BANCO WELL LINK, S.A.

Annual Disclosure

for the year ended 31 December 2023

IN ACCORDANCE WITH THE AMCM CIRCULAR NO.004/B/2024-DSB-AMCM

立橋銀行
Well Link Bank

Content for Disclosure of Financial Information

* Audited

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1. Summary of the Board of Directors' Report

The Directors of Banco Well Link, S.A. (the "Bank") present their report of the Bank for the year ended 31st December 2023.

Business and Management Report

In 2023, the Bank continued to optimize the balance sheet structure and enhance the net income. As at 31 December 2023, the Bank's total assets reached $20.58 billion, representing an increase of 16% from the end of 2022. Through flexible pricing and marketing promotions, the Bank continued to attract deposits and expand its asset size in 2023, with total deposits reaching MOP17.34 billion and total loans amounting to MOP10.55 billion. Profit before tax in 2023 was MOP269 million. The capital adequacy ratio stood at 21.67%, while maintaining a reasonably strong liquidity position. The Bank continued to monitor its non-performing position to ensure asset safety, with the non-performing loan ratio at 0.14% as of December, unchanged from the end of 2022, and all other financial and regulatory ratios meet regulatory requirements.

The Bank is committed to building a smart bank and realizing networked operations. The Bank places emphasis on financial technology infrastructure to enhance its core competitiveness. The Bank has responded positively to market changes and maintained steady business growth. The Bank continues to promote the digital transformation and upgrading of its business, enhance the Bank's online service capabilities, more than 43,000 customers have opened mobile banking, and the transactions of quick payment and FPS has risen sharply, and endeavored to build a diversified range of products to meet market demand.

In the retail business, the Bank's customer base continued to expand, with over 48,000 retail customers. In July 2023, the Bank officially launched the agency securities service of the institutional model of WLS (The WLB securities services) and promoted it to the public, taking this opportunity to enhance the scale of asset management and provide customers with more convenient and more comprehensive securities services; actively participated in the local financial infrastructure projects, in conjunction with the second phase of the FPS launched by the Monetary Authority of Macao (AMCM) in September, to help promote the creation of a variety of payment applications in the local area, and to enhance the convenience of life for residents; launched the MGM (Members get Members) campaign to attract customers to recommend their friends and relatives to open accounts. Dynamically adjusted interest rates in accordance with market changes and launched various deposit promotions to diversify the Bank's customer acquisition methods; strengthened the promotion of bank cards by cooperating with supermarkets, large restaurants, hotels and take-away platforms, etc., and promoted bank card services through contracted merchants or phased marketing activities as an opportunity to increase the number of customers. The Bank also made use of the newly launched consumer credit information platform to strengthen card issuance risk prevention; continued to co-operate with China Taiping to act as an agent for the insurance business to increase the Bank's income from intermediary business; and, in accordance with the development and needs of the Bank's business, provided support for the Bank's technological innovation, improved the functions of the business platforms, and ensured the network security and smooth operation of the system.

1. Summary of the Board of Directors' Report (continued)

In terms of corporate business, the Bank deepened its contact and communication with corporate customers, and provided integrated financial services to meet the diversified business needs of customers. Different types of corporate banking promotional activities were launched to promote corporate banking services. For example, the launch of the Dual Deposit Offer, which includes different forms of HKD and MOP time deposits and demand deposits, to meet the needs of different customers, as well as discounts for clearing accounts, preferential loans for SMEs and discounts on guarantee fees. The Bank will continue to improve its corporate e-banking services, and providing more comprehensive tutorials to introduce the functions of Internet banking.

In 2023, the Bank continued to maintain its signature branding campaigns and organized various marketing and product acquisition activities. Through co-operation with merchants and associations, the Bank organized various seminars and branch anniversary events, which were well received by the Bank's customers and successfully promoted the Bank's brand image in Macao by fostering the relationship between the Bank and its customers. In addition, the Bank has also taken up its social responsibility in Macao by participating in a number of public welfare activities and sponsorships, including the Walk for a Million in Macao. In 2023, the Bank, together with the Centre for Macao Studies of the University of Macao and the Centre for Chinese History and Culture of the University of Macao, jointly organized an essay competition with the theme of "5,000 Years of Civilization meets 2023", to encourage young students to actively learn about the history and culture of China, and to strengthen their knowledge of their motherland as well as their sense of belonging.

In addition to frontline business development, the Bank also focuses on compliance and risk management. Through the provision of training on operational risks, anti-money laundering and risk management to frontline staffs, middle and back-office staffs, and the management, the Bank has strengthened the awareness of compliance and risk management among different functional departments. According to the requirements of the Monetary Authority of Macau, the Bank will conduct an internal capital adequacy assessment based on the actual risk profile of the Bank for the financial year 2022 and prepare an ICAAP report, which will be submitted to the Monetary Authority of Macau after approval. The Bank will also continue to strengthen its risk control efforts by closely monitoring the loans and its market, as well as performing thoroughly pre-loan, mid-loan and post-loan tasks. The Bank will continue to operate and expand its business in a prudent manner with adequate budget and compliance.

1. Summary of the Board of Directors' Report (continued)

Results and appropriations

In accordance with the laws of Macao and the Articles of Association, the Bank made the following proposal for the distribution of the undistributed profits for the year 2023 in the amount of MOP 237,563,967 :

(1) a statutory surplus reserve of MOP 47,512,793 at a rate of 20% of the net profit for the year 2023;

(2) The profit of MOP 190,051,174 after taxation after the above distribution will be retained by the Bank and no dividend will be paid to shareholders.

Board of Directors
Macao, 27 March 2024

2. The Report from the Supervisory Board

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 2023.

The Board of Directors' Report outlines in a clear manner the economic situation and progress of the Bank's activity during the 2023 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 2023 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.

Macao, 28 March 2024

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3. Governing Bodies and Qualified Shareholders

Chairing Board of Shareholders' meeting

Chairman:	Xu Chujia	
Secretary:	Xiang Fei	
Secretary:	Kwan Kin Man Keith	Appointed on 14.04.2023
Secretary:	Yeung Chi Shing	Resigned on 14.04.2023

Board of Directors:

Chairman:	Zhang Shengman
Directors:	Xu Chujia
	Paulo Jorge Fernandes Franco
	So Shing Shun
	Lao Pun Lap
	Antonio Jose Felix Pontes
	Chong Sio Fai
	Huang Ruisheng
	Cai Kunshan

Executive Committee:

Chong Sio Fai
Huang Ruisheng
Cai Kunshan

Supervisory Board:

Chairman:	Ng Man Kung
Members:	Vong Hin Fai
	CSC & Associates – Sociedade de Auditores (represented by MokChi Meng)

Company Secretary: Xiang Fei

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

	Total Capital	*Holding capital*	*% of Total Capital*
Anderson Services Company Limited	MOP 400,000	MOP 100,000	25%
Zhuhai Liqiao Jinrong Keji Youxian Gongsi	CNY 10,000,000	CNY 2,000,000	20%

Qualified Shareholders:

Shareholders with a qualified holding as of 31 December 2023:

Well Link Holding Limited	59.67%
Kingyin (Macau) Holdings Limited	15%
Shengman Investments Limited	10%

4. Report of Corporate Governance

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

Chairing Board of Shareholders' meeting
The Chairing Board of Shareholders' 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 Chairing Board of Shareholders' 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
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 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; and
- Perform all acts aimed in achieving the Bank's activities and all other duties assigned by the Status.

