair values (continued)

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

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 2013</i>		<i>31 December 2012</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				
- Equity securities	<u>1,231</u>	<u>(1,231)</u>	<u>1,231</u>	<u>(1,231)</u>

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

All financial instruments not stated at fair value are stated at amounts not materially different from their fair value as at 30 June 2013 and 31 December 2012.

## 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>2013</i>	<i>31 December</i> <i>2012</i>
Capital adequacy ratio	<u>16.5%</u>	<u>15.7%</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>2013</i> MOP'000	<i>31 December</i> <i>2012</i> MOP'000
<b>Core capital:</b>		
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	<u>1,342,561</u>	<u>1,095,021</u>
Total core capital	<u>1,766,761</u>	<u>1,519,221</u>
<b>Supplementary capital:</b>		
Reserves on revaluation of own premises	51,610	51,610
General provision	<u>177,981</u>	<u>175,064</u>
Total supplementary capital	<u>229,591</u>	<u>226,674</u>
<b>Deduction:</b>	<u>-</u>	<u>-</u>
Total own funds after deduction	<u>1,996,352</u>	<u>1,745,895</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 2013	31 December 2012
Solvency ratio (before market and operational risk ratio)	12.9%	12.1%
Solvency ratio	<u>12.1%</u>	<u>11.4%</u>

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

(ii) Market risk capital requirement

	30 June 2013 MOP'000	31 December 2012 MOP'000
The market risk capital requirements for		
- Interest rate risk	-	-
- Equity position risk	-	-
- Foreign exchange risk	9,256	9,679
- Commodity risk	-	-
Weighted market risk exposures	<u>9,256</u>	<u>9,679</u>

(d) **Credit risk**

(i) Geographical analysis of loans and advances to customers

	30 June 2013				
	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	15,545,587	26,937	26,216	3,151	8,378
Hong Kong	1,315,683	-	-	-	709
China	396,669	-	-	-	214
Other	189,822	-	-	-	102
	<u>17,447,761</u>	<u>26,937</u>	<u>26,216</u>	<u>3,151</u>	<u>9,403</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 2012</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	14,390,169	25,161	24,433	2,354	8,897
Hong Kong	1,333,774	-	-	-	825
China	357,305	-	-	-	221
Other	188,356	-	-	-	116
	<u>16,269,604</u>	<u>25,161</u>	<u>24,433</u>	<u>2,354</u>	<u>10,059</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 2013</i>		<i>31 December 2012</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	636,429	-	644,966	-
Rest of Asia-Pacific	1,696,391	-	1,196,983	-
Americas	95,160	-	25,806	-
Europe	-	-	-	-
Other	58,350	-	40,972	-
	<u>2,486,330</u>	<u>-</u>	<u>1,908,727</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 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	
<b>Assets</b>								
Trade bills, loans and advances to customers	291,015	532,220	455,307	2,387,806	2,576,876	11,418,495	-	17,661,719
Cash and balances with and loans and advances to banks	962,592	-	-	-	-	-	-	962,592
Securities issued by Macao SAR Government and/or AMCM	-	264,993	200,952	874,289	-	-	-	1,340,234
Other securities	-	-	153,183	168,016	83,205	741,692	-	1,146,096
<b>Liabilities</b>								
Deposits and balances of banks and financial institutions	1,467	-	-	-	-	-	-	1,467
Deposits from public sector entities	2,479	-	-	-	-	-	-	2,479
Deposits from holding and associated companies	41,202	553	566,651	124,093	-	-	-	732,499
Deposits from non-bank customers	11,432,195	4,032,798	4,531,758	3,992,660	27,347	129	-	24,016,887

