



## BANCO WELL LINK, S.A.

Annual Disclosure  
for the year ended 31 December 2021

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\* Audited

## 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 31 December 2021.

### **Business and Management Report**

In 2021, Well Link Bank continued to adhere to the policy of "Build Up a Foundation, Keep Sustained Development, Serve Local Community, and Focusing on the Greater Bay Area". The Bank operated stably, determined to innovate, and achieved a coordinated development in terms of scale, quality, and efficiency. Besides, its overall business performance has got a steady growth.

During the year, the Bank completed a capital increase of MOP1 billion, which further expanded the base of its share capital. As of December 31, 2021, the Bank's total assets were MOP 14.77 billion, total deposits MOP 11.26 billion, total loans MOP 6.09 billion, and pre-tax profit MOP 132 million. Compared with the end of the previous year, it achieved growth of 19.2%, 9.5%, 45.4% and 30.1% respectively. The development of the overall business continued with improvement of the Bank's profitability. A good growth has been seen in regards of the scale of credit assets. Besides the Bank has remained the stability of the asset quality, a relatively low non-performing loan ratio, a sufficient provision coverage, a high level of liquidity remained at a high level, and an enhanced risk resistance. More specifically, during the period, the non-performing loan ratio was 0.17%, the one-month liquidity ratio was 106%, the three-month liquidity ratio was 104.6%, and the provision coverage ratio was 679.2%.

Adhering to the tenet of "remain true to our original aspiration and serve the society with our sincerity", the Bank continued to improve the planning and network of the branches, strive to improve service quality, innovate marketing models, and expand our consumer base. The Bank has successively opened first barrier-free bank branches in Macau, based in Nova Taipa and Fai Chi Kei respectively, fulfilling its obligations of caring for the society and promoting the integration of the disabled into the community. At the same time, under the impact of the epidemic, in order to help SMEs in Macao to tide over the difficulties, in line with government measures, we launched the plan of "repayment of only the interest not the principal" plan for customers in need, and also provided exclusive preferential deposit products for SMEs, as ways of taking the social responsibilities based in Macau.

The Bank attaches great importance to the construction of financial technology, fully promotes the technology strategy of financial digitization, and is committed to building a bank with agile capabilities, technology, and intelligence. Under the fintech infrastructure construction, the creation of ecological scenarios, the product innovations and the enhancement of intelligence and digital capabilities, a series of new progresses have been made by the Bank. We have strengthened the intelligent services that combine online and offline banking services and launched a brand-new smart teller machine and "Mobile Banking 3.0" version. We also actively cooperated with Macao's financial infrastructure development and connected to the "Easy Transfer" fast payment system to achieve a service of instant transfer in six seconds; constantly enriching financial products, actively developing intermediary business and businesses of cross-border characteristics, and improving featured products such as

"Smart Deposit", " Well Link Securities ", "Greater Bay Area Loan", etc., to meet the diversified needs of different customer groups. At the same time, we actively expand the application scenarios of mobile payment, cooperate with local mainstream payment institutions, launch fast payment services, expand the usage scenarios of online payment through mobile banking, and provide more functions such as payments for our daily lives and cross-border payments.

Through continuous efforts and steady operation, we have established a foothold in Macau, and gradually established the brand reputation of Well Link Bank in the local market. the Bank will continue to move forward with our development. With the spirit of "pragmatism, rigor, innovation and responsibility", we strive to bring high-quality services to the community, contribute to the Macau society, and integrate into the overall development of the Greater Bay Area.

In the near future, with the release of the national "13th Five-Year Plan" and the overall plan for the construction of the Guangdong-Macao In-Depth Cooperation Zone in Hengqin, Well Link Bank will take an active role, seize the development opportunities under the preferential national policies, and integrate our bank into the overall national development. We will continue to serve the local community, give full play to the advantages of the bank's unique Sino-Portuguese heritage, and make use of the positioning policies of Macau as "One Centre, One Platform and One Base" to comprehensively implement the strategic deployment of the Guangdong-Hong Kong-Macao Greater Bay Area, and strive to achieve the goal of being a first-class bank in the Greater Bay Area.

