



NOVO BANCO ASIA, S.A.

Annual Disclosure
for the year ended 31 December 2016

NOVO BANCO ÁSIA, S.A.
Balance sheet as at 31 December 2016
(Expressed in Macau Patacas)

ASSETS	GROSS ASSETS	PROVISION DEPRECIATION AND AMORTIZATION	NET ASSETS
CASH	118,406.31	-	118,406.31
DEPOSIT WITH AMCM	14,038,730.08	-	14,038,730.08
VALUES FOR COLLECTION	465,264.10	-	465,264.10
DEPOSIT ON DEMAND WITH LOCAL CREDIT INSTITUTIONS	4,012,452.39	-	4,012,452.39
DEPOSIT ON DEMAND WITH FOREIGN CREDIT INSTITUTIONS	14,794,394.34	-	14,794,394.34
OTHER VALUES	95,080.74	-	95,080.74
LOANS AND ADVANCES	354,878,975.78	1,210,000.00	353,668,975.78
PLACEMENTS WITH LOCAL CREDIT INSTITUTIONS	-	-	-
DEPOSIT AT CALL AND AT TERM ABROAD	500,286,750.00	-	500,286,750.00
SHARES, BONDS AND OTHER SECURITIES	31,950,800.00	-	31,950,800.00
DEBTORS	1,918,602.91	-	1,918,602.91
OTHER APPLICATIONS	-	-	-
INVESTMENTS	100,000.00	-	100,000.00
EQUIPMENTS	3,341,593.70	2,177,141.47	1,164,452.23
DEFERRED EXPENDITURES	27,219,634.82	8,007,000.33	19,212,634.49
INSTALLATION EXPENDITURES	9,346,112.60	5,619,483.81	3,726,628.79
CONSTRUCTIONS IN PROGRESS	2,465,132.80	-	2,465,132.80
INTERNAL ACCOUNTS	3,459,069.97	-	3,459,069.97
TOTAL	968,491,000.54	17,013,625.61	951,477,374.93

Balance sheet as at 31 December 2016 (continued)
 (Expressed in Macau Patacas)

PASSIVO	SUB-TOTAIS	TOTAL
DEPOSITS ON DEMAND	50,869,555.09	
FIXED TERM DEPOSITS	462,291,016.10	
PUBLIC SECTOR DEPOSITS	-	513,160,571.19
BORROWING FROM LOCAL CREDIT INSTITUTIONS	-	
FOREIGN CURRENCY LOANS	36,054,489.57	
CHEQUES AND PAYMENT ORDERS	73,844.03	
CREDITORS	823,679.80	
OTHER LIABILITIES	168,353.00	37,120,366.40
INTERNAL ACCOUNT		11,182,376.72
PROVISION FOR OTHER RISKS AND CHARGES		4,690,720.00
CAPITAL	200,000,000.00	
LEGAL RESERVE	56,762,954.15	
OTHER RESERVES	112,873.04	256,875,827.19
RESULTS CARRIED FORWARD	127,314,018.52	
PROFIT FOR THE YEAR	1,133,494.91	128,447,513.43
TOTAL		951,477,374.93

Balance sheet as at 31 December 2016 (continued)
(Expressed in Macau Patacas)

MEMORANDUM ITEMS	AMOUNT
VALUES HELD IN DEPOSIT	-
VALUES HELD FOR COLLECTION	17,204,001.06
VALUES HELD AS GUARANTEE	1,215,231,969.39
BANK GUARANTEES	87,627,976.63
LETTER OF CREDIT ISSUED	10,324,001.27
ACCEPTANCES OUTSTANDING	-
FORWARDS PURCHASE	-
FORWARDS SALES	-
OTHER MEMORANDUM ITEMS	774,330,122.87

NOVO BANCO ÁSIA, S.A.
Operating Profit and Loss Account
For the year ended 31 December 2016
(Expressed in Macau Patacas)