## 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 2012 (restated)							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	
<b>Assets</b>								
Trade bills, loans and advances to customers	371,211	633,406	432,086	1,967,621	2,206,605	10,808,409	-	16,419,338
Cash and balances with and loans and advances to banks	1,190,901	-	-	757,904	-	-	-	1,948,805
Securities issued by Macao SAR Government and/or AMCM	-	249,988	99,976	763,630	-	-	-	1,113,594
Other securities	-	25,805	-	109,046	-	660,282	-	795,133
<b>Liabilities</b>								
Deposits and balances of banks and financial institutions	2,237	-	-	-	-	-	-	2,237
Deposits from public sector entities	7,195	-	-	-	-	-	-	7,195
Deposits from holding and associated companies	591	85,663	942	123,602	-	-	-	210,798
Deposits from non-bank customers	11,704,669	4,131,863	3,856,982	3,563,295	2,968	207	-	23,259,984

## 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> 2013 MOP'000	<i>31 December</i> 2012 MOP'000
Gross advances to customers		
– neither past due nor impaired	17,169,860	16,008,891
– past due but not impaired	251,685	236,280
– impaired (note 10(c))	26,216	24,433
	<u>17,447,761</u>	<u>16,269,604</u>
Of which:		
Gross advances to customers		
– Grade 1: Pass	17,379,529	16,203,208
– Grade 2: Special mention	42,016	41,963
– Grade 3: Substandard	21,279	20,679
– Grade 4: Doubtful	806	318
– Grade 5: Loss	4,131	3,436
	<u>17,447,761</u>	<u>16,269,604</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> 2013 MOP'000	<i>31 December</i> 2012 MOP'000
Gross advances to customers that are past due but not impaired		
– past due 3 months or less	250,964	235,553
– 6 months or less but over 3 months	37	727
– 1 year or less but over 6 months	684	-
	<u>251,685</u>	<u>236,280</u>

As at 30 June 2013, there were no advances to customers that would be past due or impaired had the terms not been renegotiated (31 December 2012: 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 2013 MOP'000	31 December 2012 MOP'000
Fair value of collateral and other credit enhancements held against financial assets that are past due but not impaired	813,147	785,595

(e) **Foreign exchange risk**

	30 June 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	98,045	-	8,717	20,759	537	128,058
Total net short positions	-	127,560	-	-	498	128,058

  

	31 December 2012					
	MOP MOP'000	HK\$ MOP'000	Chinese Renminbi MOP'000	US\$ MOP'000	Other currencies MOP'000	Total MOP'000
Total net long positions	107,121	-	8,796	1,330	840	118,087
Total net short positions	-	117,963	-	-	124	118,087



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

(e) Foreign exchange risk (continued)

	30 June 2013			
	HK\$ MOP'000	Chinese Renminbi MOP'000	US\$ MOP'000	Total MOP'000
Spot assets	-	-	-	-
Spot liabilities	-	-	-	-
Forward purchases	257,500	31,993	204,536	494,029
Forward sales	1,000,000	210,160	34,062	1,244,222
Net option positions	-	-	-	-
Net long/(short) positions	<u>(742,500)</u>	<u>(178,167)</u>	<u>170,474</u>	<u>(750,193)</u>
	31 December 2012 (restated)			
	HK\$ MOP'000	Chinese Renminbi MOP'000	US\$ MOP'000	Total MOP'000
Spot assets	-	-	-	-
Spot liabilities	-	-	-	-
Forward purchases	-	112,480	75,848	188,328
Forward sales	1,001,318	78,251	111,776	1,191,345
Net option positions	-	-	-	-
Net long/(short) positions	<u>(1,001,318)</u>	<u>34,229</u>	<u>(35,928)</u>	<u>(1,003,017)</u>

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

(f) *Liquidity risk*

	<i>30 June</i> 2013 MOP'000	<i>31 December</i> 2012 MOP'000
Average minimum weekly cash in hand	573,508	537,189
Average weekly cash in hand	726,027	644,627
Average month-end specified liquid assets	<u>8,763,062</u>	<u>8,245,492</u>
	<i>30 June</i> 2013 %	<i>31 December</i> 2012 %
Average month-end ratio of specified liquid assets to total basic liabilities	35.4	39.1
Average one-month liquidity ratio	42.6	47.3
Average three-months liquidity ratio	<u>37.9</u>	<u>42.2</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> 2013 MOP'000	<i>31 December</i> 2012 MOP'000
Increase in 10 basis points	2,132	1,752
Decrease in 10 basis points	<u>(2,132)</u>	<u>(1,752)</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)