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.

4. Report of Corporate Governance(continued)

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.

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.

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5. REPORT OF THE INDEPENDENT AUDITOR ON THE SUMMARY FINANCIAL STATEMENTS

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

The accompanying summary financial statements of Banco Well Link, S.A. (the "Bank") set out on pages 12 to 18, which comprise the statement of financial position as at 31 December 2023, the statement of profit or loss and statement of other comprehensive income for the year then ended, the statement of changes in equity and the statement of cash flows as at 31 December 2023 are derived from the audited financial statements of the Bank for the year ended 31 December 2023. We expressed an unmodified audit opinion on those financial statements in our independent auditor's report dated 28 March 2024. These financial statements, and the summary financial statements, do not reflect the effects of events that occurred subsequent to the date of our report on these financial statements.

The summary financial statements do not contain all the disclosures required by the Financial Reporting Standards set out by the Macao Special Administrative Region. Reading the summary financial statements, therefore, is not a substitute for reading the audited financial statements of the Bank.

Management's responsibility for the Summary Financial Statements

Management is responsible for the preparation of the summary financial statements in accordance with the Article 85(1) of Law No. 13/2023 of Financial System Act.

Auditor's Responsibility

Our responsibility is to express an opinion on the summary financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (ISA) 810, "Engagements to Report on Summary Financial Statements", of the Auditing Standards of the Macao Special Administrative Region.

Opinion

In our opinion, the summary financial statements as derived from the audited financial statements of the Bank for the year ended 31 December 2023 are consistent, in all material respects, with those audited financial statements, in accordance with the Article 85(1) of Law No. 13/2023 of Financial System Act.

CHAN Wai Certified Public Accountant
Ernst & Young
Macao, 28 March 2024

6. Statement of Financial Position

BANCO WELL LINK, S.A.
IN ACCORDANCE WITH THE AMCM CIRCULAR NO. 004/B/2024-DSB-AMCM
Statement of Financial Position as at 31 December 2023

	2023	2022
	MOP	MOP
ASSETS		
Cash	81,229,978	72,032,502
Deposits and clearing balances with Autoridade Monetária de Macau	332,782,193	304,808,692
Deposits on demand and clearing balances with credit institutions	573,486,550	234,631,163
Placements with credit institutions	7,151,502,837	6,720,268,672
Debt investments	1,775,693,805	1,476,063,686
Loans and advances	10,552,043,910	8,851,998,042
Derivatives financial instruments	400,170	-
Other assets	32,831,759	36,918,444
Deferred tax assets	1,763,106	5,274,066
Investments in associates	2,584,102	2,572,347
Plant and equipment	22,116,920	27,382,432
Intangible assets	55,879,944	61,823,425
Total assets	20,582,315,274	17,793,773,471

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6. Statement of Financial Position (continued)

BANCO WELL LINK, S.A.
Statement of Financial Position as at 31 December 2023

	2023	2022
	MOP	MOP
LIABILITIES		
Deposits and balances with banks and other financial institutions	45,513,292	449,324,547
Deposits from customers	17,340,116,327	14,416,969,394
Other liabilities	80,100,706	76,886,736
Current tax liabilities	37,492,802	35,347,127
Total liabilities	17,503,223,127	14,978,527,804
EQUITY		
Share capital	2,200,000,000	2,200,000,000
Legal reserve	152,095,586	109,930,842
Investment revaluation reserve	(15,162,921)	(41,445,434)
Other reserve	112,873	112,873
Regulatory reserves	80,000,000	55,000,000
Retained earnings	662,046,609	491,647,386
Total equity	3,079,092,147	2,815,245,667
Total liabilities and equity	20,582,315,274	17,793,773,471

7. Statement of Profit or Loss

BANCO WELL LINK, S.A.
Statement of Profit or Loss
For the year ended 31 December 2023

	2023	**2022**
	MOP	MOP
Interest income	965,507,759	626,823,399
Interest expense	(566,933,801)	(242,451,837)
NET INTEREST INCOME	398,573,958	384,371,562
Fee and commission income	39,563,996	58,505,488
Fee and commission expenses	(5,333,087)	(4,514,163)
NET FEE AND COMMISSION INCOME	34,230,909	53,991,325
Net trading income	1,089,540	52,904
Other operating income/(expense), net	15,755	(6,242,484)
Operating expense	(164,099,661)	(163,335,956)
	269,810,501	268,837,351
Net charge of impairment allowances	(1,020,740)	(30,125,295)
PROFIT BEFORE TAX	268,789,761	238,712,056
Income tax expense	(31,225,794)	(27,888,338)
PROFIT FOR THE YEAR	237,563,967	210,823,718

8. Statement of Other Comprehensive Income

BANCO WELL LINK, S.A.
Statement of Other Comprehensive Income
For the year ended 31 December 2023

	2023 MOP	2022 MOP
PROFIT FOR THE YEAR	237,563,967	210,823,718
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods		
Debt investments at fair value through other comprehensive income:		
Changes in fair value	29,793,473	(29,040,185)
Change in impairment allowances charged to income statement	-	330,556
Release upon disposal reclassified to income statement	-	(2,189,445)
Income tax effect	(3,510,960)	3,699,250
	26,282,513	(27,199,824)
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	26,282,513	(27,199,824)
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	26,282,513	(27,199,824)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	263,846,480	183,623,894