### **Results and appropriations**

According to the laws and the Bank's Article of Associations, the Board of Directors proposed to the shareholders that the net profit of 117,298,175 patacas (one hundred seventeen million two hundred ninety-eight thousand one hundred seventy-five patacas) completed on December 31, 2021 is used in the following ways:

- (1) Legal reserve: 23,459,635 patacas, consistent with 20% of the net profit
- (2) Retained income: 93,838,540 patacas

## 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 2021.

The Board of Directors' Report outlines in a clear manner the economic situation and progress of the Bank's activity during the 2021 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 2021 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.

Macau, 29 March 2022

## 3. Governing Bodies and Qualified Shareholders

Chairing Board of Shareholders' meeting

Chairman : Xu Chujia

Secretary : Yeung Chi Shing

Secretary : Xiang Fei

Board of Directors :

Chairman : Zhang Shengman

Directors : Xu Chujia

Paulo Jorge Fernandes Franco

Hon Wai Ming

So Shing Shun

Fang Hongguang

Lao Pun Lap  
Antonio Jose Felix Pontes  
Chong Sio Fai  
Huang Ruisheng  
Cai Kunshan  
Artur Jorge Teixeira Santos

Executive Committee :

Chong Sio Fai  
Huang Ruisheng  
Cai Kunshan  
Artur Jorge Teixeira Santos

Supervisory Board :

Chairman : Ng Man Kung

Members : Vong Hin Fai

CSC & Associates – Sociedade de Auditores (represented by Mok Chi 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:**

	<i>Total Capital</i>	<i>Holding capital</i>	<i>% of Total Capital</i>
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 2021:

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.

## 5. Independent Auditor's Report on the Summary Financial Information

### **To the shareholders of Banco Well Link, S.A.**

(Incorporated in Macao with limited liability by shares)

The accompanying summary financial statements of Banco Well Link, S.A. (the “Bank”), which comprise the balance sheet as at 31 December 2021, and the profit or loss account, for the year then ended are derived from the audited financial statements of Banco Well Link, S.A. (the “Bank”) for the year ended 31 December 2021. We have expressed an unmodified audit opinion on those financial statements, from which the summary financial statements are derived, in our independent auditor’s report dated 29 March 2022.

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 promulgated by the Macao Special Administrative Region. Reading the summary financial statements, therefore, is not a substitute for reading the audited financial statements.

### **Management's Responsibility for the Summary Financial Statements**

Management is responsible for the preparation of the summary financial statements in accordance with the Circular No. 026/B/2012-DSB-AMCM – Guideline on Disclosure of Financial Information.

### **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, "*Engagement to Report on Summary Financial Statements*" contained in the Auditing Standards of the Macao Special Administrative Region.

### **Opinion**

In our opinion, the summary financial statements as derived from the audited financial statement of the Bank for the year ended 31 December 2021 are consistent, in all material respects, with those audited financial statements, in accordance with the Circular No. 026/B/2012-DSB-AMCM – Guideline on Disclosure of Financial Information.

**BAO King To CPA**

**Ernst & Young**

*Certified Public Accountants*

Macao

29 March 2022



## 6. Balance Sheet

BANCO WELL LINK, S.A.  
Balance sheet as at 31 December 2021  
(Expressed in Macau Patacas)