DEBIT	AMOUNT	CREDIT	AMOUNT
INTEREST EXPENSES	10,378,764.14	INTEREST INCOME	31,814,461.26
STAFF COSTS:		BANKING SERVICE INCOME	960,791.86
MANAGEMENT REMUNERATION	6,636,413.66	OTHER BANKING SERVICES INCOME	6,288,794.14
EMPLOYEES REMUNERATION	8,009,454.56	SECURITIES AND FINANCIAL INVESTMENT INCOME	4,551,408.20
SPECIAL EXPENSES	705,071.22	OTHER BANKING INCOME	42,036.00
OTHER STAFF COSTS	267,705.00	OPERATING LOSS	1,201,885.09
THIRD PARTY SUPPLIES	220,231.31		
THIRD PARTY SERVICES	11,516,581.68		
OTHER BANKING EXPENSES	651,355.73		
INDUSTRIAL AND OTHER TAXES	142,470.00		
OTHER EXPENSES	150,223.00		
DEPRECIATION AND AMORTIZATION	4,971,106.25		
PROVISIONS FOR OTHER RISKS AND CHARGES	1,210,000.00		
OPERATING PROFIT	-		
TOTAL	44,859,376.55	TOTAL	44,859,376.55

NOVO BANCO ÁSIA, S.A.
 Profit and Loss Account
 For the year ended 31 December 2016
 (Expressed in Macau Patacas)

DEBIT	AMOUNT	CREDIT	AMOUNT
OPERATING LOSS	1,201,885.09	OPERATING PROFIT	-
PRIOR YEAR LOSS	-	PROFIT YEAR GAIN	2,585,580.00
EXCEPTIONAL LOSS	-	EXCEPTIONAL PROFIT	-
COMPLEMENTARY (CORPORATE) INCOME TAX	250,200.00	PROVISIONS UTILISED	-
NET PROFIT	1,133,494.91	NET LOSS	-
TOTAL	2,585,580.00	TOTAL	2,585,580.00

Member of Executive Committee

Paulo Jorge Fernandes Franco

Chief Executive Officer

José Manuel Trindade Morgado

Macau, 26 April 2017

The Background of Novo Banco Ásia

Novo Banco Ásia, S.A., formerly known as Banco Espírito Santo do Oriente, 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&E-F", Macao. The principal activities of the Bank are the provisions of banking, financial and other related services.

Before year 2014, the holding company of the Bank was Banco Espírito Santo, S.A., a bank incorporated in Lisbon, Portugal. In year 2014, due to the transfer of the assets from Banco Espírito Santo, S.A. to Novo Banco, S.A. (NBSA), a bank incorporated in Lisbon, Portugal, NBSA has become the holding company of the Bank. The Directors of the Bank regard that NBSA is the ultimate holding company of the Bank and Fundo de Resolução, the resolution fund created in Portugal, is the ultimate beneficiary owner of NBSA.

These financial statements have been approved for issue by the Board of Directors on 26 April 2017, it was resolved that Mr. José Morgado and Mr. Paulo Franco will represent the Board to sign the financial statements.

Summary of the Report of the Board of Directors 2016

International Macroeconomic Environment

The beginning of 2016 was marked by a period of instability and risk aversion in the financial markets, especially in relation to the oil price drop and the signs of economic slowdown in China, which in this particular case have led to capital flight from the Chinese economy and a devaluation of the renminbi. The price drops observed in oil and the Chinese currency have generated global deflationary pressures. These concerns toned down during the first semester with the rebound of crude oil prices and stabilization signs from China's growth.

However, the financial instability and risk aversion increased again at the end of the first semester with the United Kingdom's decision, in June, to abandon the EU. After a strongly negative initial reaction, the financial markets stabilized, but the expected continuation of low interest rates for a prolonged period of time was reinforced, with the main central banks accentuating or maintaining strongly expansionistic stances in monetary policy. Between January and June, treasury and 10-year bond yields went from 2.27% to 1.47% and from 0.629% to -0.13%, respectively. In the same time period, the 3-month Euribor rate went from -0.131% to -0.286%.

The second half of the year brought a change in the economic climate and the financial markets. The adoption of expansionistic budget and monetary policies gradually expressed itself in a recovery or stabilization of demand in the main economic regions, including the USA, Europe and China. In turn, the increase in oil price made it possible for industrial activity to recover, especially in the extraction industry in the USA, as well as improvement in the terms of exchange and growth perspectives of emerging economies which export raw materials. With the increase in oil prices and the recovery in the labor market in the main developed economies, in particular the USA, deflationary pressures lowered. This situation was reinforced by the USA presidential elections in November, with the expectation of strong budget stimuli, protectionist policies and strong deregulation being announced by the new administration, in an economy that is already close to its productive capacity.