EXECUTIVE DIRECTOR Huang Ruisheng	EXECUTIVE DIRECTOR Lo Kit Sang

Macau, 28 March 2024

9. Statement of Changes in Equity

	Share capital	Legal reserve	Investment revaluation reserve	Other reserve	Regulatory reserve	Retained earnings	Total equity
	MOP	MOP	MOP	MOP	MOP	MOP	MOP
At 1 January 2022	2,200,000,000	86,471,208	(14,245,610)	112,873	47,453,795	311,829,507	2,631,621,773
Profit for the year	-	-	-	-	-	210,823,718	210,823,718
Change in fair value of debt investments, net of tax	-	-	(27,199,824)	-	-	-	(27,199,824)
Transfer to legal reserve	-	23,459,634	-	-	-	(23,459,634)	-
Transfer to regulatory reserve	-	-	-	-	7,546,205	(7,546,205)	-
At 31 December 2022	2,200,000,000	109,930,842	(41,445,434)	112,873	55,000,000	491,647,386	2,815,245,667
At 1 January 2023	2,200,000,000	109,930,842	(41,445,434)	112,873	55,000,000	491,647,386	2,815,245,667
Profit for the year	-	-	-	-	-	237,563,967	237,563,967
Change in fair value of debt investments, net of tax	-	-	26,282,513	-	-	-	26,282,513
Transfer to legal reserve	-	42,164,744	-	-	-	(42,164,744)	-
Transfer to regulatory reserve	-	-	-	-	25,000,000	(25,000,000)	-
At 31 December 2023	2,200,000,000	152,095,586	(15,162,921)	112,873	80,000,000	662,046,609	3,079,092,147

The regulatory reserve is established as per the requirements prescribed by Notice no.12/2021-AMCM.

10. Statement of Cash Flows

	2023 MOP	2022 MOP
OPERATING ACTIVITIES		
Profit before tax	268,789,761	238,712,056
Adjustments for:		
Depreciation of plant and equipment	10,915,091	10,174,928
Amortization of intangible assets	15,676,301	13,021,829
Loss on disposal of debt investments at fair value	-	6,274,071
Interest income from debt investments	(61,499,314)	(45,593,724)
Net charge of impairment allowances	1,020,740	30,125,295
Loss on disposal of items of plant and equipment	-	2,343
Share of profits from investments in associates	(11,755)	(21,937)
Gain from derivative financial instruments, net	(400,170)	-
Exchange adjustments	(1,706,837)	37,108,018
	232,783,817	**289,802,879**
Increase in minimum statutory deposits with with Autoridade Monetária de Macau	(21,368,000)	(30,485,000)
Increase in loans and advances	(1,700,522,959)	(2,809,448,417)
Decrease in placements with credit institutions with original maturity more than three months	2,123,087,928	1,206,200,778
Decrease/(increase) in other assets	4,086,686	(6,358,652)
Decrease in deposits and balances with banks and other financial institutions	(403,811,255)	(246,801,679)
Increase in deposits from customers	2,923,146,933	3,086,326,017
Increase in other liabilities	2,719,814	25,516,575
Cash from operating activities	3,160,122,964	1,514,752,501
Macao complementary tax paid	(29,080,119)	(14,420,920)
Net cash flows from operating activities	**3,131,042,845**	**1,500,331,581**

10. The Cash flow statement(continued)

	2023 MOP	2022 MOP
INVESTING ACTIVITIES		
Purchases of items of plant and equipment	(5,649,579)	(813,496)
Purchases of items of intangible assets	(9,732,820)	(17,883,392)
Interest received from debt investments	61,499,314	43,498,904
Purchases of debt investments	(546,155,963)	(832,088,731)
Proceeds from disposal/redemption of debt investments	278,100,000	110,318,400
Net cash flows used in investing activities	**(221,939,048)**	**(696,968,315)**
NET INCREASE IN CASH AND CASH EQUIVALENTS	**2,909,103,797**	**803,363,266**
Cash and cash equivalents at beginning of year	**3,701,094,933**	**2,897,731,667**
CASH AND CASH EQUIVALENTS AT END OF YEAR	**6,610,198,730**	**3,701,094,933**

	2023 MOP	2022 MOP
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash	81,229,978	72,032,502
Deposits and clearing balances with Autoridade Monetária de Macau with original maturity within three months	332,782,193	304,808,692
Deposits on demand with credit institutions	573,486,550	234,631,163
Placements with local credit institutions with original maturity within three months	5,021,293,334	2,517,933,928
Placements with foreign credit institutions with original maturity within three months	781,493,675	730,407,648
Less: Minimum statutory deposits with Autoridade Monetária de Macau	(180,087,000)	(158,719,000)
Cash and cash equivalents as stated in the statement of cash flows	**6,610,198,730**	**3,701,094,933**

11. Off-balance sheet exposures

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

	MOP
Bank guarantees issued	41,856,152
Letters of credit	504,090
Undrawn facilities	436,989,914
	479,350,156

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.

12. Operating lease arrangements-as lease

The Bank leases certain of its office premises under operating lease arrangements. Leases for office premises are negotiated for terms ranging from one to nine years. At 31 December 2023, the Bank had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	MOP
Within one year	21,975,983
In the second to fifth years, inclusive	54,627,610
After five years	-
	76,615,513

13. Derivatives financial instruments

The table below shows the fair values of derivative financial instruments recorded as assets or liabilities together with their notional amounts. The notional amount, recorded gross, is the quantity of the derivative contracts' underlying instrument. The notional amounts indicate the volume of transactions outstanding at the year end and are not indicative of either the market risk or credit risk.

	Principal Amount MOP	Fair Value MOP	Credit Risk-weighted Assets MOP
Currency forward contracts	320,330,000	320,730,170	-
	320,330,000	320, 730, 170	-

14. Accounting Policies

(a) Revenue recognition

- Interest income

Under IFRS 9, interest income is recorded using the ElR method for all financial assets measured at amortised cost. Interest income on interest bearing financial assets measured at FVOCI under IFRS 9is also recorded using the ElR method. Interest expense is also calculated using the EIR method for all financial liabilities held at amortised cost. The ElR is the rate that exactly discounts estimated future-cash receipts through the expected life of the financial asset or liability or, when appropriate, a shorter period, to the gross carrying amount of the financial asset.

The EIR (and therefore, the amortised cost of the financial asset) is calculated by taking into account transaction costs and any discount or premium on the acquisition of the financial asset, as well as fees and costs that are an integral part of the EIR. The Bank recognises interest income using a rate of return that represents the best estimate of a constant rate of return over the expected life of the loan. Hence, the EIR calculation also takes into account the effect of potentially different interest rates that may be charged at various stages of the financial asset's expected life, and other characteristics of the product life cycle (including prepayments, penalty interest and charges).

If expectations of fixed rate financial assets' or liabilities' cash flows are revised for reasons other than credit risk, then changes to future contractual cash flows are discounted at the original EIR with a consequential adjustment to the carrying amount. The difference from the previous carrying amount is booked as a positive or negative adjustment to the carrying amount of the financial asset or liability on the balance sheet with a corresponding increase or decrease in Interest revenue/expense calculated using the effective interest method.

For floating-rate financial instruments, periodic re-estimation of cash flows to reflect the movements in the market rates of interest also alters the effective interest rate, but when instruments were initially recognised at an amount equal to the principal, re-estimating the future interest payments does not significantly affect the carrying amount of the asset or the liability.