ASSETS	GROSS ASSETS	PROVISION DEPRECIATION AND AMORTIZATION	NET ASSETS
CASH	63,694,437.43		63,694,437.43
DEPOSIT WITH AMCM	275,695,295.06		275,695,295.06
VALUES FOR COLLECTION	5,487,870.90		5,487,870.90
DEPOSIT ON DEMAND WITH LOCAL CREDIT INSTITUTIONS	121,069,896.14		121,069,896.14
DEPOSIT ON DEMAND WITH FOREIGN CREDIT INSTITUTIONS	161,388,439.10		161,388,439.10
OTHER VALUES	95,123.84		95,123.84
LOANS AND ADVANCES	6,087,995,763.93	7,478,659.93	6,080,517,104.00
PLACEMENTS WITH LOCAL CREDIT INSTITUTIONS	6,114,523,249.24		6,114,523,249.24
DEPOSIT AT CALL AND AT TERM ABROAD	483,702,000.00		483,702,000.00
SHARES, BONDS AND OTHER SECURITIES	811,681,123.32		811,681,123.32
DEBTORS	23,320,494.62		23,320,494.62
OTHER APPLICATIONS	480,000,000.00		480,000,000.00
INVESTMENTS	2,550,410.00		2,550,410.00
EQUIPMENTS	21,028,415.39	8,699,869.96	12,328,545.43
DEFERRED EXPENDITURES	66,945,608.55	24,279,832.47	42,665,776.08
INSTALLATION EXPENDITURES	37,322,209.49	12,907,546.83	24,414,662.66
CONSTRUCTIONS IN PROGRESS	14,299,085.26		14,299,085.26
INTERNAL ACCOUNTS	52,647,899.79		52,647,899.79
<b>TOTAL</b>	<b>14,823,447,322.06</b>	<b>53,365,909.19</b>	<b>14,770,081,412.87</b>

## 6. Balance Sheet (continued)

BANCO WELL LINK, S.A.  
Balance sheet as at 31 December 2021 (continued)  
(Expressed in Macau Patacas)

LIABILITIES	SUB-TOTAL	TOTAL
DEPOSITS ON DEMAND	1,287,779,687.15	-
FIXED TERM DEPOSITS	7,387,542,162.47	-
PUBLIC SECTOR DEPOSITS	2,585,386,512.36	11,260,708,361.98
BORROWING FROM LOCAL CREDIT INSTITUTIONS	497,894,679.35	-
FOREIGN CURRENCY LOANS	196,620,657.45	-
CHEQUES AND PAYMENT ORDERS	5,965,719.19	-
CREDITORS	15,228,834.22	-
OTHER LIABILITIES	2,610,759.95	718,320,650.16
INTERNAL ACCOUNT	-	139,529,968.19
PROVISION FOR OTHER RISKS AND CHARGES	-	61,660,000.00
CAPITAL	2,200,000,000.00	-
LEGAL RESERVE	86,471,207.57	-
STATUTINARY RESERVE	-	-
OTHER RESERVES	-14,132,736.96	2,272,338,470.61
RESULTS CARRIED FORWARD	200,225,787.33	-
PROFIT FOR THE YEAR	117,298,174.60	317,523,961.93
<b>TOTAL</b>		<b>14,770,081,412.87</b>

## 7. Profit & Loss Account

**BANCO WELL LINK, S.A.**  
**Operating Profit and Loss Account**  
**For the year ended 31 December 2021**  
*(Expressed in Macau Patacas)*

DEBIT	AMOUNT	CREDIT	AMOUNT
INTEREST EXPENSES	185,103,923.32	INTEREST INCOME	440,778,637.47
STAFF COSTS:		BANKING SERVICE INCOME	46,291,803.27
MANAGEMENT REMUNERATION	3,100,000.00	OTHER BANKING SERVICES INCOME	8,661,288.77
EMPLOYEES REMUNERATION	62,812,766.22	SECURITIES AND FINANCIAL INVESTMENT INCOME	14,086,579.60
SPECIAL EXPENSES	3,870,261.53	OTHER BANKING INCOME	370,626.44
OTHER STAFF COSTS	923,663.05	INORGANIC PROVISIONS	
THIRD PARTY SUPPLIES	1,494,811.77	OPERATING LOSS	-
THIRD PARTY SERVICES	67,057,932.42		-
OTHER BANKING EXPENSES	7,259,419.55		-
INDUSTRIAL AND OTHER TAXES	1,309,454.00		-
OTHER EXPENSES	2,683,375.61		-
DEPRECIATION AND AMORTIZATION	17,975,086.76		-
PROVISIONS FOR OTHER RISKS AND CHARGES	22,300,147.78		-
OPERATING PROFIT	134,298,093.54		-
TOTAL	510,188,935.55	TOTAL	510,188,935.55