資產負債表於二零一三年六月三十日

澳門幣

資產	資產總額	備用金， 折舊和減值	資產淨額
現金	256,659,907		256,659,907
AMCM 存款	433,108,687		433,108,687
應收賬項	463,463,981		463,463,981
在本地之其他信用機構活期 存款	21,146,551		21,146,551
在外地之其他信用機構活期 存款	83,043,798		83,043,798
金，銀			
其他流動資產			
放款	17,567,004,184	3,150,770	17,563,853,414
在本澳信用機構拆放	2,681,386,523		2,681,386,523
在外地信用機構之通知及定期存款	4,339,657,631		4,339,657,631
股票，債券及股權	1,164,441,407	-	1,164,441,407
承銷資金投資			
債務人	2,265,127		2,265,127
其他投資	36,725,651		36,725,651
財務投資	17,479,810		17,479,810
不動產	440,405,016	37,156,286	403,248,730
設備	148,694,792	114,226,874	34,467,918
遞延費用			
開辦費用			
未完成不動產			
其他固定資產			
內部及調整賬	69,386,171		69,386,171
總額	27,724,869,236	154,533,930	27,570,335,306

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 2013

MOP

ACTIVO	ACTIVO BRUTO	PROVISÕES, AMORTIZAÇÕES E MENOS - VALIAS	ACTIVO LIQUIDO
CAIXA	256,659,907		256,659,907
DEPÓSITOS NA AMCM	433,108,687		433,108,687
VALORES A COBRAR	463,463,981		463,463,981
DEPÓSITOS À ORDEM NOUtras INSTITUIÇÕES DE CRÉDITO NO TERRITÓRIO	21,146,551		21,146,551
DEPÓSITOS À ORDEM NO EXTERIOR	83,043,798		83,043,798
OURO E PRATA			
OUTROS VALORES			
CRÉDITO CONCEDIDO	17,567,004,184	3,150,770	17,563,853,414
APLICAÇÕES EM INSTITUIÇÕES DE CRÉDITO NO TERRITÓRIO	2,681,386,523		2,681,386,523
DEPÓSITOS COM PRÉ-AVISO E A PRAZO NO EXTERIOR	4,339,657,631		4,339,657,631
ACÇÕES, OBRIGAÇÕES E QUOTAS	1,164,441,407	-	1,164,441,407
APLICAÇÕES DE RECURSOS CONSIGNADOS			
DEVEDORES	2,265,127		2,265,127
OUTRAS APLICAÇÕES	36,725,651		36,725,651
PARTICIPAÇÕES FINANCEIRAS	17,479,810		17,479,810
IMÓVEIS	440,405,016	37,156,286	403,248,730
EQUIPAMENTO	148,694,792	114,226,874	34,467,918
CUSTOS PLURIENAIIS			
DESPESAS DE INSTALAÇÃO			
IMOBILIZAÇÕES EM CURSO			
OUTROS VALORES IMOBILIZADOS			
CONTAS INTERNAS E DE REGULARIZAÇÃO	69,386,171		69,386,171
TOTAIS	<u>27,724,869,236</u>	<u>154,533,930</u>	<u>27,570,335,306</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)  
(continued)

