



BANCO WELL LINK, S.A.

Annual Disclosure
for the year ended 31 December 2018

Content for Disclosure of Financial Information

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BANCO WELL LINK, S.A.
Balance sheet as at 31 December 2018
(Expressed in Macau Patacas)

ASSETS	GROSS ASSETS	PROVISION DEPRECIATION AND AMORTIZATION	NET ASSETS
CASH	18,242,772.82	-	18,242,772.82
DEPOSIT WITH AMCM	127,347,767.12	-	127,347,767.12
VALUES FOR COLLECTION	27,412,320.20	-	27,412,320.20
DEPOSIT ON DEMAND WITH LOCAL CREDIT INSTITUTIONS	43,596,953.17	-	43,596,953.17
DEPOSIT ON DEMAND WITH FOREIGN CREDIT INSTITUTIONS	196,174,557.63	-	196,174,557.63
OTHER VALUES	206,372.63	-	206,372.63
LOANS AND ADVANCES	2,051,120,190.91	-	2,051,120,190.91
PLACEMENTS WITH LOCAL CREDIT INSTITUTIONS	764,035,400.00	-	764,035,400.00
DEPOSIT AT CALL AND AT TERM ABROAD	852,715,765.00	-	852,715,765.00
SHARES, BONDS AND OTHER SECURITIES	378,885,758.74	-	378,885,758.74
DEBTORS	5,684,631.80	-	5,684,631.80
OTHER APPLICATIONS	100,000,000.00	-	100,000,000.00
INVESTMENTS	100,000.00	-	100,000.00
EQUIPMENTS	4,475,052.51	2,150,250.08	2,324,802.43
DEFERRED EXPENDITURES	37,687,727.24	3,795,700.61	33,892,026.63
INSTALLATION EXPENDITURES	15,137,208.60	8,218,561.85	6,918,646.75
CONSTRUCTIONS IN PROGRESS	1,083,137.37	-	1,083,137.37
INTERNAL ACCOUNTS	62,226,173.56	-	62,226,173.56
TOTAL	4,686,131,789.30	14,164,512.54	4,671,967,276.76

Balance sheet as at 31 December 2018 (continued)
(Expressed in Macau Patacas)

LIABILITIES	SUB-TOTAL	TOTAL
DEPOSITS ON DEMAND	530,510,379.66	-
FIXED TERM DEPOSITS	1,867,272,178.82	-
PUBLIC SECTOR DEPOSITS	679,080,307.83	3,076,862,866.31
BORROWING FROM LOCAL CREDIT INSTITUTIONS	182,400,000.00	-
FOREIGN CURRENCY LOANS	729,517.70	-
CHEQUES AND PAYMENT ORDERS	155,886.69	-
CREDITORS	3,675,633.83	-
OTHER LIABILITIES	346,018.00	187,307,056.22
INTERNAL ACCOUNT	-	45,495,935.21
PROVISION FOR OTHER RISKS AND CHARGES	-	22,400,000.00
CAPITAL	1,200,000,000.00	-
LEGAL RESERVE	56,989,653.13	-
STATUTORY RESERVE	-	-
OTHER RESERVES	112,873.04	1,257,102,526.17
RESULTS CARRIED FORWARD	82,299,567.48	-
PROFIT FOR THE YEAR	499,325.37	82,798,892.85
TOTAL		4,671,967,276.76

Balance sheet as at 31 December 2018 (continued)
(Expressed in Macau Patacas)

MEMORANDUM ITEMS	AMOUNT
VALUES HELD IN DEPOSIT	-
VALUES HELD FOR COLLECTION	107,233,186.97
VALUES HELD AS GUARANTEE	1,146,522,062.22
BANK GUARANTEES	57,001,941.18
LETTER OF CREDIT ISSUED	7,818,440.82
ACCEPTANCES OUTSTANDING	6,619,953.93
FORWARDS PURCHASE	-
FORWARDS SALES	-
OTHER MEMORANDUM ITEMS	605,954,826.03

BANCO WELL LINK, S.A.
Operating Profit and Loss Account
For the year ended 31 December 2018
(Expressed in Macau Patacas)

DEBIT	AMOUNT	CREDIT	AMOUNT
INTEREST EXPENSES	42,745,590.59	INTEREST INCOME	93,525,440.75
STAFF COSTS:	-	BANKING SERVICE INCOME	16,882,474.45
MANAGEMENT REMUNERATION	13,890,190.92	OTHER BANKING SERVICES INCOME	1,587,549.82
EMPLOYEES REMUNERATION	19,094,458.53	SECURITIES AND FINANCIAL INVESTMENT INCOME	9,252,033.67
SPECIAL EXPENSES	1,350,404.94	OTHER BANKING INCOME	5,539,045.64
OTHER STAFF COSTS	451,632.94	INORGANIC PROVISIONS	-
THIRD PARTY SUPPLIES	817,017.07	OPERATING LOSS	6,744,112.68
THIRD PARTY SERVICES	25,424,429.35		-
OTHER BANKING EXPENSES	2,059,688.26		-
INDUSTRIAL AND OTHER TAXES	164,600.00		-
OTHER EXPENSES	207,987.00		-
DEPRECIATION AND AMORTIZATION	5,371,479.70		-
PROVISIONS FOR OTHER RISKS AND CHARGES	21,953,177.71		-
OPERATING PROFIT	-		-
TOTAL	133,530,657.01	TOTAL	133,530,657.01

BANCO WELL LINK, S.A.
Profit and Loss Account
For the year ended 31 December 2018
(Expressed in Macau Patacas)

DEBIT	AMOUNT	CREDIT	AMOUNT
OPERATING LOSS	6,744,112.68	OPERATING PROFIT	-
PRIOR YEAR LOSS	-	PROFIT YEAR GAIN	3,290,260.34
EXCEPTIONAL LOSS	-	EXCEPTIONAL PROFIT	-
COMPLEMENTARY (CORPORATE) INCOME TAX	-	PROVISIONS UTILISED	3,953,177.71
NET PROFIT	499,325.37	NET LOSS	-
TOTAL	7,243,438.05	TOTAL	7,243,438.05

CHIEF EXECUTIVE OFFICER

Du Miaomiao

EXECUTIVE DIRECTOR

Wang Lu

Macau, 28 March 2019



The Background of Well Link Bank, S.A.

Banco Well Link, S.A., formerly known as Novo Banco Ásia, S.A. (the "Bank") is incorporated in Macao and has its registered office at Av. Dr. Mario Soares No. 323, Bank of China Building, 28th Floor, "A-F", Macao. The principal activities of the Bank are the provisions of banking, financial and other related services.

On 31 December 2016, the Board of Directors considers the immediate holding company to be Novo Banco, S.A. ("NBSA"), a bank incorporated in Lisbon, Portugal and the ultimate holding company to be Fundo de Resolução, a resolution fund established in Portugal.