In the whole of 2016, the dollar increased in value by 3% against the euro. The main stock indexes recorded gains in 2016, benefiting from the combination of expansionist monetary policies and the recovery of economic activity and corporate earnings. Although, with periods of political uncertainty and financial instability, 2016 was marked by relative stability in terms of global economic growth, which only marginally slowed down, from 3.2% to 3.1%. As a whole, developed economies showed a more visible slowdown, from 2.1% to 1.6%, partially compensated by the more stable performance from emerging markets, which grew 4.1%. Despite the slight slowdown in China, from 6.9% to 6.7%, emerging economies as a whole benefited from the improvement in activity in commodity exporting economies and the lowering of economic recessions in countries like Brazil and Russia.

In the USA, GDP grew by 1.6% in 2016 after a recorded 2.6% in 2015. After a start to the year with slow growth, economic activity gained strength gradually, especially backed by private consumption but also with a recovery of investment at the end of the year. In this context, annual inflation went up from a minimum of 0.8% in July to 2.1% in December and the Federal Reserve increased the main reference interest rate by 25bps, to an interval between 0.5% and 0.75%, in the final month of the year.

The Eurozone economy grew 1.7% in 2016, a slowdown compared with a recorded 2% in 2015, but above expectations and with activity showing signs of resilience in the face of political uncertainty. The improvement in financing conditions provided by the European Central Bank's monetary stimuli resulted in a recovery of credit growth, despite the concerns with the financial system in some economies of the region. The 3-month Euribor kept its downtrend, reaching -0.319 in December.

Macao

In 2016, the economy of Macao showed clear signs of recovery, especially in the second half of the year, having recorded an annual GDP growth of 4.4% and 7% in the third and fourth quarters of the year, respectively, something which had not occurred since 2014.

However, overall, the economy slowed down 2.1% in 2016, which was still a clear improvement over 2015, when it contracted by 21.5%.

This improvement is explained above all by the increase in exports of services related to the gaming and tourism sector.

The new Hotels and Resorts, which were inaugurated throughout the year, made it possible for the number of visitors to increase in 2016 to 31 million (+0.8% against the previous year), with the particular instance of one-night visitors recording an annual increase of 9.8%.

The inflation rate went down from the 4.56% recorded in 2015 to 2.37%, and the unemployment rate remained stable at almost full employment, recording 1.9% at the end of 2016.

Activity and Results

The presence in the Macao Special Administrative Region (MSAR), ensured by Novo Banco Ásia (NBA), a subsidiary of Novo Banco Group, is based on supporting its clients' business activity in the region and also in the provision of services and funding origination focusing on institutional, corporate, and private banking segments. It is simultaneously intended to seize business opportunities based on the central government of the People's Republic of China's initiative, which has elected Macao as an economic cooperation platform with Portuguese-speaking Countries.

Similarly to what happened in 2015, the NBA's activity in 2016 developed in a complex and adverse context, stemming from the Resolution of BES Group in August 2014.

The sale process of Novo Banco in Portugal, initially suspended in September of 2015, was resumed in 2016. At the same time, Novo Banco Ásia has been the target of a separate sale process, which has been ongoing since the second semester of 2016.

These two sale processes, although separate and running simultaneously for a large part of 2016 have impacted the general strategy of Novo Banco Group and of the NBA in particular.

Beside the focus given to the sale process itself, Novo Banco Ásia proceeded with the effort of operating cost reduction and maintaining its financial autonomy in 2016, mainly by securing new Corporate Client deposits and consolidating the Bank's image, in accordance with the Group's strategy.

The Corporate Banking and Trade Finance business, associated to local businesses and commercial flows between China, Portugal and Portuguese-speaking Countries, where Novo Banco Group is present, have remained important pillars of NBA activity, although the credit granting dynamic has been greatly limited, especially because of the context of the Group.

Novo Banco Ásia, S.A.

In 2016, Novo Banco Ásia had the following developments in its key management indicators: assets have gone down by 11.1% to 951.5 million MOP, the banking product has shown a drop of 21.2%, amounting to 28 million MOP, and the income for the year was 1.13 million MOP, a decrease of 73.5% compared with 2015.

These developments in the Bank's key management indicators were mainly affected by a reduction in the Credit Portfolio which led to a drop in asset related income and an increase in deposit interest stemming from the need of funding origination, which together led to a negative operating income.