The Bank calculates interest income on financial assets, other than those considered credit-impaired by applying the EIR to the gross carrying amount of the financial asset. When a financial asset becomes credit-impaired (and is therefore regarded as Stage 3', the Bank calculates interest income by applying the EIR to the net amortised cost of the financial asset. If the financial asset cures and is no longer credit-impaired, the Bank reverts to calculating interest income on a gross basis.

14. Accounting Policies (continued)

(a) Revenue recognition (continued)

- Fee and commission income

The Bank earns fee and commission income from a diverse range of financial services it provides toits customers. Fee and commission income is recognised at an amount that reflects the consideration to which the Bank expects to be entitled in exchange for providing the services. The performance obligations, as well as the timing of their satisfaction, are identified, and determined, at the inception f the contract. The Bank's revenue contracts do not typically include multiple performance obligations.

Fee and commission income from services where performance obligations are satisfied over time

Performance obligations satisfied over time include loan related fees, where the customer simultaneously receives and consumes the benefits provided by the Bank’s performance as the Bank performs.

Fee and commission income from providing services where performance obligations are satisfied at a point in time

Services provided where the Bank’s performance obligations are satisfied at a point in time are recognised once control of the services is transferred to the customer. This is typically on completion of the underlying transaction or service or, for fees or components of fees that are linked to a certain performance, after fulfilling the corresponding performance criteria. These include fees and commissions arising from bank guarantees granted, insurance brokerage services, credit card services, remittance and settlement.

- Net trading income

Net trading income includes all gains and losses from changes in fair value and the related interest income or expense and dividends, for financial assets and financial liabilities held for trading. This includes any ineffectiveness recorded on hedging transactions.

14. Accounting Policies (continued)

(b) Investments and other financial assets

- Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Bank's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Bank has applied the practical expedient of not adjusting the effect of a significant financing component, the Bank initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Bank has applied the practical expedient are measured at the transaction price determined under IFRS 15 in accordance with the policies set out for “Revenue recognition (applicable from I January 2022)” below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest(“SPPI”) on the principal amount outstanding.

The Banks business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Bank commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

- Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

14. Accounting Policies (continued)

(b) Investments and other financial assets

- Subsequent measurement(continued)

The Bank measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows.

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

Financial assets at fair value through other comprehensive income (debt instruments)

The Bank measures debt investments at fair value through other comprehensive income if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For debt investments at fair value through other comprehensive income, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income. Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to the statement of profit or loss.

Financial assets at fair value through profit or loss

14. Accounting Policies (continued)

(b) Investments and other financial assets (continued)

- Subsequent measurement(continued)

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through other comprehensive income, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes derivative instruments and equity investments which the Bank had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value profit or loss are also recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Bank and the amount of the dividend can be measured reliably.

- Reclassification of financial assets

If the Bank makes changes to its financial assets management business model, which is only expected to occur relatively infrequently and on an exceptional basis, all of the financial assets affected are reclassified in conformity with the requirements of IFRS 9 - “Financial instruments”. The reclassification is applied prospectively from the date upon which it becomes effective. Under IFRS 9“Financial instruments", reclassifications of equity instruments for which the valuation option through other comprehensive income or for other financial assets and liabilities at fair value in the sphere of the fair value option have been included, are not permitted.

14. Accounting Policies (continued)

- Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Bank's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Bank has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and cither (a) the Bank has transferred substantially all the risks and rewards of the asset, or (b) the Bank has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Bank has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. when it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Bank continues to recognise the transferred asset to the extent of the Bank's continuing involvement, In that case, the Bank also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Bank has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Bank could be required to repay.

(c) Impairment of financial assets

The Bank recognises an allowance for ECLs for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Bank expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For hose credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance

14. Accounting Policies (continued)

is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL "LTECL").

(c) Impairment of financial assets (continued)

At each reporting date, the Bank assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Bank compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward- looking information.

For debt investments at fair value through other comprehensive income, the Bank applies the low credit risk simplification. At each reporting date, the Bank evaluates whether the debt investments are considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Bank reassesses the external credit ratings of the debt investments. In addition, the Bank considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Bank considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Bank may also consider a financial asset to be in default when internal or external information indicates that the Bank is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Bank. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Debt investments at fair value through other comprehensive income and financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

Stage 1 - Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs
Stage 2 - Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs
Stage 3 - Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs.

14. Accounting Policies (continued)

(c) Impairment of financial assets (continued)

Simplified approach

For trade receivables and contract assets that do not contain a significant financing component or when the Bank applies the practical expedient of not adjusting the effect of a significant financing component, the Bank applies the simplified approach in calculating ECLs, Under the simplified approach, the Bank does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Bank has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For trade receivables and contract assets that contain a significant financing component and lease receivables, the Bank chooses as its accounting policy to adopt the simplified approach in calculating ECLs with policies as described above. The Bank assesses at the end of each reporting period whether there is an indication that an asset may be impaired. If such an indication exists, the Bank makes an estimate of the asset's recoverable amount.

An impairment loss is recognised in the statement of profit or loss whenever the carrying amount of an asset to which it belongs, exceeds its recoverable amount, The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. A reversal of the impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. The reversal of the impairment loss is credited to the statement of profit or loss in the year in which it arises.

14. Accounting Policies (continued)

(d) Investments in associates

An associate is an entity in which the Bank has a long-term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee. But is not control or joint control over those policies.

The Bank's investments in associates are stated in the statement of financial position at the Bank's share of net assets under the equity method of accounting, less any impairment losses. The Bank's share of the post-acquisition results and other comprehensive income of associates and joint ventures is included in the statement of profit or loss and consolidated other comprehensive income. Respectively. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Bank recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Bank and its associates or joint ventures are eliminated to the extent of the Bank's investments in the associates or joint ventures, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates or joint ventures is included as part of the Bank's investments in associates or joint ventures.

(e) Plant and equipment and depreciation

Plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses, The cost of an item of plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition location for its intended use.

Expenditure incurred after items of plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of plant and equipment are required to be replaced at intervals, the Bank recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on a straight-line basis to write off the cost of each item of plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

14. Accounting Policies (continued)

(e) Plant and equipment and depreciation (continued)

Furniture, fixture and equipment	*10%to20%*
Other Computer equipment	*25%*
Motor vehicles	*20%*
Leasehold improvements	*$16^{2/3}$%*

An item of plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset. Construction in progress represents the costs attributable to the leasehold improvements, which is stated at cost less any impairment losses, and is not depreciated until it is ready for its intended use. Construction in progress is reclassified to the appropriate category of plant and equipment when completed and ready to use.