In May 2017, NBSA transferred 26% and 49% of its equity interest in the Bank to Well Link Holdings Limited and six other companies incorporated in Macao, respectively. In September 2018, NBSA transferred 2% of its equity interest in the Bank to Well Link Holdings Limited.

On 31 December 2018, the Board of Directors considers no immediate holding company or ultimate holding company for the Bank.

These financial statements have been approved for issue by the Board of Directors on 28 March 2019, it was resolved that Ms. Du Miaomiao and Ms Wang Lu will represent the Board to sign the financial statements.

Summary of the Report of the Board of Directors

Macao Economic Context

In 2018, Macao's economy grew by 4.7% in real terms, and the pace of growth slowed down noticeably. The economic growth comes from the rise in service exports and private consumption, posting a growth of 7.6% in the first half of the year which narrowed to 2% in the second half.

In 2018, Macao's GDP was 440.3 billion patacas, and the per capita GDP was 666,893 patacas (about 82,609 US dollars).

Throughout 2018, Macao's internal demand performance was poor, shrinking by 1.7% year-on-year. Due to the sharp decline in private construction investment, the total fixed capital formation was dragged down by 12.5% year-on-year. However, the increase in total employment and job income, as well as increased government spending, boosted private consumption, government final consumption expenditures, and goods imports by 4.5%, 3.8% and 4.7% respectively, offsetting the impact of reduced investment. External demand grew moderately. Macao's inbound passengers and consumption rose, supporting service exports increased by 9.4% year-on-year, and goods exports increased by 11%.

In 2018, the proportion of Macao's net exports of goods and services to local GDP rose to 50.5%, an increase of 3.5 percentage points compared with 2017. On the contrary, the proportion of internal demand fell 3.5 percentage points to 49.5%.

The Bank's Work: Highlights

In 2018, the first fiscal year after completing the Bank acquisition, the bank's development shouldered the heavy responsibilities of completing its own infrastructure construction, expanding its business, and increasing market recognition.

During last year, the bank's primary business objective was to develop and expand its asset scale, develop customer relationships, and absorb deposits. Based on maintaining the original business and customer relationships, the bank actively conducted traditional banking services for corporations such as deposits, loans, and trade financing. Various performance indicators have achieved rapid growth. Client types include government funds, financial institutions, public utilities, tourism and entertainment companies, construction companies, trade and retail companies, etc.

At the same time, the bank's retail business also officially started, with the first branch officially opening in July 2018. During the year, the bank launched several deposit and loan products to the market. Services such as debit cards, ATM's, mobile banking, corporate online banking, and autopay service were successively launched, and the bank's products and service systems were continuously enriched and improved.

Summary of the Board of Directors' Report (continued)

After completing the replacement of the bank's core system in 2017, the daily business operations of the bank were strengthened. However, the development of new business products required the support of more infrastructure development investment. With the current scale and financial strength of the bank, it is not suitable to compete with large banks in the area of traditional business in the local market. Instead, the Bank should focus on the development of asset-light transaction banking and innovative smart banking, with financial technology as a its support and developing diversified financial business cooperation as its goal.

In order to ensure long-term development, the bank has invested a large amount of funds to develop or purchase systems and services on relevant banking and financial services such as credit cards, bank securities transfer services, insurance agent services, and tax and fee payment systems to be launched in 2019. As a matter of fact, more e-banking services will be launched this year, such as issuing credit card business in cooperation with China UnionPay and VISA and developing cross-bank cash withdrawal services in cooperation with JETCO, to strengthen Macao's local network and provide superior banking services to clients.

Meanwhile, the bank has further recruited talents and expanded the team to accommodate the growing business and management needs.

Financial performance in 2018

As of December 31, 2018, the total assets of Well Link Bank were 4.67 billion patacas. Deposits reached 3.08 billion patacas, an increase of 428.2% over the 0.58 billion patacas in 2017. Among them, term deposits were about 2.55 billion patacas and demand deposits were about 0.53 billion patacas. In terms of loans, the total volume reached 2.05 billion patacas, up about 457.4% year-on-year. The loan-to-deposit ratio (LTD) at the end of the year was 66.7%.

In response to business needs, shareholders increased the Bank's capital from 0.2 billion to 1.2 billion patacas during the year. In the fourth quarter of 2018, the shareholders of Well Link Bank completed the second capital increase of the year, from 0.5 billion to 1.2 billion patacas, which greatly enhanced the bank's financial strength and provided a solid foundation for future business expansion. As of the end of December, the capital adequacy ratio was 43.89%, which comfortably met the regulatory requirement. The liquidity ratios for 1 month and 3 months were 133.3% and 165% respectively, also higher than the regulatory requirement, which was 55%.

The deposit and loan businesses grew in step with each other. The bank recorded a net interest income of approximately 50.78 million patacas in 2018, an increase of 278.3% over the same period in the last year. With the growth of the overall asset business, banking fee income, including loan-related fee income, reached 21.95 million patacas, an increase of approximately 481.3% over the previous year. Therefore, banking income is growing steadily.

Summary of the Board of Directors' Report (continued)

The Operating Costs mainly included staff costs, rents, and other operating expenses. The bank is expanding steadily, adding branches, and growing its business. In order to meet growth and demand, this year's staff increased to a total of 56 people, an additional 37 staff, compared with last year. As a result, personnel expenses increased by 16.14 million patacas, a substantial increase of 86.6%.

The first branch was officially put into service on July 1, 2018. The second branch was opened on January 14, 2019. Operating expenses were mainly to pay for the maintenance of new systems and the rent of branches.

The bank created provisions for loans in 2018. During the year, the bank loan reserve was reinforced with a total of 21.95 million patacas, bringing the total loan reserve to 22.40 million patacas.

All other expenses recorded a corresponding increase, resulting in a significant increase of total expenses of approximately 26.96 million patacas over the previous year, an increase of 67.70%.

Based on the above factors, and thanks to the continuous expansion of assets and business volume, as well as effective use of funds, Well Link Bank achieved monthly profit from July onwards and achieved full-year breakeven at the end of December, with a net profit of 0.499 million patacas, in other words, Well Link Bank became profitable in 2018.

In spite of the net interest margin narrowing trend, as business expanded throughout 2018, the constant increase of deposit and credit volume, has allowed profitability to improve.

Proposed Application of Results

According to the laws and the company's Articles of Associations, the Board of Directors proposed to the shareholders that the net profit of 499,325 patacas (four hundred and ninety-nine thousand three hundred and twenty-five patacas) completed on December 31, 2018 is used in the following ways:

Legal reserve (a): 99,865 patacas

Retained income: 399,460 patacas

(a) consistent with 20% of the net profit specified in the current law and company's Articles of Associations

Board of Directors

March 28, 2019

The Report from the Supervisory Board

Dear Shareholders,

Pursuant to the applicable legal and statutory provision and the Articles of Association, the Supervisory Board hereby submits its activity report and opinion on the Board of Directors' Report and Accounts of **BANCO WELL LINK, S.A.**, for the Financial Year ended 31 December 2018.