It is also worth mentioning the strong impact of amortizations stemming from investments made in 2014, under NBA strategic development plan, which turned out not to have the expected income generation return, due to the suspension of the same plan under the Resolution of Banco Espírito Santo. Regarding Operating costs, NBA maintained its effort to reduce staffing and third-parties services costs, resulting in a reduction of 10.9% and 30%, respectively, when compared with 2015. Human resources were kept at minimum levels, still ensuring the regular operation of the Bank.

The Bank's activity in 2016 was conducted with the goal of maintaining a stable Balance Sheet situation, in line with the current commercial activity, but also keeping in mind NBA's ongoing sale process.

Proposed Application of Results

In accordance with Macau's law and the Bank's articles of association, the Board of Directors proposes to the General Meeting, that income for the year ended December 31st of 2016, amounting to MOP 1,133,494.91 (one million, one hundred and thirty three thousand, four hundred and ninety four MOP and ninety one cents), to be applied as follows:

To Legal Reserve (a): MOP 226,698.98

To Retained Earnings: MOP 906,795.93

(a) Corresponding to 20% of Net Income according to applicable legislation.

Macao, April 26 of 2017

The Board of Directors

The Report from the Supervisory Board

Dear Shareholders,

Pursuant to the applicable legal and statutory provision, the Supervisory Board hereby submits its activity report and opinion on the Board of Directors' Report and Accounts of **NOVO BANCO ÁSIA, S.A.**, for the Financial Year ended 31 December 2016.

The Board of Directors' Report outlines in a clear manner the economic situation and progress of the Bank's activity during the 2016 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 Summary of Management Report gives a fair view of the Bank's activity and the Accounts comply with the law and statutory provision.

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

1. The Summary of Management Report, the Balance Sheet and the Profit and Loss Account should be approved; and,
2. The proposal relating to the appropriation of profits should be approved.

The Supervisory Board
Macau, 26 April 2017

Governing Bodies

Board of the General Meeting

Maria de Lourdes Nunes Mendes da Costa (Chairman)
Rui Luís Cabral de Sousa (Secretary)

Board of Directors

Vitor Manuel Lopes Fernandes
Rui Manuel Fernandes Pires Guerra
José Manuel Trindade Morgado
Carlos José Nascimento Magalhães Freire (resigned on 22.1.2016)
Paulo Jorge Fernandes Franco
Paulo Jorge Carrageta Ferreira
Sio Chi Wai

Executive Committee

José Manuel Trindade Morgado (Chief Executive Officer or ðCEOö)
Carlos José Nascimento Magalhães Freire (Deputy CEO - resigned on 22.1.2016)
Paulo Jorge Fernandes Franco

Supervisory Board

Joaquim Jorge Perestrelo Neto Valente
José Manuel Macedo Pereira
Vitor Tang Chon In

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

Europ Assistance (Macau) ó Serviços de Assistência Personalizados, Lda.	25%
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Substantial shareholder of the Bank

	<i>Ordinary shares of MOP1,000 each</i>	
	<i>Total number of ordinary shares held</i>	<i>% of total issued shares</i>
NOVO BANCO, S.A.	200,000	100%

1 Report of Corporate Governance

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

Board of the General Meeting

Maria de Lourdes Nunes Mendes da Costa (Chairman)

Rui Luís Cabral de Sousa (Secretary)

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

Vitor Manuel Lopes Fernandes

Rui Manuel Fernandes Pires Guerra

José Manuel Trindade Morgado

Carlos José Nascimento Magalhães Freire (resigned on 22.1.2016)

Paulo Jorge Fernandes Franco

Paulo Jorge Carrageta Ferreira

Sio Chi Wai

Executive Committee

José Manuel Trindade Morgado (Chief Executive Officer or "CEO")

Carlos José Nascimento Magalhães Freire (Deputy CEO - resigned on 22.1.2016)

Paulo Jorge Fernandes Franco

Supervisory Board

Joaquim Jorge Perestrelo Neto Valente

José Manuel Macedo Pereira

Vitor Tang Chon In

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 an uneven number of members, in number not less than three nor more than eleven. The Board main responsibilities, among others, are as follows:

1 Report of Corporate Governance (Continued)

Board of directors (continued)

- 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;
- 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

Joaquim Jorge Perestrelo Neto Valente
José Manuel Macedo Pereira
Vitor Tang Chon In

Supervisory board

The Supervisory board comprises of three (3) independent directors, 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.