(f) Intangible assets

Intangible assets include banking systems which are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives of three to ten years.

Expenditure on internally developed products is capitalised and deferred only if it can be demonstrated that the product or process is technically and commercially feasible and the Company has sufficient resources to complete the project. Expenditure that does not meet the recognition criteria is expensed in the statement of profit or loss when it is incurred. Capitalised development costs are stated at cost less any impairment losses and are amortised using the straight-line basis over the commercial lives of the underlying products not exceeding three to ten years, commencing from the date when the products are put into commercial production.

Intangible assets acquired separately are measured on initial recognition at cost. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. Computer software are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives of three years. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

14. Accounting Policies (continued)

(g) Foreign currencies

These financial statements are presented in Macao patacas, which is the Bank's functional currency. Foreign currency transactions recorded by the Bank are initially recorded using their respective functional currency rates prevailing at the dates of transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period, Differences arising on settlement or translation of monetary items are recognized in the statement of profit or loss.

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.

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration. the date of initial transaction is the date on which the Bank initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Bank determines the transaction date for each payment or receipt of the advance consideration.

(h) Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset and whether the arrangement conveys a right to use the asset.

Leases are classified as finance leases whenever the terms of the lease transfer to the Bank substantially all the rewards and risks incidental to ownership of a leased item. All other leases are classified as operating leases.

Operating lease payments, net of any incentives received from the lessor, are recognised as an expense in the statement of profit or loss on a straight-line basis over the lease terms.

(i) Cash and Cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short-term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less minimum statutory deposits with AMCM.

14. Accounting Policies (continued)

(j) Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authority, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Bank operates.

Deferred tax is provided using the liability method, on temporary differences at the end of the reporting period arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Tax rates enacted or substantively enacted by the end of the reporting period are used to determine the deferred tax.

Deferred tax liabilities are provided in full while deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

14. Accounting Policies (continued)

(k) Related parties

A party is considered to be related to the Bank if:

(a) the party is a person or a close member of that person's family and that person

(1) has control or joint control over the Bank;
(2) has significant influence over the Bank; or
(3) is a member of the key management personnel of the Bank or of a parent of the Bank;

or

(b) the party is an entity where any of the following conditions applies:

(1) the entity and the Bank are members of the same group;
(2) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
(3) the entity and the Bank are joint ventures of the same third party;
(4) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
(5) the entity is a post-employment benefit plan for the benefit of employees of either the Bank or an entity related to the Bank:
(6) the entity is controlled or jointly controlled by a person identified in (a);
(7) a person identified in (a)() has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
(8) the entity, or any member of a group of which it is a part, provides key management personnel services to the Bank or to the parent of the Bank.

15. 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;

(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.

15. Related party transactions (continued)

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.

In addition to the transactions detailed elsewhere in these financial statements, the Bank had the following transactions with related parties during the year

	MOP
Shareholders:	
Interest expense	(452)
Directors:	
Interest expense	(136,505)
Other related parties:	
Interest expense	(749,278)

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15. Related party transactions (continued)

Outstanding balances with related parties:

	MOP
Shareholders:	
Loans and advances	-
Deposits from customers	(399,089)
Interest payables	-
Directors:	
Loans and advances	136,679
Deposits from customers	(4,413,800)
Interest payables	(75,476)
Associates:	
Deposits from customers	(515,838)
Interest payables	(2,332,060)
Other related parties:	
Loans and advances	165,154
Deposits from customers	(14,912,596)
Interest payables	(192,804)

Compensation of key management personnel of the Bank:

Transactions were entered into with shareholders, directors and other related parties in the normal course of business during the year, including deposits and foreign currency transactions. These transactions were carried out on commercial terms and conditions and at market rates.

	MOP
Short term employee benefits	20,799,232
Post-employment benefits	1,233,087
Total compensation paid to key management personnel	479,350,156

16. Capital

(a) Share capital

	MOP
Authorised, issued and fully paid 2,200,000 (2022: 2,200,000) ordinary shares of MOP1,000 each	2,200,000,000

(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.

16. 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

According to the Circular No. 010/B/2023-DSB/AMCM, the Bank's own funds as of 31 December 2023 amounted to MOP 2,870 million, including the composition of Tier 1 and Tier 2 capital.

Component of own fund is as follows

	MOP '000
Qualifying common shares	2,200,000
Retained earnings	424,483
Accumulated other comprehensive income (OCI)	(16,926)
Other disclosed reserves	232,208
Deductions:	
Regulatory reserves (including general and specific regulatory reserves)	(80,000)
Common Equity Tier 1 capital	2,759,765
Additional Tier 1 capital	-
Tier 1 capital	2,759,765
Eligible accumulated provisions for expected credit loss (ECL) in stage 1& 2 and general regulatory reserves required by the AMCM	110,854
Tier 2 capital	110,854
Own Funds	2,870,619

16. 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 2,200,000 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.

(ii) Capital Adequacy Ratio

As of 31 December 2023, the Bank has maintained a Capital Adequacy Ratio of 21.87% 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.

17. Credit risk management

Credit risk is the risk of financial loss to the Bank if a customer or counterparty to fails to meet the contractual obligations, and arises principally from the Bank's loans and advances to customer and other credit institutions and investment in monetary bills and investment in debt securities. The Bank has a credit policy in place and the exposure to these credit risks are monitored on an ongoing basis in alignment with requirement of Chapter 6 Section 2 (*Prudential Rules on Credit, Investment and Financial Holdings*) of Financial System Act of Macao and other regulatory guidelines.

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 when due and current ability to pay, and 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.

Investments normally consist of investment in debt securities and liquid securities quoted on a recognised stock exchange and with counterparties that have high credit ratings. 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.

Credit Risk Management Policy

Credit risk is the risk of financial loss to the Bank if a customer or counterparty to fails to meet the contractual obligations, and arises principally from the Bank's loans and advances to customer and other credit institutions and investment in debt 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 when due and current ability to pay, and 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.

The Bank has established clear policies on the principles, framework, governance, risk appetite and limits, standards and procedures of credit risk management. The Bank's credit risk management framework consists of the following key elements:

- Effective organizational structure for credit risk management;
- Comprehensive system of credit policies and management regulations;
- Risk appetite presenting the Bank’s metrics in relation to credit risk limits, tolerance levels, targets and risk owners.

17. Credit risk management (continued)

Credit Risk Management Policy (continued)

- Appropriate and effective credit review and approval process;
- Management system for eligible collaterals;
- Credit portfolio risk management and control measures, including credit assets classification, credit portfolio limit monitoring and management, and stress testing programs;
- Proactive post-loan management strategies and measures;
- Appropriate and forward-looking credit impairment and provisioning practices.