## 7. Profit & Loss Account (continued)

**BANCO WELL LINK, S.A.**  
Profit and Loss Account  
For the year ended 31 December 2021  
*(Expressed in Macau Patacas)*

DEBIT	AMOUNT	CREDIT	AMOUNT
OPERATING LOSS	-	OPERATING PROFIT	134,298,093.54
PRIOR YEAR LOSS	-	PROFIT YEAR GAIN	-
EXCEPTIONAL LOSS	1,913,760.94	EXCEPTIONAL PROFIT	-
COMPLEMENTARY (CORPORATE) INCOME TAX	15,086,158.00	PROVISIONS UTILISED	-
NET PROFIT	117,298,174.60	NET LOSS	-
TOTAL	134,298,093.54	TOTAL	134,298,093.54

CHIEF EXECUTIVE OFFICER

Chong Sio Fai

EXECUTIVE DIRECTOR

Huang Ruisheng

Macau, 29 March 2022

## 8. Memorandum Items

BANCO WELL LINK, S.A.  
**Memorandum Items**  
*(Expressed in Macau Patacas)*

MEMORANDUM ITEMS	AMOUNT
VALUES HELD IN DEPOSIT	-
VALUES HELD FOR COLLECTION	-
VALUES HELD AS GUARANTEE	21,289,300,084.84
BANK GUARANTEES	49,108,736.63
LETTER OF CREDIT ISSUED	2,172,389.60
ACCEPTANCES OUTSTANDING	-
FORWARDS PURCHASE	-
FORWARDS SALES	-
OTHER MEMORANDUM ITEMS	352,635,848.67

## 9. The Cash flow statement

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>MOP</b>
Profit before tax	132,384,333
Adjustments for:	
Depreciation	17,975,087
Amortization of premium/discount on debt investment	296,783
Gain on disposal of debt investments at fair value	(13,665,430)
Interest income from debt investments	(54,808,939)
Provision for doubtful loans and advances	22,300,148
Loss on disposal of items of plant and equipment	1,913,761
Exchange adjustments	(14,029,133)
	92,366,610
Increase in minimum statutory deposits with AMCM	(11,484,000)
Increase in loans and advances	(1,901,143,378)
Increase in placements with local credit institutions with original maturity beyond three months	(2,448,916,168)
Decrease in placements with foreign credit institutions with original maturity beyond three months	2,277,649,309
Decrease in interest receivables and other assets	5,880,552
Decrease in deposits on demand	(35,075,355)
Increase in fixed term deposits	1,278,010,442
Increase in other liabilities	764,176
Decrease in other payables	(33,965,925)
	(775,913,737)
Cash generated from operations	(775,913,737)
Macao complementary tax paid	(11,045,818)
	(786,959,555)
Net cash flows from operating activities	(786,959,555)
<b>CASH FLOWS USED IN INVESTING ACTIVITIES</b>	
Purchases of items of plant and equipment	(33,535,321)
Interest received from debt investments	54,470,583
Purchases of debt investments	(401,331,228)
Proceeds from disposal of debt investments	613,229,989
	232,834,023
Net cash flows used in investing activities	232,834,023
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	
Proceeds from issue of shares	1,000,000,000
	1,000,000,000
Net cash flows from financing activities	1,000,000,000

## 9. The Cash flow statement(continued)

NET INCREASE IN CASH AND CASH EQUIVALENTS	445,874,468
Cash and cash equivalents at beginning of year	2,451,857,199
	<hr/>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>2,897,731,667</u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS	
Cash	63,694,437
Deposits and clearing balances with AMCM with original maturity at or within three months	275,695,295
Deposits on demand with credit institutions	282,458,335
Placements with local credit institutions with original maturity at or within three months	2,188,937,600
Placements with foreign credit institutions with original maturity at or within three months	215,180,000
Less: Minimum statutory deposits with AMCM	(128,234,000)
	<hr/>
Cash and cash equivalents as stated in the statement of cash flows	<u>2,897,731,667</u>