1 Report of Corporate Governance (Continued)

Executive committee

The Board of Directors, through its Executive Committee (øECö), 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 Bankø normal banking and related business activities.

Establishing and maintaining an adequate and effective internal control system implies not only defining the systemø underlying principles and objectives, which must be incorporated into the Bankø 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 Bankø 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. The EC comprises of a CEO and two additional members.

The members of the EC are as follows:

Executive Committee

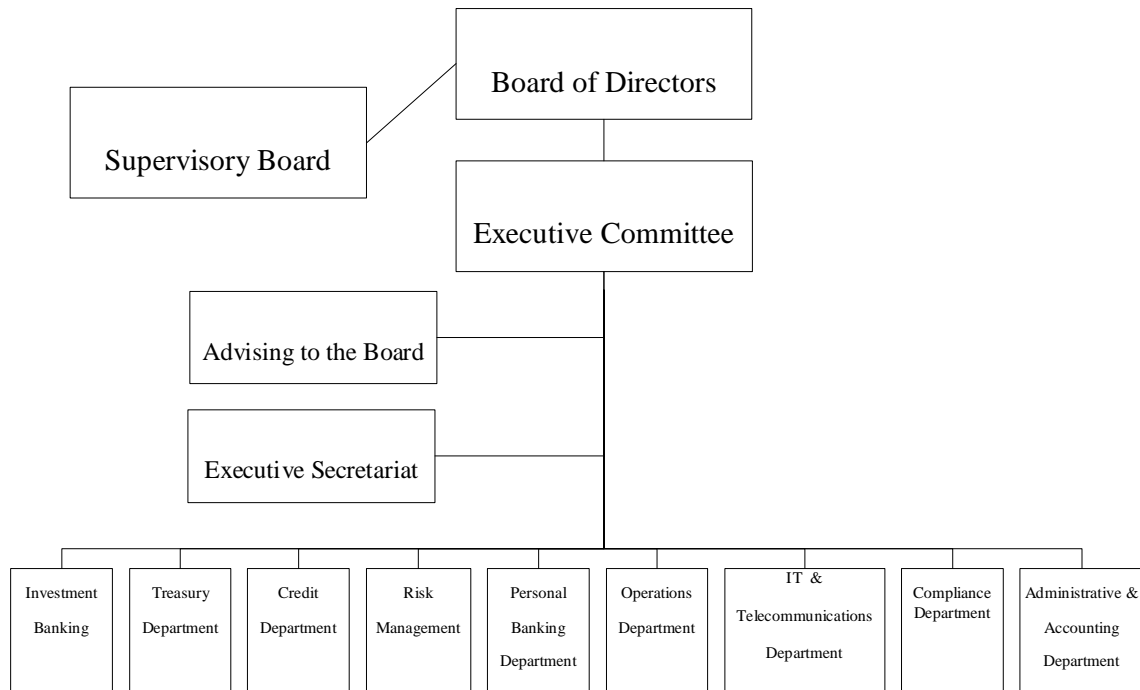
José Manuel Trindade Morgado (Chief Executive Officer or øCEOö)

Carlos José Nascimento Magalhães Freire (Deputy CEO - resigned on 22.1.2016)

Paulo Jorge Fernandes Franco

1 Report of Corporate Governance (Continued)

Organizational chart



2 The Cash flow statement

Operating activities

Profit before taxation	1,169,895
Adjustments for:	
Depreciation and amortisation	4,971,107
Amortisation of premium on securities investments	(163,637)
(Written Back)/Charge to provisions for loans and advances	(1,161,780)
Gain on sale of shares and debts securities	(3,692,909)
Gain on disposal of equipment and other fixed asset	(2,500)
Cost adjustment for equipment and other fixed assets	33,648
Foreign exchange gain/(loss)	(170,682)
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	983,142
Decrease/(increase) in operating assets	
Change in minimum statutory deposit at AMCM	(4,995,000)
Change in loans and advances	298,450,823
Change in placements with foreign credit institutions with original maturity over three months	(171,423,200)
Change in interest receivables and other assets	32,833
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(Decrease)/increase in operating liabilities	
Change in deposits on demand	(61,647,176)
Change in fixed term deposits	(50,765,119)
Change in borrowings from local credit institutions	-
Change in other liabilities	222,852
Change in other payables	(972,713)
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Cash (used in)/generated from operating activities	9,886,442
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Taxation paid	(520,084)
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Net cash (used in)/generated from operating activities	9,366,358
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2 The Cash flow statement (continued)