資產負債表於二零一三年六月三十日

負債	小結	澳門幣 總額
活期存款	11,214,436,483	
通知存款		
定期存款	12,838,239,935	
公共機構存款	2,478,602	24,055,155,020
本地信用機構資金	478,565	
其他本地機構資金		
外幣借款	731,450,632	
債券借款		
承銷資金債權人		
應付支票及票據	93,400,758	
債權人	47,613,507	
各項負債	67,218,419	940,161,881
內部及調整賬		209,022,533
各項風險備用金		9,403,123
股本	120,000,000	
法定儲備	120,000,000	
自定儲備		
重估儲備	248,758,407	
其他儲備 *	332,585,893	821,344,300
歷年營業結果	1,342,561,291	
本年營業結果	192,687,158	1,535,248,449
總額		27,570,335,306

\* 附註：其他儲備包含澳門幣 148,385,893 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 20,234,442）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。

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 2013

		<i>MOP</i>
PASSIVO	SUB-TOTAIS	TOTAIS
DEPÓSITOS À ORDEM	11,214,436,483	
DEPÓSITOS C/PRÉ-AVISO		
DEPÓSITOS A PRAZO	12,838,239,935	
DEPÓSITOS DE SECTOR PUBLICO	2,478,602	24,055,155,020
RECURSOS DE INSTITUIÇÕES DE CRÉDITO NO TERRITÓRIO	478,565	
RECURSOS DE OUTRAS ENTIDADES LOCAIS		
EMPRÉSTIMOS EM MOEDAS EXTERNAS	731,450,632	
EMPRÉSTIMOS POR OBRIGAÇÕES		
CREDORES POR RECURSOS CONSIGNADOS		
CHEQUES E ORDENS A PAGAR	93,400,758	
CREDORES	47,613,507	
EXIGIBILIDADES DIVERSAS	67,218,419	940,161,881
CONTAS INTERNAS E DE REGULARIZAÇÃO		209,022,533
PROVISÕES PARA RISCOS DIVERSOS		9,403,123
CAPITAL	120,000,000	
RESERVA LEGAL	120,000,000	
RESERVA ESTATUTÁRIA		
RESERVA DE REAVALIAÇÃO	248,758,407	
OUTRAS RESERVAS *	332,585,893	821,344,300
RESULTADOS TRANSITADOS DE EXERCÍCIOS ANTERIORES	1,342,561,291	
RESULTADO DO EXERCÍCIO	192,687,158	1,535,248,449
TOTAIS		<u>27,570,335,306</u>

\* As Outras Reservas incluem uma reserva obrigatória no montante de 148,385,893 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 20,234,442 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)*

備查賬	澳門幣 金額
代客保管賬	6,512,672,370
代收賬	83,415,750
抵押賬	33,265,511,512
保證及擔保付款	180,068,593
信用狀	84,025,172
承兌匯票	51,270,810
代付保證金	
期貨買入	2,152,262,234
期貨賣出	2,152,111,699
其他備查賬	823,452,846

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)

<i>CONTAS EXTRAPATRIMONIAIS</i>	<i>MOP</i> <i>MONTANTE</i>
VALORES RECEBIDOS EM DEPÓSITO	6,512,672,370
VALORES RECEBIDOS PARA COBRANÇA	83,415,750
VALORES RECEBIDOS EM CAUÇÃO	33,265,511,512
GARANTIAS E AVALES PRESTADOS	180,068,593
CRÉDITOS ABERTOS	84,025,172
ACEITES EM CIRCULAÇÃO	51,270,810
VALORES DADOS EM CAUÇÃO	
COMPRAS A PRAZO	2,152,262,234
VENDAS A PRAZO	2,152,111,699
OUTRAS CONTAS EXTRAPATRIMONIAIS	823,452,846



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)

二零一三年一月至六月營業結果演算  
營業賬目

		澳門幣	
借方	金額	貸方	金額
負債業務成本	105,352,544	資產業務收益	298,133,636
人事費用		銀行服務收益	50,635,541
董事及監察會開支	132,498	其他銀行業務收益	13,244,972
職員開支	51,257,873	證券及財務投資收益	31,788,050
固定職員福利	20,925,801	其他銀行收益	14,030,206
其他人事費用	537,000	非正常業務收益	54,204,145
第三者作出之供應	4,196,422		
第三者提供之勞務	17,179,390		
其他銀行費用	29,975,960		
稅項	391,840		
非正常業務費用	388,910		
折舊撥款	8,633,701		
備用金之撥款	211,151		
營業利潤	222,853,460		
總額	462,036,550	總額	462,036,550