The Board of Directors' Report outlines in a clear manner the economic situation and progress of the Bank's activity during the 2018 Financial Year.

We have examined the regularity of the books and accounting records and are not aware of any non-compliance with the law and the articles of association.

As a result of our examination, we believe the Board of Directors' Report gives a fair view of the Bank's activity and the Accounts comply with the law and statutory provisions.

Based on such examination and conclusions, we are of the opinion that:

1. The 2018 Audited Financial Statement performed by Ernst & Young should be approved, and considered to be appropriate for submission to the Shareholders' Meeting for approval;
2. The proposal relating to the appropriation of profits should be approved.

The Supervisory Board
Macau, 28 March 2019

Governing Bodies

Board of the General Meeting

Xu Chujia (Chairman of the Board of the General Meeting)
Yeung Chi Shing (Secretary of the Board of the General Meeting)
Wang Lu (Secretary of the Board of the General Meeting)

Board of Directors

Zhang ShengMan (Chairman)
Xu Chujia (Board Member)
Chen Hua (Board Member)
Ngan Yuen Ming (Board Member)
Paulo Jorge Fernandes Franco (Board Member)
Du Miaomiao (Board Member - appointed on 15.11.2018)
Zhang Chen (Board Member)
Wang Lu (Board Member)
Artur Jorge Teixeira Santos (Board Member - appointed on 1.6.2018)
Hon Wai Ming (Board Member - appointed on 30.6.2018)
So Shing Shun (Board Member - appointed on 30.6.2018)
Tse Yung Hoi (Board Member - appointed on 30.6.2018)
Lin Wenjie (Board Member - resigned on 27.4.2018)
José Manuel Trindade Morgado (Board Member - resigned on 8.3.2018)
Huang Guanghai (Board Member – resigned on 16.01.2018)

Executive Committee

Du Miaomiao (Executive Committee & Chief Executive Officer - appointed on 15.11.2018)
Zhang Chen (Executive Committee)
Wang Lu (Executive Committee)
Artur Jorge Teixeira Santos (Executive Committee - appointed on 1.6.2018)

Supervisory Board

Ng Man Kung (Chairman of Supervisory Board - appointed on 31.3.2018)
Chen Xiao Chun (Chairman of Supervisory Board - resigned on 16.01.2018)
Vong Hin Fai (Supervisory Board Member)
CSC & Associados - Sociedade de Auditores (represented by Mok Chi Meng) (Supervisory Board Member)

Institutions in which have holdings in excess of 5% in the share capital, or over 5% of their own funds

	<i>Ordinary shares of MOP1,000 each</i>	
	<i>Total number of ordinary shares</i>	<i>% of total issued shares</i>
Europ Assistance (Macau) – Serviços de Assistência Personalizados, Lda.	400	25%

Shareholder of the Bank (From 28 November 2018)

Well Link Holdings Limited	44.7%
Kingyin (Macau) Holdings Limited	15%
Trillion Investment Company Limited	15%
Shengman Investments Limited	10%

1 Report of Corporate Governance

The management of the Bank is entrusted to the following governing bodies:

Board of the General Meeting

Xu Chujia (Chairman of the Board of the General Meeting)
Yeung Chi Shing (Secretary of the Board of the General Meeting)
Wang Lu (Secretary of the Board of the General Meeting)

Board of the general meeting

The Board of the General Meeting is composed of shareholders holding at least one hundred shares of the company and its deliberations, when taken in accordance with law and statutes, shall be mandatory for all, regardless the number of shares they owned.

The Board of the General Meeting is ordinarily held at the end of March of each year in order to discuss the report and accounts of the Board of Directors and the Supervisory Board Report of the previous year, to carry out the elections when necessary and discuss any other matters required by law.

Board of Directors

Zhang ShengMan (Chairman)
Xu Chujia (Board Member)
Chen Hua (Board Member)
Ngan Yuen Ming (Board Member)
Paulo Jorge Fernandes Franco (Board Member)
Du Miaomiao (Board Member - appointed on 15.11.2018)
Zhang Chen (Board Member)
Wang Lu (Board Member)
Artur Jorge Teixeira Santos (Board Member - appointed on 1.6.2018)
Hon Wai Ming (Board Member - appointed on 30.6.2018)
So Shing Shun (Board Member - appointed on 30.6.2018)
Tse Yung Hoi (Board Member - appointed on 30.6.2018)
Lin Wenjie (Board Member - resigned on 27.4.2018)
José Manuel Trindade Morgado (Board Member - resigned on 8.3.2018)
Huang Guanghai (Board Member – resigned on 16.01.2018)

Board of Directors

The administration and management of all the affairs and interests of the Bank is supervised by Board of Directors which shall be composed of no less than three members. The Board main responsibilities, among others, are as follows:

- Coordinate the activities of the Bank;
- Establish the organization units of bank and approve their regulations;
- Deliberate on the establishment of an Executive Committee, which will consist of an odd number not less than three members, define competence, powers and way of operation and delegating it the management of the business and the use of corresponding powers;

1 Report of Corporate Governance(continued)

- Prepare accounts that must be submitted to the Board of the General Meeting and submit to the Supervisory Board all documents required by law;
- Perform all acts aimed in achieving the Bank's activities and all other duties assigned by the Status.

Supervisory Board

Ng Man Kung (Chairman of Supervisory Board - appointed on 31.3.2018)

Chen Xiao Chun (Chairman of Supervisory Board - resigned on 16.01.2018)

Vong Hin Fai (Supervisory Board Member)

CSC & Associados - Sociedade de Auditores (represented by Mok Chi Meng) (Supervisory Board Member)

Supervisory board

The Supervisory board comprises of three (3) members, in which one (1) should be a registered auditor. The Supervisory board responsibilities, among others, are as follows:

- Closely monitor the management of the bank;
- Ensure compliance with the laws, regulations and articles of the association;
- Examine the books and accounting records;
- Fulfill other obligations imposed by law and the articles of the association; and
- Annually prepare a Supervisory Report and give opinion on the Board of Directors' Report, Balance Sheet, Profit and Loss Account, and the proposed appropriation of profits by the Board of Directors.

Executive Committee

Du Miaomiao (Executive Committee & Chief Executive Officer - appointed on 15.11.2018)

Zhang Chen (Executive Committee)

Wang Lu (Executive Committee)

Artur Jorge Teixeira Santos (Executive Committee - appointed on 1.6.2018)

Executive committee

The Board of Directors, through its Executive Committee ("EC"), is responsible for establishing and maintaining an adequate and effective internal control system and establishment and maintenance of risk management system. The EC was also granted such powers and authorities necessary for conducting and managing the Bank's normal banking and related business activities.