Investing activities

Proceeds from disposal of equipment and other fixed asset	2,500
Proceeds from sale of shares and debts securities	32,100,800
Purchase of equipment and other fixed assets	(34,099)

Net cash (used in)/generated from investing activities	32,069,201
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Financing activities

Dividend paid to the Bank's holding company	-
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Net cash used in financing activities	-
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Net (decrease)/increase in cash and cash equivalents	41,435,559
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Cash and cash equivalents at 1 January	283,111,338
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Cash and cash equivalents at 31 December	324,546,897
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3 Off-balance sheet exposures other than derivative transactions

At 31 December 2016, the Bank had the following contingent liabilities and outstanding commitments:

(a) ***Off balance sheet items outstanding (contract amount) at the balance sheet date (in MOP):***

Bank guarantees issued	87,627,977
Values held as guarantees	1,215,231,969
Letter of Credit	10,324,001
Undrawn facilities	477,056,053
Values for collection	17,204,001

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 2016, the Bank had future aggregate minimum lease payments under operating leases as follows (in MOP):

Up to one year	1,146,502
From one year to five years	-
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	1,146,502
	<hr/> <hr/>

4 Derivatives

As at 31 December 2016, 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	297,274,070	-
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.

5. Accounting Policies (continued)

(d) *Loans and advances to customers (continued)*

- (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 received in excess be recognised as interest income.
- (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)

5. Accounting Policies (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.

(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.

5. Accounting Policies (continued)

(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.

(l) *Related parties*

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

- (a) Any person or any close family member of that person if that person:
 - (i) has control or joint control over the credit institution;
 - (ii) has significant influence over the credit institution; or
 - (iii) holds a qualifying holding in the credit institution;
 - (iv) 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. Accounting Policies (continued)

(l) *Related parties (continued)*

(v) 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 (iv) above, of the credit institution or of a parent of the credit institution.

(b) Any entity if any of the following conditions applies:

- (i) That entity and the credit institution are members of the same group (e.g. parent, subsidiary and fellow subsidiary).
- (ii) That entity holds a qualifying holding in the credit institution.
- (iii) 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).
- (iv) 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).
- (v) That entity and the credit institution are both joint ventures of the same third party.
- (vi) That entity is a joint venture of a third entity and the credit institution is an associate of that third entity.
- (vii) The credit institution is a joint venture of a third entity and that entity is an associate of that third entity.
- (viii) That entity is controlled or jointly controlled by a person identified in (a).
- (ix) A person identified in (a)(i) 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).
- (x) A person identified in (a)(iv) is a member of the key management personnel of that entity (or of a parent of that entity).

6 Related party transactions

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:

- (a) 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;
- (b) The aggregate exposure of all holders of qualifying holdings and companies referred to in (a) may not exceed at any time, 40% of the Bank's own funds;
- (c) The operations referred to in (a) and (b) 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;
- (d) The Bank shall not incur any exposure in the following cases and above the following limits:
 - (i) against the security of its own shares;
 - (ii) 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;
 - (iii) to each of the entities mentioned in ii, to an amount exceeding 1% of own funds; and,
 - (iv) to each employee, for an amount which exceeds his or her total net annual income.

6 Related party transactions (continued)

- (e) The exposure referred to in above d (ii) and d (iv) 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:

(a) *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.

(b) *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.

The amount of related party transactions during the year is set out below (in MOP):

Interest income	3,284,275
Interest expense	666,033
Commission received from services	-
Commission paid for custody service and other services	118,794

6 Related party transactions (continued)

(b) Transactions with group companies (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	500,286,750
Current Accounts	-
Sundry Debtors	730,264
Deposits on demand with foreign credit institutions	4,433,434
Interest receivables	924,153

Liabilities:

Fixed term deposits	35,944,650
Fixed customers deposits	506,761
Deposits on demand	116,453
Interest payables	8,832

7 Capital

(a) *Share capital*

Authorised, issued and fully paid (in MOP):

200,000 shares of MOP1,000 each	<u>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 2016 amounted to MOP 390 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).