All the policies are reviewed on annual basis according to the Bank's strategy and risk appetite, current situation of the Bank and the economic environment and regulatory context.

Overview of Impairment Assessment

The adoption of IFRS 9 has fundamentally changed the Bank's loan loss impairment method to a forward-looking ECL approach. From 1 January 2022, the Bank has been recording the allowance for expected credit losses for all loans and other debt financial assets not held at FVTPL, together with loan accrual interests, receivables, commitments and financial guarantee contracts. Equity instruments are not subject to impairment under IFRS 9.

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss (12mECL). Both LTECLs and 12mECLs are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments.

The Bank has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument. Based on the above process, the Bank groups its loans into Stage 1, Stage 2, Stage 3 and POCI.

For financial assets for which the Bank has no reasonable expectations of recovering either the entire outstanding amount, or a proportion thereof, the gross carrying amount of the financial asset is reduced. This is considered a (partial) derecognition of the financial asset.

17. Credit risk management (continued)

Judgement and Assumption

The measurement of impairment losses under IFRS 9 across all categories of financial assets in scope requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

The Bank's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- The Bank's internal credit grading model, which assigns risk parameters to the individual grades;
- The Bank's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a LTECL basis and the qualitative assessment;
- The segmentation of financial assets when their ECL is assessed on a collective basis;
- Development of ECL models, including the various formulas and the choice of inputs;
- Determination of associations between macroeconomic scenarios and, economic inputs, such as unemployment levels and collateral values, and the effect on risk parameters;
- Selection of forward-looking macroeconomic scenarios and their probability weightings.

It has been the Bank's policy to regularly review its models in the context of actual loss experience and adjust when necessary.

Default and Impaired

The Bank considers a financial instrument defaulted and therefore Stage 3 (credit-impaired) for ECL calculations in all cases when the borrower is classified as Substandard, Doubtful or Loss, which represent "non-performing" for internal management and regulatory purpose. A financial instrument will be classified as Substandard and therefore considered as impaired in all cases when the borrower becomes 90 days past due on its contractual payments. The Bank considers treasury and interbank balances defaulted and takes immediate action when the required intraday payments are not settled by the close of business as outlined in the individual agreements.

17. Credit risk management (continued)

Significant Increase in Credit Risk

The Bank considers an exposure to have significantly increased in credit risk when the borrower becomes 30 days past due on its contractual payment. The Bank also applies a secondary qualitative method for triggering a significant increase in credit risk for an asset, such as moving a customer/facility to the watch list, or the account becoming forborne. In certain cases, the Bank may also consider that event when the borrower with external rating is downgraded for more than 2 notches from an initial rating lower than Baa3 (by Moody's rating scale or equivalent) is a significant increase in credit risk as opposed to a default. Regardless of credit rating, if the borrower/credit asset is classified as Special Mention in asset classification grade according to the Bank's assessment, the credit risk is deemed to have increased significantly since initial recognition.

Grouping Financial Assets Measured on a Collective or Individual Basis

Dependant on the factors below, the Bank calculates ECLs either on a collective or an individual basis.

Asset classes where the Bank calculates ECL on an individual basis include:
- All Stage 3 assets, regardless of the class of financial assets;
- Exposures that have been classified as POCI when the original loan was derecognized and a new loan was recognized as a result of a credit driven debt restructuring;
- The credit assets deemed necessary by the Bank's management due to its risk assessment.

Asset classes where the Bank calculates ECL on a collective basis include:
- All Stage 1 and 2 credit portfolios that are not subject to individual assessment;
- Purchased POCI exposures managed on a collective basis.

The Calculation of ECLs

The Bank calculates ECLs based on three probability-weighted scenarios to measure the expected cash shortfalls, discounted at an approximation to the EIR. A cash shortfall is the difference between the cash flows that are due to the Bank in accordance with the contract and the cash flows that the Bank expects to receive.

The mechanics of the ECL calculations are outlined below and the key elements are, as follows:

The Probability of Default (PD) is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed

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17. Credit risk management (continued)

period, if the facility has not been previously derecognized and is still in the portfolio.

The Exposure at Default (EAD) is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.

The Loss Given Default (LGD) is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realization of any collateral or credit enhancements that are integral to the loan. It is usually expressed as a percentage of the EAD.

When estimating the ECLs, the Bank considers three scenarios (a base case, an upside case and a downside case). Each of these is associated with different PDs, EADs and LGDs. When relevant, the assessment of multiple scenarios also incorporates how defaulted loans are expected to be recovered, including the probability that the loans will cure and the value of collateral or the amount that might be received for selling the asset.

Probability of Default

The Bank's independent Risk Management Department operates macroeconomic response models to estimate PDs for different credit portfolios by establishing statistical relationship between macroeconomic factors and Point-in-Time PDs, which are then adjusted for IFRS9 ECL calculations to incorporate forward looking information. This is repeated for each economic scenario as appropriate.

Exposure at Default

The EAD represents the gross carrying amount of the financial instruments subject to the impairment calculation, addressing both the client's ability to increase its exposure while approaching default and potential early repayments too. To calculate the EAD for a Stage 1 loan, the Bank assesses the possible default events within 12 months for the calculation of the 12mECL. However, if a Stage 1 loan that is expected to default in the 12 months from the balance sheet date and is also expected to cure and subsequently default again, then all linked default events are taken into account. For Stage 2, Stage 3 and POCI financial assets, the exposure at default is considered for events over the lifetime of the instruments. The Bank determines EADs by modelling the range of possible exposure outcomes at various points in time, corresponding the multiple scenarios.

17. Credit risk management (continued)

Loss Given Default

For investment banking financial instruments, LGD rates are derived from statistical models with respect to different tiers in seniority structure, which are subject to further adjustment and calibrated to internal level. For wholesale, retail and credit card portfolio, LGDs are assessed based on historically collected internal loss data and involves a wider set of transaction characteristics (e.g., product type, wider range of collateral types) as well as borrower characteristics, with reference to industry common practice and Basel committee's guidance in case of unavailability or non-representativeness of internal data.

Further recent data and forward-looking economic scenarios are used in order to determine the IFRS 9 LGD rate for each group of financial instruments. When assessing forward-looking information, the expectation is based on multiple scenarios. LGD rates are estimated for the Stage 1, Stage 2, Stage 3 and POCI IFRS 9 segment of each asset class. The inputs for these LGD rates are estimated and, where possible, calibrated through back testing against recent recoveries. These are repeated for each economic scenario as appropriate.