1 Report of Corporate Governance(continued)

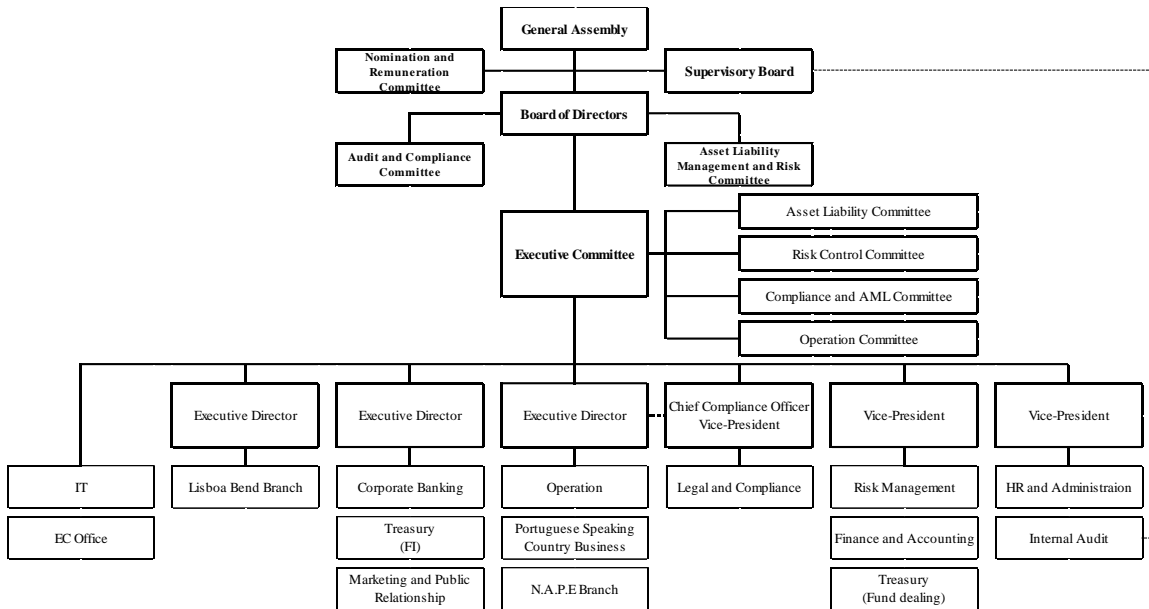
Establishing and maintaining an adequate and effective internal control system implies not only defining the system's underlying principles and objectives, which must be incorporated into the Bank's strategy and policies, but also making sure that they are complied with by all employees, and that at all times the Bank has the necessary competence and resources to conduct its activity in strict compliance with the internal control system.

The EC is also responsible for the establishment and maintenance of a solid risk management system, which is within the framework of an adequate overall control environment. Alongside of efficient information and communication system and an effective monitoring process, this guarantees the adequateness and effectiveness of the Bank's internal control system. The EC defines the objective risk profile, establishes the global and specific limits for exposures, and approves the procedures required to monitor these exposures, thus, ensuring that the established limits are complied with.

The EC meets regularly to review the management and performance of the Bank.

1 Report of Corporate Governance(continued)

Organizational chart



2 The Cash flow statement

CASH FLOWS FROM OPERATING ACTIVITIES	MOP
Profit/(loss) before tax	499,325
Adjustments for:	
Depreciation	5,371,480
Amortisation of premium on securities investments	198,954
Loss on disposal of items of plant and equipment	91,043
Provision for doubtful loans and advances	21,953,178
Foreign exchange gain	472,186
Impairment of items of plant and equipment	-
Impairment of other receivables	-
	28,586,166
Increase in minimum statutory deposits with AMCM	(32,230,097)
Increase in loans and advances	(1,687,098,311)
Decrease in placements with local credit institutions with original maturity beyond three months	94,200,000
Increase in placements with foreign credit institutions with original maturity beyond three months	(138,655,565)
Increase in interest receivables and other assets	(82,286,278)
Increase in deposits on demand	471,033,985
Increase in fixed term deposits	2,206,246,391
Increase in other liabilities	2,124,429
Increase in other payables	24,873,918
	886,794,638
Cash generated from operations	886,794,638
Macao complementary tax paid	-
	886,794,638
CASH FLOWS USED IN INVESTING ACTIVITIES	
Purchases of items of plant and equipment	(22,269,447)
Purchases of debt investments	(352,002,569)
	(374,272,016)
Net cash flows used in investing activities	(374,272,016)
CASH FLOWS FROM FINANCING ACTIVITIES	
Proceeds from issue of shares	1,000,000,000
	1,000,000,000
Net cash flows from financing activities	1,000,000,000

2 The Cash flow statement(continued)

NET INCREASE IN CASH AND CASH EQUIVALENTS	1,512,522,622
Cash and cash equivalents at beginning of year	352,001,931
Effect of foreign exchange rate changes, net	-
CASH AND CASH EQUIVALENTS AT END OF YEAR	1,864,524,553
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS	
Cash	18,242,772
Deposits and clearing balances with AMCM with original maturity at or within three months	127,347,767
Deposits on demand with local credit institutions with original maturity at or within three months	239,771,511
Placements with local credit institutions with original maturity at or within three months	803,735,400
Placements with foreign credit institutions with original maturity at or within three months	714,060,200
Less: Minimum statutory deposits with AMCM	(38,633,097)
Cash and cash equivalents as stated in the statement of cash flows	1,864,524,553

3 Off-balance sheet exposures other than derivative transactions

At 31 December 2018, the Bank had the following contingent liabilities and outstanding commitments:

(a)

<i>Off balance sheet items outstanding (contract amount) at the balance sheet date</i>	
	<i>(in MOP)</i>
Bank guarantees issued	57,001,941
Values held as guarantees	1,146,522,062
Letter of Credit	14,438,395
Undrawn facilities	605,954,826
Values for collection	107,233,197

AMCM requires that general provision be maintained at 1% of the endorsements and performance guarantees on behalf of customers. Specific provisions on contingent credit are made when there is evidence that endorsement and performance guarantees on behalf of customers are not fully recoverable.

(b) *Operating lease commitments*

At 31 December 2018, the Bank had future aggregate minimum lease payments under operating leases as follows (in MOP):

Up to one year	2,070,420
From one year to five years	310,030
	2,380,450

4 Derivatives

As at 31 December 2018, the notional amount of interest-bearing off -balance sheet financial instruments is as follows:

	<i>Notional amount MOP</i>	<i>Credit risk weighted amount MOP</i>
Foreign currency swaps	-	-
Foreign exchange contract	-	-
	<u> </u>	<u> </u>

The notional amounts of these contracts indicate the volume of transactions outstanding and do not represent amounts at risk.