Component of own fund is as follows (in MOP):

Share capital	200,000,000
Legal reserve	56,762,954
Other reserve	112,873
Retained earnings	127,314,018
Profit for the year	<u>1,133,495</u>
Total core capital	385,323,340
General provision	
Total supplementary capital	<u>4,690,720</u>
Total amount of own funds	<u><u>390,014,060</u></u>

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 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 2016, the Bank has maintained a Capital Adequacy Ratio of 46.23% 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.

The regulatory Capital Ratio Common Equity of the holding company, Novo Banco, S.A. as at 31 December 2016 was 12%.

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:

- a) 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.
- b) 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 2016, loans and advances to customers are outstanding for less than 3 months, thus, minimum specific provision is not warranted. A general provision was provided amounted to MOP 4.7 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 2016.

8 Credit risk management (continued)

(i) 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 (less than 3 months) MOP</i>
Macau SAR	163,613,966	-
Of which:		
– Banks	-	-
– Government/Public sectors	-	-
– Others	163,613,966	-
Portugal	147,371,737	-
Of which:		
– Banks	-	-
– Government/Public sectors	-	-
– Others	147,371,737	-
Hong Kong	17,998,215	-
Of which:		
– Banks	-	-
– Government/Public sectors	-	-
– Others	17,998,215	-
Cayman Islands	23,963,100	-
Of which:		
– Banks	-	-
– Government/Public sectors	-	-
– Others	23,963,100	-
Others	1,931,958	-
Of which:		
– Banks	-	-
– Government/Public sectors	-	-
– Others	1,931,958	-
Total	354,878,976	-

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.

(ii) Geographical analysis of investments in debt and other securities

<i>Region</i>	<i>Gross Investments MOP</i>
Hong Kong SAR	-
Of which:	
– Banks	-
– Government/Public sectors	-
– Others	-
United Kingdom	15,975,400
Of which:	
– Banks	15,975,400
– Government/Public sectors	-
– Others	-
Netherlands	15,975,400
Of which:	
– Banks	-
– Government/Public sectors	-
– Others	15,975,400
Total	<u>31,950,800</u>

8 Credit risk management (continued)

(b) 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 (less than 3 months) MOP</i>
Manufacturing	98,692,080	-
Construction and public works	20,000,000	-
Trading	72,361,043	-
Restaurants, hotels, etc	7,673,326	-
Transportation, storage and communication	6,431,566	-
Other credit:		
for other personal use	172,482	-
others	149,548,479	-
	<u>354,878,976</u>	<u>-</u>

8 Credit risk management (continued)

(c) Maturity analysis on assets and liabilities

Analysis of assets and liabilities by remaining maturity

The following maturity profile is based on the remaining period as at 31 December 2016 to the contractual maturity date:

	<i>Maturity date of financial instruments</i>							<i>Total MOP</i>
	<i>On demand MOP</i>	<i>Up to 1 month MOP</i>	<i>1 to 3 months MOP</i>	<i>3 to 12 months MOP</i>	<i>1 to 3 years MOP</i>	<i>More than 3 years MOP</i>	<i>Within an indefi- nite period MOP</i>	
Assets								
Cash and balances with and loans and advances to banks	33,429,247	298,310,650	-	201,976,100	-	-	-	533,715,997
Other securities	-	-	-	-	-	-	31,950,800	31,950,800
Loans and advances to customers	11,877,955	76,195,347	52,279,916	176,002,685	26,973,908	5,648,445	-	348,978,256
Interest receivables	-	793,686	850,986	1,382,489	40,105	-	-	3,067,266
	<u>45,307,202</u>	<u>375,299,683</u>	<u>53,130,902</u>	<u>379,361,274</u>	<u>27,014,013</u>	<u>5,648,445</u>	<u>31,950,800</u>	<u>917,712,319</u>

8 Credit risk management (continued)**(c) Maturity analysis on assets and liabilities (continued)***Analysis of assets and liabilities by remaining maturity (continued)*