## 10. Off-balance sheet exposures other than derivative transactions

At 31 December 2021, the Bank had the following contingent liabilities and outstanding commitments:

(a)

<i>Off balance sheet items outstanding (contract amount) at the balance sheet date</i>	
	<i>(in MOP)</i>
Bank guarantees issued	49,108,737
Letter of Credit	2,172,390
Undrawn facilities	352,635,849

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

(b) *Operating lease commitments*

At 31 December 2021, the Bank had future aggregate minimum lease payments under operating leases as follows (in MOP):

Within one year	21,058,748
In the second to fifth years, inclusive	79,810,131
After five years	17,200,060
	<hr/>
	118,068,939

## 11. Derivatives

As at 31 December 2021, the notional amount of interest-bearing off -balance sheet financial instruments is as follows:

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

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

## 12. Accounting Policies

### (a) *Income recognition*

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

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

### (b) *Shares, bonds and other securities*

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

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

## 12. Accounting Policies (continued)

### (c) *Financial investments*

#### *Investment in subsidiary*

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

#### *Investment in associate*

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

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

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

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

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

## 12. Accounting Policies (continued)

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

### *(e) Equipment and other fixed assets*

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

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

### *(f) Deferred expenses*

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

### *(g) Translation of foreign currencies*

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

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

## 12. Accounting Policies (continued)

### (h) *Operating leases*

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

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

### (i) *Cash and Cash equivalents*

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

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

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

### (k) *Income tax*

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

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

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

## 12. Accounting Policies (continued)

### (l) *Related parties*

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

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

## 12. Accounting Policies (continued)

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

## 13. 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;

### 13. Related party transactions (continued)

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

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

**(b) Transactions with key management personnel**

*Key management personnel of the Bank*

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

**(c) Transactions with group companies**

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

<i>The amount of related party transactions during the year is set out below</i>		<i>(in MOP)</i>
Shareholders:		
Interest expenses	(37)	<u>                    </u>
Directors:		
Interest expenses	(31,759)	<u>                    </u>
Associates:		
Interest expenses	-	<u>                    </u>
Other related parties		
Interest expenses	(782,154)	<u>                    </u>

### 13. Related party transactions (continued)

<i>The outstanding amounts of related party transactions as at the end of the reporting period are set out below</i>		<i>(in MOP)</i>
Shareholders:		
Deposit on demand		<u>(1,370,377)</u>
Directors:		
Deposit on demand		(2,167,576)
Fixed term deposits		(2,682,029)
Interest payables		<u>(6,151)</u>
Associates:		
Deposit on demand		(515,838)
Interest payables		<u>(2,332,060)</u>
Other related parties		
Deposit on demand		(84,396,418)
Fixed term deposits		(126,753,676)
Interest payables		<u>(155,478)</u>
		-

## 14. Capital

### (a) *Share capital*

#### **Authorised, issued and fully paid (in MOP):**

2,200,000 shares of MOP1,000 each	<u>2,200,000,000</u>
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### (b) *Capital management*

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

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

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

## 14. Capital (continued)

### (b) Capital management (continued)

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

#### (i) Own funds

The Bank's own fund as of 31 December 2021 amounted to MOP 2,532 million. The value of own funds is the sum of core capital and supplementary capital less the amounts subject to deductions (if there were any).

<i>Component of own fund is as follows</i>	<i>(in MOP)</i>
Share capital	2,200,000,000
Legal reserve	86,471,208
Other reserve	112,873
Changes in fair value of bonds	-14,245,610
Retained earnings	200,225,787
Total core capital	2,472,564,258
General provision/ Total supplementary capital	61,660,000
Total amount of own funds	2,534,224,258

## 14. 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 (see Note 5 d (ii)).

#### (ii) Capital Adequacy Ratio

As of 31 December 2021, the Bank has maintained a Capital Adequacy Ratio of 29.00% 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.