Forward-looking Factors

In the ECL models, the Bank relies on a broad range of forward-looking information as economic inputs, of countries or regions including China mainland, Hong Kong, Macao and United States, such as:

- GDP growth
- CPI and PPI
- Unemployment rate
- House price index
- Government debts and revenues

Under scenarios that incorporate forward-looking factors, the Bank expects the economic environment to recover in 2024 and 2025, however, economic growth will be volatile due to ongoing financial crises in certain industries, a high interest rate environment, and international geopolitical conflicts.

The inputs and models used for calculating ECLs may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays may be occasionally made as temporary adjustments when such differences are significantly material.

17. Credit risk management (continued)

Scenario Probability Application

Scenario probabilities reflect the Bank's judgment on the trajectory of the economy. The economic prospects should be the primary consideration in determining different scenario probabilities. Meanwhile, sensitivity to changes in the economic environment may vary across asset classes and debtors, and, thus, potential changes in risk appetite are also an element to be considered. Besides, Scenarios or events that may arise in the future and have a significant impact on the ECL (e.g., extreme or extraordinary events not reflected in historical or forecast information) also have an impact on the scenario probabilities. Therefore, these potential scenarios or events may also be one of the key considerations. the Bank shall periodically review and update the applicability and reasonableness of the scenarios and their probabilities to incorporate a forward-looking component in ECL.

In the ECL model for the fiscal year ended, the Bank set up three scenarios, i.e., Neutral Scenario (45%), Upside Scenario (10%), and Downside Scenario (45%), and calculated the scenario-based ECLs by applying forward-looking economic factors under the scenarios, which are weighted by the scenario probabilities to calculate the final ECLs.

Management Overlay

In the event of any unanticipated event resulting in a sudden change in credit risk, a management overlay with the corresponding ECL or ECL% set by management based on the evaluation on the event may be considered to avoid underestimation of impairment levels and delayed response to credit risk. For the fiscal year ended, the Bank has not imposed a management overlay on the ECL model.

17. Credit risk management (continued)

(a) Geographical analysis of loans and advances to customers

Region	Loans and Advances Stage I MOP	Loans and Advances Stage II MOP	Loans and Advances Stage III MOP	ECL Stage I MOP	ECL Stage II MOP	ECL Stage III MOP
China	1,419,960,936	97,332	224,414	3,758,093	70,566	164,289
- Banks	524,680	-	-	132	-	-
- Government/Public sectors	-	-	-	-	-	-
- Others	1,419,436,256	97,332	224,414	3,757,961	70,566	164,289
	-	-	-	-	-	-
Hong Kong SAR	7,826,252,470	205,695,165	56,669	21,182,825	792,974	19,441
- Banks	-	-	-	-	-	-
- Government/Public sectors	-	-	-	-	-	-
- Others	7,826,252,470	205,695,165	56,669	21,182,825	792,974	19,441
	-	-	-	-	-	-
Cayman Island	25,555,249	-	-	71,908	-	-
- Banks	-	-	-	-	-	-
- Government/Public sectors	-	-	-	-	-	-
- Others	25,555,249	-	-	71,908	-	-
	-	-	-	-	-	-
Macau SAR	143,940,577	14,458,858	15,612,176	2,152,891	389,039	13,075,139
- Banks	-	-	-	-	-	-
- Government/Public sectors	-	-	-	-	-	-
- Others	143,940,577	14,458,858	15,612,176	2,152,891	389,039	13,075,139
	-	-	-	-	-	-
Virgin Islands	693,399,880	-	-	1,901,143	-	-
- Banks	-	-	-	-	-	-
- Government/Public sectors	-	-	-	-	-	-
- Others	693,399,880	-	-	1,901,143	-	-
	-	-	-	-	-	-
Samoa	250,903,339	-	-	534,849	-	-
- Banks	-	-	-	-	-	-
- Government/Public sectors	-	-	-	-	-	-
- Others	250,903,339	-	-	534,849	-	-
Total	10,360,012,451	220,251,355	15,893,259	29,601,707	1,252,580	13,258,869

17. 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

Region	Principal Amount MOP	ECL Stage I MOP
Hong Kong SAR	660,859,602	-
- Banks	40,263,274	-
- Government/Public sectors	620,596,328	23,865
- Others	-	
Philippine	-	
- Banks	-	
- Government/Public sectors	-	
- Others	-	
China	1,094,227,374	
- Banks	826,339,985	
- Government/Public sectors	176,551,503	26,872
- Others	91,335,886	
Macau SAR	20,657,566	
- Banks	20,657,566	
- Government/Public sectors	-	
- Others	-	
Total	1,775,744,542	50,737

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17. Credit risk management (continued)

(c) Derivatives financial instruments

Region	Principal Amount	ECL
		Stage I
	MOP	MOP
Macau SAR	400,170	
- Banks	-	-
- Government/Public sectors	400,170	-
- Others	-	-
Total	400,170	-

17. Credit risk management (continued)

(d) 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.

	Loans and Advances Stage I MOP	Loans and Advances Stage II MOP	Loans and A dvances Stage III MOP	ECL Stage I MOP	ECL Stage II MOP	ECL Stage III MOP
Agriculture and fisheries	-	-	-	-	-	-
Mining industries	-	-	-	-	-	-
Manufacturing industries	371,399,336	-	-	1,059,274	-	-
Electricity, gas and water	-	-	-	-	-	-
Construction and public works	2,587,903,732	8,480,475	-	6,621,636	235,397	-
Wholesale and retail trade	1,718,267,648	4,897,909	-	4,429,602	14,046	-
Restaurants, hotels and similar	1,960,958,163	903,249	-	4,965,694	3,628	-
Transport, warehousing and communications	-	-	-	-	-	-
Non-monetary financial institu-tions	-	-	-	-	-	-
Gaming	-	-	-	-	-	-
Exhibition and conference	-	-	-	-	-	-
Education	-	-	-	-	-	-
Information technology	524,919,627	-	-	1,435,512	-	-
Other industries	2,766,788,309	205,695,165	-	6,233,189	792,974	-
Personal loans	429,775,635	274,558	15,893,259	4,856,800	206,534	13,258,869
Total	10,360,012,451	220,251,355	15,893,259	29,601,707	1,252,580	13,258,869

17. Credit risk management (continued)

(e) Ageing analysis of accounting past-due exposures

(i) Loans and advances to non-bank customers

	Loans and Advances		Value of Collateral	Loans and Advances	Loans and Advances	Loans and Advances	Loans and Advances	Loans and Advances	Loans and Advances
				Stage I	Stage II	Stage III	Stage I	Stage II	Stage III
	MOP	% to total	MOP	MOP	MOP	MOP	MOP	MOP	MOP
Performing or past due for no more than 3 months	10,580,662,180	99.86%	12,899,977,886	10,360,012,451	220,251,355	923,053	29,601,576	1,252,580	673,150
Past due for more than 3 months but not more than 6 months	719,915	0.01%	-	-	-	719,915	-	-	325,232
Past due for more than 6 months but not more than 1 year	2,520,923	0.02%	-	-	-	2,520,923	-	-	1,981,383
Past due for more than 1 year	11,729,367	0.11%	2,078,800	-	-	11,729,367	-	-	10,279,104
	10,595,632,385	100%	12,902,056,686	10,360,012,451	220,251,355	15,893,259	29,601,576	1,252,580	13,258,869

17. Credit risk management (continued)

(e) Ageing analysis of accounting past-due exposures

(ii) Loans and advances to banks

During the period, the Bank did not have any overdue interbank loans and advances.