	On demand MOP	Maturity date of financial instruments					Within an indefi- nite period MOP	Total MOP
		Up to 1 month MOP	1 to 3 months MOP	3 to 12 months MOP	1 to 3 years MOP	More than 3 years MOP		
Liabilities								
Deposits and balances of banks and financial institutions	-	-	-	-	-	-	-	-
Deposits from non-bank customers	50,979,395	132,898,968	21,048,289	291,015,109	17,328,650	-	-	513,270,411
Deposits from holding and associated companies	-	35,944,650	-	-	-	-	-	35,944,650
Interest payables	-	56,988	169,262	812,472	80,146	-	-	1,118,868
	<u>50,979,395</u>	<u>168,900,606</u>	<u>21,217,551</u>	<u>291,827,581</u>	<u>17,408,796</u>	<u>-</u>	<u>-</u>	<u>550,333,929</u>
Net asset (liability) position	<u>(5,672,193)</u>	<u>206,399,077</u>	<u>31,913,351</u>	<u>87,533,693</u>	<u>9,605,217</u>	<u>5,648,445</u>	<u>31,950,800</u>	<u>367,378,390</u>

8 Credit risk management (continued)

(d) Analysis of past due assets

As of 31 December 2016, there were no assets that have been past due for 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 2016, the Bank's market risk is primarily from foreign exchange swap transactions. There were no outstanding interest rate swaps as of balance sheet date.

9 Market risk management (continued)

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

	MOP In -000ø
Capital charge on foreign exchange	
Exposure/Total capital charge for market risk	271
	<hr/>
Market Risk Exposure	271
	<hr/> <hr/>

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.

10 Interest rate risk (continued)

As of 31 December 2016, interest rate risk weighted position on all currencies, measured as its impact in the economic values of own funds as follows:

	MOP In -000ø
MOP	1,177
HKD	(467)
USD	1,509

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 (øMOPø). The Bank is exposed to currency risk primarily arising from financial instruments that are denominated in United States dollars (øUSDø) 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.

12 Foreign exchange risk (continued)

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 2016:

(In thousand of MOP equivalent)

	<i>HKD</i>	<i>CAD</i>	<i>CNY</i>	<i>EUR</i>	<i>GBP</i>	<i>USD</i>
Spot assets	139,156	92	88	81	10	10,632
Spot liabilities	-	-	-	-	-	-
Forward sales	-	-	-	-	-	-
Net long (short) position	139,156	92	88	81	10	10,632

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.

13 Liquidity risk (continued)

(a) Average liquidity

(i) Average weekly liquidity for the year

	MOP In -000ø
Minimum weekly cash in hand	11,738
Average weekly cash in hand	35,517

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) Liquidity ratio for the year

	In Percentage
1 month current ratio	354.9%
3 months current ratio	162.9%

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.

(b) Average solvency assets

	MOP In -000ø
Average specified liquid assets	407,198
Average total basic liabilities	566,699
Ratio of specified liquid assets to basic liabilities	71.8%

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.

Novo Banco Ásia, S.A.

EXTERNAL AUDITOR'S REPORT ON THE SUMMARY FINANCIAL STATEMENTS

TO THE SHAREHOLDERS OF NOVO BANCO ÁSIA, S.A.

The attached summary financial statements of Novo Banco Ásia, S.A. (the òBankö) for the year ended 31 December 2016 have been derived from the audited financial statements and the books and records of the Bank for the year ended on the same date. These summary financial statements, which comprise the balance sheet as at 31 December 2016 and the income statement for the year then ended, are the responsibility of the management. Our responsibility is to express an opinion solely to you, as a body, as to whether the summary financial statements are consistent, in all material respects, with the audited financial statements and the books and records of the Bank, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We have audited the financial statements of the Bank for the year ended 31 December 2016 in accordance with Auditing Standards and Technical Standards on Auditing issued by the Government of the Macao Special Administrative Region and have issued an auditor's report with an unqualified opinion on these financial statements dated 26 April 2017.

The audited financial statements comprise the balance sheet as at 31 December 2016, and the income statement, statement of changes in reserve and cash flow statement for the year then ended, and a summary of significant accounting policies and explanatory notes.

In our opinion, the summary financial statements are consistent, in all material respects, with the audited financial statements and the books and records of the Bank.

For a better understanding of the financial position of the Bank and its operating results and of the scope of our audit, the attached summary financial statements should be read in conjunction with the audited financial statements and the independent auditor's report thereon.

Cheung Pui Peng Grace
Registered Auditor
PricewaterhouseCoopers

Macao, 26 April 2017