## 15. Credit risk management

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

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

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

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

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

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

## 15. Credit risk management (continued)

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

As of 31 December 2021, amount of overdue loans and advances (more than 3 months) is MOP 10.18 million, the specific provision was amounted to MOP 7.48 million. A general provision was amounted to MOP 61.66 million, which meets the minimum reserve requirement by AMCM.

Investment in debt securities and liquid securities are quoted in a recognised stock exchange and with counterparties that have high credit ratings. Furthermore, transactions involving derivative financial instruments are with counterparties of sound credit standing. Given their high credit standing, management does not expect any investment counterparty to fail to meet its obligations, thus, no impairment loss is recognized as of 31 December 2021.

## 15. Credit risk management (continued)

### (a) Geographical analysis of loans and advances to customers

<i>Region</i>	<i>Gross loans and advances to customers MOP</i>	<i>Overdue loans and advances (more than 3 months) MOP</i>
Macau SAR	98,563,591	9,983,966
Hong Kong	3,969,039,001	34,768
Cayman Islands	28,572,141	-
China, People's Republic	1,147,342,047	160,250
Virgin Islands	540,750,000	-
Samoa	293,550,000	-
<b>Total</b>	<b>6,077,816,780</b>	<b>10,178,984</b>

## 15. Credit risk management (continued)

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

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

<i>Region</i>	<i>Gross Investments MOP</i>
Hong Kong SAR	92,065,654
Of which:	
– Banks	-
– Government/Public sectors	-
– Others	92,065,654
United Kingdom	68,232,597
Of which:	
– Banks	68,232,597
– Government/Public sectors	-
– Others	-
China	440,448,492
Of which:	
– Banks	358,778,834
– Government/Public sectors	81,669,658
– Others	-
Macau SAR	96,207,785
Of which:	
– Banks	96,207,785
– Government/Public sectors	-
– Others	-
Philippines	114,726,595
Of which:	
– Banks	114,726,595
– Government/Public sectors	-
– Others	-
Total	811,681,123

## 15. Credit risk management (continued)

### (c) *Industry distribution of exposures*

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

	<i>Gross loans and advances to customers (MOP)</i>	<i>Overdue loans and advance (more than 3 months) (MOP)</i>
For other personal use	1,635,652,722	10,178,984
Financial Investment	2,056,267,695	-
Construction and Public Works	313,933,975	-
Wholesale and retail business	1,384,963,661	-
Manufacturing	28,572,141	-
Others	658,426,586	-
	6,077,816,780	10,178,984

## 15. Credit risk management (continued)

### (d) Analysis of assets and liabilities by remaining maturity

The following maturity profile is based on the remaining period as at 31 December 2021 to the contractual maturity date:

	<i>Maturity date of financial instruments</i>						<i>Total</i>
	<i>On demand</i>	<i>Less than 3 months</i>	<i>3 to 6 months</i>	<i>6 to 12 months</i>	<i>1 to 5 years</i>	<i>More than 5 years</i>	
	MOP	MOP	MOP	MOP	MOP	MOP	MOP
<b>Assets</b>							
Cash and short-term funds	63,694,437	-	-	-	-	-	63,694,437
Deposits with credit institutions	558,153,630	-	-	-	-	-	558,153,630
Placements with credit institutions	-	5,421,612,749	1,347,612,500	309,000,000	-	-	7,078,225,249
Loans and advances	-	573,433,455	415,321,869	982,792,482	3,167,669,053	885,355,581	6,024,572,440
Debt investments	-	-	-	50,418,315	311,073,199	450,189,609	811,681,123
Interest receivables	-	6,297,612	1,947,140	2,812,478	19,346,869	11,333,125	41,737,224
Other assets	19,242,926	-	30,076	-	1,000,130	3,413,420	23,686,552
<b>Total financial assets</b>	<u>641,090,993</u>	<u>6,001,343,816</u>	<u>1,764,911,585</u>	<u>1,345,023,275</u>	<u>3,499,089,251</u>	<u>1,350,291,735</u>	<u>14,601,750,655</u>