5. Accounting Policies

(a) *Income recognition*

Interest income is recognised in the income statement on an accrual basis, except in the case of doubtful loans and advances where interest is credited to a suspense account that is netted off in the balance sheet against the relevant balances.

Fee and commission income is recognised in the period it is earned. Fees that are charged to cover the costs of a continuing service to, or risk borne for the customer, or are interest in nature, are recognised on a time proportion basis over the relevant period.

(b) *Shares, bonds and other securities*

Ordinary shares are revalued at the lower of acquisition cost or fair market value.

Bonds and other securities have fixed or determinable payments and fixed maturity and the Bank have the positive intention and ability to hold them to maturity. Bond and other securities are included in the balance sheet at the acquisition cost adjusted for the amortisation of premium or discount arising on acquisition. Quoted securities are revalued at the quoted price if lower than the acquisition cost.

5. Accounting Policies (continued)

(c) *Financial investments*

Investment in subsidiary

Subsidiary is a company controlled by the Bank. Control exists when the Bank has the power, directly or indirectly, to govern the financial and operating policies of a company so as to obtain benefits from its activities. Investment in subsidiary are carried at cost less any provision for permanent diminution in value. The result of the subsidiary is accounted for to the extent of dividends received and receivable.

Investment in associate

An associate is a company in which the Bank holds, directly or indirectly, less than 50% but 20% or more of the voting power of the Bank. While the Bank does not exercise control, the investment is of a permanent nature and is held as a result of the Bank's activities being similar or complementary to those of the Bank. Investment in associate is carried at cost less provision. The result of associate is accounted for the extent of dividends received and receivable.

(d) *Loans and advances to customers*

- (i) Loans and advances to customers are subject to general provisions and specific provisions for bad and doubtful debts.
- (ii) All advances on which principal or interest have been overdue for more than three months are classified as non-performing in accordance with the requirements of the AMCM.

Specific provisions are made in accordance with the requirements set out under Notice No. 18/93 issued by AMCM against the difference between the carrying amounts of loans and advances and the recoverable amounts. Recoverable amounts include the estimated cash received from the guarantor or from the disposal of loan collaterals. General provision is maintained at not less than 1% of the aggregate value of loans and advances that are not overdue for more than three months at the date of reporting period. Changes in the provisions are recognised in profit or loss. Where the loans and advances have no reasonable prospect of recovery, the balance is written off. An amount recovered from loans and an advance that has been written off will be recognised as income in profit or loss.

- (iii) Interest income from non-performing loans is no longer accrued but recorded in an off-balance sheet account. An amount subsequently received will first be offset against the principal of outstanding loans and advances. Only when the principal of loans and advances is fully repaid can the amount receive in excess be recognised as interest income.

5. Accounting Policies (continued)

- (iv) In the recovery of non-performing loans, the Bank may take repossession of collateral assets through court proceedings or by the borrowers' voluntary delivery of possession. In order to achieve an orderly realisation, the collateral assets acquired in exchange for advances are reclassified to other accounts. The assets acquired are recorded at the carrying amount of the advances derecognised at the date of exchange. Provision for impairment losses, if necessary, is the difference between the estimated fair value of the assets and the carrying amount of the assets at acquisition.

(e) Equipment and other fixed assets

Equipment and other fixed assets are stated at cost less depreciation. Depreciation is calculated to write off the cost of the fixed assets on a straight-line basis over their estimated useful lives as follows:

- Furniture, fixture and equipment	5 to 10 years
- Computer equipment	4 years
- Motor vehicles	5 years
- Leasehold improvements	6 years
- Computer software	3 to 10 years
- Installation expenditures	3 years

(f) Deferred expenses

Deferred expenses include installation expenditures on the Bank's leasehold properties and computer software acquired and are amortized over three years on a straight-line basis. Unaudited information (continued)

(g) Translation of foreign currencies

Foreign currency transactions during the year are translated into Macau Patacas at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated into Macau Patacas at the foreign exchange rates ruling at the balance sheet date. Exchange gains and losses are recognized in the income statement.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated into Macau Patacas using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

5. Accounting Policies (continued)

(h) *Operating leases*

Where the Bank has the use of assets held under operating leases, payments made under the leases are charged to the income statement in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in the income statement as an integral part of the aggregate net lease payments made. Contingent rentals are charged to the income statement in the accounting period in which they are incurred.

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term except where the property is classified as an investment property.

(i) *Cash and Cash equivalents*

Cash equivalents are short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

(j) *Off balance sheet financial derivatives used for asset and liability management purposes*

The interest arising from the interest rate derivative instruments is recognised in the income statement as the interest income or expense has received or receivable or paid and payable during the period. The gain or loss arising from the settlement and on retranslation of foreign exchange derivative instruments is recognised in profit or loss in the period in which they arise. The financial derivative instruments are recorded off balance sheet.

(k) *Income tax*

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rate enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

5. Accounting Policies (continued)

(l) *Related parties*

For the purposes of these financial information, related parties include:

- (i) Any person or any close family member of that person if that person:
 - (1) has control or joint control over the credit institution;
 - (2) has significant influence over the credit institution; or
 - (3) holds a qualifying holding in the credit institution;
 - (4) is a member of the board of directors or supervisory board of the credit institution or of a parent of the credit institution; or
 - (5) is a member of the key management personnel, other than a member of the board of directors or supervisory board as identified in sub-item (4) above, of the credit institution or of a parent of the credit institution.
- (ii) Any entity if any of the following conditions applies:
 - (1) That entity and the credit institution are members of the same group (e.g. parent, subsidiary and fellow subsidiary).
 - (2) That entity holds a qualifying holding in the credit institution.
 - (3) That entity is an associate or joint venture of the credit institution (or an associate or joint venture of a member of a group of which the credit institution is a member).
 - (4) The credit institution is an associate or joint venture of that entity (or an associate or joint venture of a member of a group of which that entity is a member).
 - (5) That entity and the credit institution are both joint ventures of the same third party.
 - (6) That entity is a joint venture of a third entity and the credit institution is an associate of that third entity.
 - (7) The credit institution is a joint venture of a third entity and that entity is an associate of that third entity.
 - (8) That entity is controlled or jointly controlled by a person identified in (i).

5. Accounting Policies (continued)

- (9) A person identified in (i)(1) has significant influence over that entity or is a member of the key management personnel of that entity (or of a parent of that entity).
- (10) A person identified in (i)(4) is a member of the key management personnel of that entity (or of a parent of that entity).

6. Related party transactions

(a) Policy for lending to related parties

A number of transactions are entered into with related parties in the normal course of business. These include deposits and foreign currency transactions. These transactions were carried out on commercial terms and conditions and at market rates.