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 2013  
CONTA DE EXPLORAÇÃO

Débito	MONTANTE	Crédito	MOP MONTANTE
CUSTOS DE OPERAÇÕES PASSIVAS	105,352,544	PROVEITOS DE OPERAÇÕES ACTIVAS	298,133,636
CUSTOS COM PESSOAL		PROVEITOS DE SERVIÇOS BANCÁRIOS	50,635,541
REMUNERAÇÕES DOS ÓRGÃOS DE GESTÃO E FISCALIZAÇÃO	132,498	PROVEITOS DE OUTRAS OPERAÇÕES BANCÁRIAS	13,244,972
REMUNERAÇÕES DE EMPREGADOS	51,257,873	RENDIMENTOS DE TÍTULOS DE CRÉDITO E DE PARTICIPAÇÕES FINANCEIRAS	31,788,050
ENCARGOS SOCIAIS	20,925,801	OUTROS PROVEITOS BANCÁRIOS	14,030,206
OUTROS CUSTOS COM O PESSOAL	537,000	PROVEITOS INORGÂNICOS	54,204,145
FORNECIMENTOS DE TERCEIROS	4,196,422		
SERVIÇOS DE TERCEIROS	17,179,390		
OUTROS CUSTOS BANCÁRIOS	29,975,960		
IMPOSTOS	391,840		
CUSTOS INORGÂNICOS	388,910		
DOTAÇÕES PARA AMORTIZAÇÕES	8,633,701		
DOTAÇÕES PARA PROVISÕES	211,151		
LUCRO DA EXPLORAÇÃO	222,853,460		
TOTAIS	<u>462,036,550</u>	TOTAIS	<u>462,036,550</u>

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)

損益計算表

借方	金額	貸方	澳門幣 金額
營業損失		營業利潤	222,853,460
歷年之損失	70,086	歷年之利潤	211,151
特別損失		特別利潤	
營業利潤之稅項撥款	26,762,153	備用金之使用	70,086
根據金融體系法律制度增撥的 備用金	3,615,300		
營業結果 (盈餘)	192,687,158		
總額	<u>223,134,697</u>	總額	<u>223,134,697</u>

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

			MOP
Débito	MONTANTE	Crédito	MONTANTE
PREJUÍZO DE EXPLORAÇÃO		LUCRO DE EXPLORAÇÃO	222,853,460
PERDAS RELATIVAS A EXERCÍCIOS ANTERIORES	70,086	LUCROS RELATIVOS A EXERCÍCIOS ANTERIORES	211,151
PERDAS EXCEPCIONAIS		LUCROS EXCEPCIONAIS	
DOTAÇÕES PARA IMPOSTOS SOBRE LUCROS DO EXERCÍCIO	26,762,153	PROVISÕES UTILIZADAS	70,086
DOTAÇÕES ADICIONAIS PARA PROVISÕES CONFORME RJSF	3,615,300		
RESULTADO DO EXERCÍCIO (SE POSITIVO)	192,687,158		
TOTAIS	<u>223,134,697</u>	TOTAIS	<u>223,134,697</u>

# 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 46, which comprises the balance sheet of Banco Weng Hang, S.A. (“the Bank”) as at 30 June 2013 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 2013 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 Monetária de Macau.

*Other matter*

Without modifying our review opinion, we draw to your attention that the comparative amounts of the income statement, statement of comprehensive income, statement of changes in equity and cash flow statement for the six month period ended 30 June 2012 and the related notes in the interim financial report have not been reviewed in accordance with International Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”.

Certified Public Accountants

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

9 September 2013



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