## 15. Credit risk management (continued)

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

	<i>Maturity date of financial instruments</i>						<i>Total MOP</i>
	<i>On demand MOP</i>	<i>Less than 3 months MOP</i>	<i>3 to 6 months MOP</i>	<i>6 to 12 months MOP</i>	<i>1 to 5 years MOP</i>	<i>More than 5 years MOP</i>	
<b>Liabilities</b>							
Deposits on demand	1,289,005,024	-	-	-	-	-	1,289,005,024
Fixed term deposits	-	5,414,900,730	2,436,152,003	2,761,420,000	53,745,942	-	10,666,218,675
Interest payables	72,189	36,828,420	17,733,405	15,253,753	1,658,138	-	71,545,905
Other liabilities	12,165,070	559,600	-	3,660,168	1,582,515	6,357,107	24,324,460
Total financial liabilities	<u>1,301,242,283</u>	<u>5,452,288,750</u>	<u>2,453,885,408</u>	<u>2,780,333,921</u>	<u>56,986,595</u>	<u>6,357,107</u>	<u>12,051,094,064</u>
Net liquidity gap	<u>(660,151,290)</u>	<u>549,055,066</u>	<u>(688,973,823)</u>	<u>(1,435,310,646)</u>	<u>3,442,102,656</u>	<u>1,343,934,628</u>	<u>2,550,656,591</u>

### (f) Analysis of past due assets

As of 31 December 2021, amount of overdue loans and advances (more than 3 months) is MOP 10,178,984 and the specific provision is amounted to MOP 7,478,660.

	Overdue Loans and Advances (MOP)	Specific Provision (MOP)
Group II	4,003,363	1,604,626
Group III	1,512,935	1,210,348
Group IV	4,662,686	4,663,686
Subtotal	<u>10,178,984</u>	<u>7,478,660</u>

## 16. 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 2021, the Bank's market risk is primarily from foreign exchange swap transactions. There were no outstanding interest rate swaps as of balance sheet date.

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

	<i>MOP In '000'</i>
Capital charge on foreign exchange Exposure/Total capital charge for market risk	4,718
Market Risk Exposure	4,718

## 17. 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 2021, interest rate risk weighted position on all currencies, measured as its impact in the economic values of own funds as follows:

	<i>MOP In '000'</i>
MOP	(4,444.77)
HKD	(16,743.63)
USD	6,012.06
CNY	31,270.37

## 18. 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.

## 19. Foreign exchange risk

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

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

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

The following table indicates the concentration of currency risk as of 31 December 2021:

<i>(In thousand of MOP equivalent)</i>							
	<i>HKD</i>	<i>CAD</i>	<i>CNY</i>	<i>EUR</i>	<i>GBP</i>	<i>USD</i>	<i>OTHERS</i>
Spot as-sets	3,119,647	125	3,972	-	496	-	125
Spot liabilities	-	-	-	(1,087)	-	(192,761)	-
Forward sales	-	-	-	-	-	-	-
Net long (short) position	3,119,647	125	3,972	(1,087)	496	(192,761)	125

## 20. Liquidity risk

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

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

To cater for short term funding requirements during ordinary course of business, sufficient liquid assets are held and also access to the interbank market is maintained. In addition, adequate standby facilities are maintained in order to meet any unexpected and material cash outflow. The Bank also performs regular stress tests on its liquidity position to ensure adequate liquidity is maintained at all times.

### (a) Average liquidity

(i)

<i>Average weekly liquidity for the year</i>	<i>MOP</i>
	<i>In '000'</i>
Minimum weekly cash in hand	177,428
Average weekly cash in hand	278,374

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

(ii)

<i>Liquidity ratio for the year</i>	<i>In Percentage</i>
1month current ratio	112.1%
3months current ratio	108.0%

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

## 20. Liquidity risk (continued)

<i>(a) Average solvency assets</i>	<i>MOP</i> <b>In '000'</b>
Average specified liquid assets	6,869,352
Average total basic liabilities	10,173,509
Ratio of specified liquid assets to basic liabilities	67.5%

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