The Bank's lending policy to related parties are as follows:

- (i) The Bank shall not incur an exposure to any person, individual or corporate, which holds, directly or indirectly, a qualifying holding in it, or to companies in which this person has direct or indirect control, which at any time in the aggregate exceeds 20% of its own funds;
- (ii) The aggregate exposure of all holders of qualifying holdings and companies referred to in (i) may not exceed at any time, 40% of the Bank's own funds;
- (iii) The operations referred to in (i) and (ii) require approval from all the members of the Board of Directors and a favourable opinion from the Supervisory board, and the respective terms shall be notified to AMCM within ten (10) days counted from the date of the respective approval;
- (iv) The Bank shall not incur any exposure in the following cases and above the following limits:
 - (1) against the security of its own shares;
 - (2) to the members of the Board of Directors and Supervisory board, their spouses so long as they are not judicially separated or married under the regime of separate property, children, parents, step-children, step-parents, sons-in-law, daughters-in-law, parents-in-law or companies under their control or to which Board of Directors or Supervisory board they belong, to an aggregate amount exceeding 10% of own funds;

6. Related party transactions (continued)

- (3) to each of the entities mentioned in (2), to an amount exceeding 1% of own funds; and,
- (4) to each employee, for an amount which exceeds his or her total net annual income.
- (v) The exposure referred to in above (iv) (2) and (iv) (4) may exceed the limits set therein when the credit is intended for home purchase by the respective beneficiary, collateralized by a real guarantee which has been evaluated by an independent value and registered in the name of the Bank.

The volume of related party transactions, outstanding balances at the year-end and related income and expense for the year are as follows:

(b) *Transactions with key management personnel*

Key management personnel of the Bank

In addition to the transactions and balances disclosed elsewhere in these financial information, the Bank provided commercial banking services to key management personnel of the Bank. The commercial banking services were provided in the ordinary course of business and on substantially the same terms as for comparable transactions with persons of a similar standing or, where applicable, with other employees.

(c) *Transactions with group companies*

During the year, the Bank entered into transactions with related parties in the normal course of its banking business including lending, acceptance and placement of inter-bank deposits, correspondent banking transactions and guarantees issued. The transactions were priced at the relevant market rates at the time of each transaction.

<i>The amount of related party transactions during the year is set out below</i>	<i>(in MOP)</i>
Interest income	3,295,927
Interest expense	(6,100)

6 Related party transactions (continued)

The outstanding amounts of related party transactions as at the end of the reporting period are set out below (in MOP)

Assets:

Placements with foreign credit institutions	-
Current Accounts	-
Loans Granted	92,700,000
Sundry Debtors	-
Deposits on demand with foreign credit institutions	-
Interest receivables	395,880

Liabilities:

Fixed term deposits	-
Fixed customers deposits	-
Deposits on demand	21,224,224
Interest payables	100

7 Capital

(a) *Share capital*

Authorised, issued and fully paid (in MOP):

1,200,000 shares of MOP1,000 each	<u>1,200,000,000</u>
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(b) *Capital management*

The Bank's policy is to maintain a strong capital base to support the development of the business and to meet the AMCM's statutory capital requirement. In addition to meeting the requirements of AMCM, 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 to shareholders. This is achieved by allocating capital to various business areas and business units on the basis of specific risk profiles and by a constant measurement and monitoring of the performance. Capital and its allocation are therefore extremely important for the strategy, since capital is the object of the return expected by investors on their investment in the Bank, and also because it is a resource that has to comply with regulatory provisions.

The Bank's approach for the calculation of regulatory capital and capital charges (credit risk, market risk and operational risk) are in accordance with the AMCM rule. The Bank has an internal capital assessment process to ensure sufficient capital is available to absorb both regulatory capital requirements and any additional material risks inherent in the Bank's present and future business activities. Adjustments are made to the capital structure in light of changes in economic conditions affecting the Bank, to the extent that these do not conflict with the directors' fiduciary duties towards the Bank.

Capital is managed dynamically and the Bank prepares the financial plan, monitors capital ratios for regulatory purposes on a monthly basis and anticipates the appropriate steps required to achieve its goals. As the Bank is part of a larger group, the Bank's sources of additional capital and policies for distribution of excess capital may also be affected by the group's capital management objectives.

7 Capital (continued)

(b) Capital management (continued)

The Bank's capital structure is regularly reviewed and managed with due regard to the capital management practices of the group to which the Bank belongs.

(i) Own funds

The Bank's own fund as of 31 December 2018 amounted to MOP 1362.3 million. The value of own funds is the sum of core capital and supplementary capital less the amounts subject to deductions (if there were any).

<i>Component of own fund is as follows</i>	<i>(in MOP)</i>
Share capital	1,200,000,000
Legal reserve	56,989,653
Other reserve	112,873
Retained earnings	82,299,568
Profit for the year	499,325
Total core capital	1,339,901,419
General provision	
Total supplementary capital	22,400,000
Total amount of own funds	1,362,301,419

7 Capital (continued)

(b) Capital management (continued)

(i) Own funds (continued)

The Bank's core capital consists of the following:

- Paid-up share capital pertains to 1,200,000 equity shares of authorised, issued and fully paid shares. The Bank does not have any other capital instruments except for these equity shares as qualifying capital.
- Legal reserve is a non-distributable reserve set aside from profit each year in accordance with FSA which provides that an amount of not less than 20 % of the profit after taxation be set aside each following year until the reserve reaches 50 % of the Bank's issued share capital and thereafter 10 % of the profit after taxation be set aside each year until the reserve is equal to the Bank's issued share capital.
- Other reserve pertains to the one-time transfer of retained profits in the prior year.
- Retained earnings are the accumulated undistributed profits, net of legal reserves set aside in accordance with FSA. Profit for the year pertains to the income earned for the period.

The Bank's supplementary capital represents the statutory reserves on general provision calculated in accordance with AMCM rules (see Note 5 d (ii)).

(ii) Capital Adequacy Ratio

As of 31 December 2018, the Bank has maintained a Capital Adequacy Ratio of 43.89% against AMCM minimum regulatory requirement of 8%. The Capital Adequacy Ratio is calculated with the Bank's own fund expressed as a percentage of the sum of its "credit risk-weighted assets", "market risk-weighted exposures" and "operational risk-weighted exposures". The capital solvency ratio is calculated in accordance with Notice no. 011/2015-AMCM.

8 Credit risk management

Credit risk is the risk of financial loss to the Bank when the counterparty fails to meet the contractual obligations, and arises principally from the Bank's loans and advances to customers and investments in debt securities and liquid securities. The Bank has a credit policy in place and the exposure to these credit risks are monitored on an ongoing basis.