(iii) Other assets

During the period, the Bank did not have any overdue other assets.

17. Credit risk management (continued)

(f) Credit quality analysis under regulatory asset classification

	Amount in MOP Stage I	Stage II	Stage III	Value of Collat-eral MOP"	ECL MOP
Credit - loans and advance					
Pass	10,360,012,451	-	-	11,000,195,490	29,601,706
Special Mention	-	220,251,355	-	38,761,187	1,252,580
Substandard	-	-	749,915	1,545,000	325,232
Doubtful	-	-	3,293,955	61,800	2,596,439
Loss	-	-	11,849,389	60,000	10,337,198
(subtotal)	10,360,012,451	220,251,355	15,893,259	11,040,623,477	44,113,155
Placements with credit institutions					
Pass	7,151,872,803	-	-	-	369,966
Debt investments					
Pass	1,775,744,542	-	-	-	504,774

18. 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 2023, 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:

	MOP In '000'
Capital charge on foreign exchange Exposure/Total capital charge for market risk	1,123
Market Risk Exposure	1,123

19. 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 2023, interest rate risk weighted position on all currencies, measured as its impact in the economic values of own funds as follows:

	MOP In '000'
MOP	3,568
HKD	(35,777)
USD	16,451
CNY	17,065

20. 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.

21. 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.

21. Foreign exchange risk (continued)

The following table indicates the concentration of currency risk as of 31 December 2023:

	Currency	Net Open Position excluding option contracts Long or Short	Net Position in option contracts Long or Short	Net Open Position including option contracts Long or Short
		MOP In '000'	MOP In '000'	MOP In '000'
1	Australian dollars	96	-	96
2	Canadian dollars	44	-	44
3	Chinese renminbi	105	-	105
4	Euro	(1,123)	-	(1,123)
5	Hong Kong dollars	1,241,720	-	1,241,720
6	Japanese yen	-	-	-
7	New Zealand dollars	-	-	-
8	Pound sterling	445	-	445
9	Singapore dollars	-	-	-
10	Swiss francs	-	-	-
11	US dollars	(2,654)	-	(2,654)
12	Foreign currencies not separately specified above, except gold	-	-	-
13	Gold	-	-	-
	Total	1,238,633	-	1,238,633

The following foreign currency constitutes not less than 10% of our bank's total net position in all foreign currencies：

Currency	spot assets	spot liabilities	forward purchases	forward sales	Total
	MOP In '000'	MOP In '000'	MOP In '000'	MOP In '000'	MOP In '000'
Hong Kong dollars	21,952,307	21,030,917	320,330	-	1,241,720
Total	21,952,307	21,030,917	320,330	-	1,241,720

22. 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.

22. Liquidity risk (continued)

(a) Analysis of assets and liabilities by remaining maturity

The maturity profile of the Banks financial assets and liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

	on demand MOP	*Less than 1 months* MOP	*1 to less than 3 months* MOP	*3 to less than 6 months* MOP	*6 months to 1 years* MOP	*Over 3 years* MOP	Unlimited MOP	Total MOP
Financial assets								
Cash	81,229,978	-	-	-	-	-	-	81,229,978
Deposits and clearing balances with AMCM	332,782,193	-	-	-	-	-	-	332,782,193
Deposits on demand and clearing with credit institutions	573,486,550	-	-	-	-	-	-	573,486,550
Placements with credit institutions	-	453,677,787	2,130,286,504	93,366,090	-	-	-	2,677,330,381
Securities issued by Macao SAR Government and/or AMCM	-	1,113,213,031	2,105,609,686	1,255,349,739	-	-	-	4,474,172,456
Certificates of deposit held	-	-	-	-	-	-	-	-
Loans and advances to customers	49,597,911	65,928,544	243,480,963	892,145,508	4,656,163,957	4,644,727,027	-	10,552,043,910
Derivatives financial instruments		-	391,850	8,320	-	-	-	400,170
Debt investments	-	-	69,104,031	514,461,199	521,881,539	670,247,036	-	1,775,693,805
Other financial assets	21,290,942	-	-	-	4,518,044	-	-	25,808,986
Financial assets Total	1,058,387,574	1,632,819,362	4,548,873,034	2,755,330,856	5,182,563,540	5,314,974,063	-	20,492,948,429

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22. Liquidity risk (continued)

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

The maturity profile of the Banks financial assets and liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

	on demand MOP	*Less than 1 months* MOP	*1 to less than 3 months* MOP	*3 to less than 6 months* MOP	*6 months to 1 years* MOP	*Over 3 years* MOP	Unlimited MOP	Total MOP
Financial liabilities								
Deposits and balances of banks and financial institutions	1,128,197	27,442,076	6,401,833	11,075,937	-	-	-	46,048,043
Deposits from public sector entities	-	83,206,741	471,042,459	1,347,927,216	-	-	-	1,902,176,416
Deposits from holding and associated companies	515,838	-	-	-	-	-	-	515,838
Deposits from non-bank customers	856,021,908	1,441,685,798	4,955,281,704	8,434,300,483	26,600,986	-	-	15,713,890,879
Issue of Certificates of Deposit	-	-	-	-	-	-	-	-
Other financial liabilities	19,925,733	1,143,659	6,391,350	1,576,391	6,832,703	-	-	35,869,836
Financial Liabilities Total	877,591,676	1,553,478,274	5,439,117,346	9,794,880,027	33,433,689	-	-	17,698,501,012
Interest rate sensitivity gap	180,795,898	79,341,088	(890,244,312)	(7,039,549,171)	5,149,129,851	5,314,974,063	-	2,794,447,417

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22. Liquidity risk (continued)

(b) Average liquidity

(i)

Average weekly liquidity for the year	MOP In '000
Minimum weekly cash in hand	223,815
Average weekly cash in hand	377,987

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 Percentag*
1month current ratio	132.9%
3months current ratio	115.7%

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.

(c) Average solvency assets

Average solvency assets	MOP In '000'
Average specified liquid assets	8,944,287
Average total basic liabilities	15,452,626
Ratio of specified liquid assets to basic liabilities	57.9%

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.