In respect of loans and advances to customers, individual credit evaluations are performed on all customers requiring credit. These evaluations focus on the customer's past history of making payments and current ability to pay, taking into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Normally, the Bank obtains collateral from customers.

Loans and advances to customers on which principal or interest have been overdue are classified as past due in accordance with the requirement set-out under Notice no. 18/93-AMCM. Past due accounts are further classified into groups based on the number of days past due as follows:

- Group I - up to 3 months;
- Group II - over 3 months and less than or equal to 12 months;
- Group III- over 12 months and less than or equal to 18 months;
- Group IV- over 18 months.

Loans and advances to customers are subject to general provisions and specific provisions for bad and doubtful debts in accordance with Notice no. 18/93-AMCM as follows:

- (i) At the end of each quarter, a minimum specific provision shall be set up for past due accounts, based on their respective balances net of the realizable value of any existing and duly formalized tangible collateral, under Group II, Group III and Group IV at 40%, 80% and 100%, respectively.
- (ii) General provision is maintained at not less than 1% of the aggregate value of loans and advances that are not overdue for more than three months at the date of reporting period.

8 Credit risk management (continued)

Changes in the provisions are recognized in profit or loss. Where the loans and advances have no reasonable prospect of recovery, the balance is written off. An amount recovered from loans and advances that have been previously written off will be recognized as income in profit or loss.

As of 31 December 2018, loans and advances to customers are not overdue. A general provision was amounted to MOP 22.4 million, which meets the minimum reserve requirement by AMCM.

Investment in debt securities and liquid securities are quoted in a recognised stock exchange and with counterparties that have high credit ratings. Furthermore, transactions involving derivative financial instruments are with counterparties of sound credit standing. Given their high credit standing, management does not expect any investment counterparty to fail to meet its obligations, thus, no impairment loss is recognized as of 31 December 2018.

8 Credit risk management (continued)

(a) Geographical analysis of loans and advances to customers

<i>Region</i>	<i>Gross loans and advances to customers MOP</i>	<i>Overdue loans and advances (more than 3 months) MOP</i>
Macau SAR	211,195,754	-
Hong Kong	1,268,730,934	-
Cayman Islands	80,892,634	-
China, People's Republic	395,794,051	-
Taiwan	1,600,000	-
Virgin Islands	92,700,000	-
Others	206,818	-
Total	2,051,120,191	-

8 Credit risk management (continued)

The geographical analysis is classified by 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.

(b) *Geographical analysis of investments in debt and other securities*

<i>Region</i>	<i>Gross Investments MOP</i>
Hong Kong SAR	225,989,236
Of which:	
– Banks	104,993,236
– Government/Public sectors	-
– Others	120,996,000
United Kingdom	13,875,513
Of which:	
– Banks	13,875,513
– Government/Public sectors	-
– Others	-
Netherlands	13,875,514
Of which:	
– Banks	-
– Government/Public sectors	-
– Others	13,875,514
China	104,545,496
Of which:	
– Banks	104,545,496
– Government/Public sectors	-
– Others	-
Macau SAR	20,600,000
Of which:	
– Banks	-
– Government/Public sectors	-
– Others	20,600,000

Total	<u>378,885,759</u>
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8 Credit risk management (continued)

(c) *Industry distribution of exposures*

The following information concerning the further analysis of loans and advances to customers by industry sectors is prepared by classifying the advances according to the usage of the advances in respect of industry sectors.

	<i>Gross loans and advances to customers (MOP)</i>	<i>Overdue loans and advance (more than 3 months) (MOP)</i>
Wholesale and retail business	72,355,768	-
Financial Investment	144,715,000	-
Manufacturing	138,128,472	-
commercial banks	35,613,711	-
Construction and public works	2,000,000	-
Trading	241,155,061	-
Restaurants, hotels, etc	5,987,936	-
Rental and business services	134,665,585	-
For other personal use	1,276,498,658	-
	<u>2,051,120,191</u>	-

8 Credit risk management (continued)

(d) Analysis of assets and liabilities by remaining maturity

The following maturity profile is based on the remaining period as at 31 December 2018 to the contractual maturity date:

	<i>Maturity date of financial instruments</i>						<i>Total</i>
	<i>On demand</i>	<i>Less than 3 months</i>	<i>3 to 6 months</i>	<i>6 to 12 months</i>	<i>1 to 5 years</i>	<i>More than 5 years</i>	
	MOP	MOP	MOP	MOP	MOP	MOP	MOP
Assets							
Cash and balances with and loans and advances to banks	385,362,050	1,715,578,165	1,173,000	-	-	-	2,102,113,215
Investment in debt instruments	-	-	-	-	-	378,885,759	378,885,759
Loans and advances to customers	104,291,332	1,057,927,552	514,912,192	172,664,314	148,115,415	30,809,386	2,028,720,191
Interest receivables	634,963	32,975,924	9,666,967	3,874,676	-	-	47,152,530
Other assets	31,406,450	2,580,566	822,415	1,228,465	481,300	1,215,400	37,734,596
Total financial assets	<u>521,694,795</u>	<u>2,809,062,207</u>	<u>526,574,574</u>	<u>177,767,455</u>	<u>148,596,715</u>	<u>410,910,545</u>	<u>4,594,606,291</u>

8 Credit risk management (continued)

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

	<i>Maturity date of financial instruments</i>						<i>Total MOP</i>
	<i>On demand MOP</i>	<i>Less than 3 months MOP</i>	<i>3 to 6 months MOP</i>	<i>6 to 12 months MOP</i>	<i>1 to 5 years MOP</i>	<i>More than 5 years MOP</i>	
Liabilities							
Deposits on demand	531,239,897	-	-	-	-	-	531,239,897
Fixed term deposits	409,276	1,419,076,267	517,515,197	551,826,948	239,794,799	130,000	2,728,752,487
Interest payables	44,040	12,496,648	5,937,033	5,129,045	6,728,369	346	30,335,481
Other liabilities	521,988	7,483,736	51,500	-	-	2,083,839	10,141,063
Total financial liabilities	<u>532,215,201</u>	<u>1,439,056,651</u>	<u>523,503,730</u>	<u>556,955,993</u>	<u>246,523,168</u>	<u>2,214,185</u>	<u>3,300,468,928</u>
Net liquidity gap	<u>(10,520,406)</u>	<u>1,370,005,556</u>	<u>3,070,844</u>	<u>(379,188,538)</u>	<u>(97,926,453)</u>	<u>408,696,360</u>	<u>1,294,137,363</u>

(f) Analysis of past due assets

As of 31 December 2018, there was no overdue loans and advances (more than 3 months).

9 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, equity and commodity prices and the resulting change in the profit or loss or reserves of the Bank.

The Bank is exposed to market risk through its holdings of foreign currency denominated financial assets and liabilities, interest bearing financial instruments and equity financial instruments. The principal risk exposure of the Bank is from the fluctuation in the future cash flows or fair value of financial instruments due to the change in market interest rate and foreign exchange rate.

The EC reviews and approves the policies for the management of market risk. It has 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 EC and reviewed on a periodic basis with reference to market conditions. It is the Bank's policy that no limit should be exceeded. Treasury department has been delegated the responsibility on risk measurement and monitoring of market risk.

The Bank enters into financial derivative transactions for the management of assets and liabilities. The Bank uses interest rate swaps to manage mismatches in the interest rate of assets and liabilities. For assets and liabilities denominated in foreign currencies, the Bank will be exposed to risks due to the fluctuations of exchange rates. The Bank will use currency swaps and forward contract to mitigate these risks.

As of 31 December 2018, the Bank's market risk is primarily from foreign exchange swap transactions. There were no outstanding interest rate swaps as of balance sheet date.

The capital charge for market risk calculated in accordance with Notice no. 011/2015-AMCM guidelines as follows:

	<i>MOP In '000'</i>
Capital charge on foreign exchange Exposure/Total capital charge for market risk	519
Market Risk Exposure	519

10 Interest rate risk

The Bank's interest rate risk arises primarily from loans and advances to customers, deposits and placements, investment in debt securities and borrowings.

Fluctuations in market interest rates affect the Bank's net interest margin by altering the amount of income and costs associated to interest rate products and the value of the underlying assets, liabilities and off-balance sheet items.

The Bank interest rate risk exposure is calculated on the basis of classifying all interest rate sensitive assets, liabilities and off-balance sheet items based on their respective re-pricing schedule. It is assumed that there were no loan prepayments and the non-maturity deposits are fully retained and repriced on the next day. This model is similar to the duration model, using a stress testing scenario corresponding to a parallel shift of 200 basis points in the yield curve for all interest rate levels.

Interest rate risk is re-measured on a monthly basis, or when there is a change in the market condition.

Sensitivity analysis

The following table indicates the instantaneous change in the Bank's economic values of own funds that would arise if interest rates to which the Bank has significant exposure at the balance sheet date had changed at that date, assuming all other risk variables remained constant. Actual changes in the Bank's economic values of own funds resulting from the change in interest rates may differ from the result of the sensitivity analysis.

As of 31 December 2018, interest rate risk weighted position on all currencies, measured as its impact in the economic values of own funds as follows:

	<i>MOP</i> <i>In '000'</i>
MOP	(4,495)
HKD	3,442
USD	83,692

11 Operational risk management

Operational risks arise from the Bank's daily operation and fiduciary activities. The Bank's compliance department play an essential role in monitoring and limiting the Bank's operational risk. The primary focus of compliance departments is to ensure adherence to the operating guidelines, including regulatory and legal requirements and to pro-actively recommend improvements.

The Bank manages operational risk by identifying, assessing, monitoring, controlling and mitigating the risk, rectifying operational risk events, and implementing any additional procedures required for compliance with local regulatory requirements.

12 Foreign exchange risk

The Bank's functional currency is Macau Patacas ("MOP"). The Bank is exposed to currency risk primarily arising from financial instruments that are denominated in United States dollars ("USD") and other major currencies.

As the MOP is pegged to HKD and the HKD is pegged to the USD, the Bank considers the risk of movements in exchange rates between these currencies to be insignificant.

In respect of balances denominated in foreign currencies other than MOP, USD and HKD, the associated assets are matched to the corresponding liabilities denominated in the same currency. Therefore, the effect of foreign exchange fluctuation is minimized.

The following table indicates the concentration of currency risk as of 31 December 2018:

<i>(In thousand of MOP equivalent)</i>							
	<i>HKD</i>	<i>CAD</i>	<i>CNY</i>	<i>EUR</i>	<i>GBP</i>	<i>USD</i>	<i>OTHERS</i>
Spot as-sets	1,110,680	46	(482)	(37)	21	140,885	137
Spot liabilities	-	-	-	-	-	-	-
Forward sales	-	-	-	-	-	-	-
Net long (short) position	1,110,680	46	(482)	(37)	21	140,885	137

13 Liquidity risk

Liquidity risk is the risk that the Bank will encounter difficulty in meeting obligations associated with its financial liabilities.

The Bank's liquidity is managed day-to-day by the Treasury department. The EC of the Bank has the ultimate responsibility for the prudent management of liquidity risk and decision on the structure of the liquidity management. The EC approves the liquidity risk tolerance by defining the level of liquidity risk that the Bank is willing to assume. A liquidity risk strategy is developed and this will be expressed as various high-level quantitative and qualitative targets taking into account the Bank's liquidity needs under both normal and stressful conditions.

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.

(a) *Average liquidity*

(i)

<i>Average weekly liquidity for the year</i>	<i>MOP</i>
	<i>In '000'</i>
Minimum weekly cash in hand	36,492
Average weekly cash in hand	113,774

The average weekly liquidity is computed as the product of specified assets and liabilities by proportion designated in accordance with AMCM's requirements, as reported in the weekly return submitted to AMCM.

(ii)

<i>Liquidity ratio for the year</i>	<i>In Percentage</i>
1 month current ratio	196.5%
3 months current ratio	193.0%

The liquidity ratio is computed as the simple average of the percentage of specified assets to liabilities in the last week of each calendar month in accordance with AMCM's requirement, as reported in the monthly return submitted to AMCM.

13 Liquidity risk (continued)

<i>(a) Average solvency assets</i>	<i>MOP</i> <i>In '000'</i>
Average specified liquid assets	1,899,057
Average total basic liabilities	2,145,398
Ratio of specified liquid assets to basic liabilities	88.5%

The average ratio of solvency assets to underlying liabilities is computed as the simple average of each calendar month's average ratio in accordance with AMCM's requirement, as reported in the monthly return submitted to AMCM.



Independent Auditor's Report on the Summary Financial Information

To the shareholders of Banco Well Link, S.A. (Incorporated in Macao with limited liability by shares)

We have audited the financial statements of Banco Well Link, S.A. for 2018 in accordance with Auditing Standards and Technical Auditing Standards of the Macao Special Administrative Region. In our auditor's report dated 28 March 2019, we expressed an unmodified opinion on these financial statements.

The audited financial statements referred to above comprise the statement of financial position as at 31 December 2018, and the statement of profit or loss, the statement of changes in equity and the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

The accompanying summary financial statements prepared by the management is a summary of the audited financial statements. In our opinion, the summary financial information is consistent, in all material respects, with the audited financial statements.

For a better understanding of the financial position and financial performance of Banco Well Link, S.A. and the scope of our audit, the summary financial information should be read in conjunction with the audited financial statements and our independent auditor's report.

Bao, King To
Registered Auditor
Ernst & Young

Macao
28 March 2019